

Submission to the Ministerial Advisory Group on allocation of funding and the role of a Public Media Funding Commission

Thank you for this opportunity to make a submission to your Group.

BPM Trust

The Better Public Media Trust is a charitable trust with over a thousand members who take an active interest in public service media in NZ.

Our Trust Board and Management team includes media academics, Dr Peter Thompson, Prof Ursula Cheer and Assoc Prof Geoff Lealand; along with independent public media producers David Jacobs and Myles Thomas; and former producers Chris Cooper Allan Martin - one of NZ's longest serving TV executives. We have considerable expertise across commercial and public media, public involvement, law, training, academia, research and education.

Previously known as the Coalition for Better Broadcasting, we have lobbied for several years to promote the cause of public service media in New Zealand. We were born out of the Save TVNZ 7 campaign, involved in the Save Campbell Live campaign, were significant submitters to ComCom against the mergers of NZME/Fairfax and SKY/Vodafone, co-produced the People's Commission into Public Media and Broadcasting¹ with ActionStation, and regularly provide commentary for journalists on the subject of media in NZ.

We are aware that the Ministerial Advisory Group has taken submissions from and met with industry groups. Please note that the points we make serve no financial agenda, are free from any conflicts of interest, and solely focus on the best outcomes for New Zealand audiences.

Summary

- Public media is vital to a healthy national identity that represents our diverse populations
- Public media is essential for an informed democracy
- Public media is trusted in emergency
- Public media is our strongest defence against the dominance and over-reliance of foreign content
- Public media must be insulated from parliament and politicians
- Sustainable, long-term funding for public media is necessary for its stability
- RNZ is a primary home of public media and should be funded accordingly

Public media is vital to a healthy national identity that represents our diverse populations

Public media is media that serves the public interest (which implies *a diverse range of interests*) and does not privilege commercial interests. Content across public media and commercial media can

sometimes look the same (for example a news story about a natural disaster or a scandal over a consumer item like free-range eggs) but distinguishing feature between the two is diversity of opinions and responses.

Expression of diversity can be a problem for commercial media. Public media has the potential to offer a voice for a greater range of participants, to include all ethnicities, ages, gender/sexualities, and disabilities. Commercial media in New Zealand with their focus on ratings and clicks, are less willing to provide such spaces.

The need to appeal to a perceived homogenous audience makes the attractiveness of on-screen talent very important. This explains why young, healthy and upwardly-mobile people dominate screen time. The disabled never appear, older people only occasionally and non-white ethnicities tend to be token – ie one per series.

This lack of diversity is less obvious in other types of programmes such as drama, comedy and current affairs. But the bias persists because producers remain constantly vigilant not to alienate their perceived audiences by broadening the range of faces and cultures on the screen.

The lack of diversity affects our national identity – how we see ourselves and how cohesive our various populations become.

Public media is essential for an informed democracy

The need for local, national and international information, to support a democratic society is a first principle. That this should be independent and objective in the public interest, is fundamental.

A significant difference between public and commercial media is the fourth estate role of the news media. Public media must navigate a path of absolute impartiality and transparency. This is successfully achieved in most Western democracies as evidenced by the BBC, ABC in Australia and RNZ.

The pressures on commercial news media are subtler because they spring from the need to service advertisers and sponsors, as well as retain audiences, within tightening deadlines and resources.

Rules to retain audiences are:

- brevity - shorter duration news and current affairs items
- simple - less complicated explanations of issues with less detail
- speed - less time to research a subject combined with less knowledge and experience within a particular field of journalism
- entertainment - finding engaging angles on subjects
- novelty - an emphasis on familiarity or surprise
- immediacy - personalisation of issues

Often the best way for commercial journalists to fulfil these various imperatives is:

- offer simplistic evaluations of issues – can be inaccurate and politically biased²
- favour an adversary position in respect of the jockeying for power and polling points rather than a focus on policy
- reluctance to do deep research – trusting instead in vested interest sources or hearsay
- assume audience assent or compliance, with little investigation of audience reception

- not cover overly dry subject matter – fourth estate role not achieved

These problems exist to varying degrees in New Zealand's commercial media.

In smaller towns and provinces of New Zealand, where there is often only one newspaper and the largest advertiser is the regional or district council, this tension can become significant. One example: last year in Levin reporters for the *Horowhenua Chronicle* admitted they were unable to report on some council activities because they'd been threatened with loss of advertising by local councillors, many of whom own large local businesses³. This situation is echoed in other small towns around NZ.

Commercial news media cannot fully perform the role of watchdog of the powerful. Public media that is non-commercial is able to, and thus is essential for an informed democracy.

Public media is trusted in emergency

New Zealand experiences regular disasters, small and large. Throughout our floods, earthquakes and other life-threatening crises, well-funded public media has been proven to respond first, provide valuable information and comfort to victims and their relatives/communities, and contain clearer information unhampered by advertising.

Public media is our strongest defence against the dominance and over-reliance of foreign content

Technology is changing viewing habits though not as fast as some commentators would have us believe⁴. International media platforms are gaining audience share in NZ, with Facebook, Netflix and YouTube all make NZ content harder to find and possibly less attractive to audiences.

The popular assumption behind the arrival of such platforms is that we now have an infinite digital cornucopia of choice but this is flawed for several reasons:

- Subscription services are not universal. Some people cannot afford them and some regions lack the online bandwidth to reliably stream such services
- There is minimal NZ content on these services, and no local news, current affairs or educational content
- The content that is available is predominantly entertainment genres such as movies and high-end drama
- There is an increasingly tight attention economy for content discovery. Audiences are faced with a wider range of choice which paradoxically tends to corral consumer preferences into just a few preferred brands and platforms, whether that be picking up news-feeds from Facebook or going to Netflix as the default portal for entertainment
- The visibility and discoverability of quality NZ content across all genres cannot be presumed from the mere availability of content alone. Local content online has to compete for attention with a vast multitude of other online content. Even online content made available through established NZ brands such as TVNZ OnDemand are less visible than regular broadcasts. This is an important reason for supporting an adequately-funded multi-platform public service provider.

In the face of the intensified dominance of local screens by imported content, our wisest strategy is not to attempt to replicate foreign formats with local versions but to create our own media formats and styles. We can't afford to compete with the resources of HBO, Netflix and the BBC.

Our strength is our New Zealand-ness and our daily relevance to local audiences; that unique New Zealand-ness which most appeals to our public. Commercial media is too busy trying to survive commercially to consider such issues in any depth. Only public media has the potential to provide a full range of Kiwi content that celebrates all our unique Kiwi values, cultures and voices.

Public media must be insulated from parliament and politicians

Currently public media and the funding of it is at 'arm's length' from political control. But is that enough?

Political appointments to public media boards is an age-old problem and certainly not limited to recent times. In a small country like New Zealand it is sometimes difficult to avoid appointing Board members who don't have connections to a political organisation or visible vested interests.

When it comes to public media and funding agencies, potential conflicts of interest are best avoided because of the power wielded by these organisations to influence public opinion and national discussion. Equally as important is the perception of impartiality and the maintenance of trust in these organisations.

The same issues are echoed when it comes to levels of funding as they can fluctuate between different political regimes. It is within the rights of a government to spend less or more, just as it is to appoint its preferred Board members, but the decisions a government makes must not alter an editorial stance within those organisations.

But making an organisation more commercial can have the effect of altering its political complexion, Therefore funding decisions should be removed one step further from politicians and given to an independent body, who decide how the funding is distributed.

Appointments to that independent body – perhaps the PMFC or NZ On Air – should also be a step removed from politicians. An example of how to arrange those appointments is Te Mātāwai, where stakeholder groups each choose a Trustee. Potential stakeholder groups to choose trustees for an independent screen funding body could include:

- RNZ
- NZ On Air
- SPADA and other guilds
- BPM and other audience representation groups
- Broadcasters and NZ-based online news providers
- Government

This independent funding body should also be charged with nominating Trustees for other public media organisations, such as RNZ, TVNZ and NZ On Air.

Sustainable, long-term funding for public media is necessary for its stability

The required characteristics of effective public media funding mechanisms⁵ are:

- Clear specification of desired functions and outcomes beyond commercial norm
- Sufficient levels proportionate to functions and desired outcomes
- Transparent and accountable mechanisms, valid performance measures, potentially revocable
- Insulation of content production/commissioning decisions from commercial or political pressures
- Relevant to the local media ecology and available at the point in the value chain most vulnerable to market failure
- Sufficient level of funding to off-set opportunity costs inhibiting provision of desired content forms on a commercial basis
- Directed primarily (although not exclusively) towards outputs/outcomes under-provided by private commercial media
- Avoids distortion of fair market competition where public media also compete directly for substitutable audiences and commercial revenues with private sector rivals
- Legitimacy among stakeholders including public recognition of civic benefits even if they are not consumers of the services funded
- Independence from bureaucratic capture and over-proximity/ dependence on clients/beneficiaries for legitimacy/political justification
- Subject to periodic review of levels, functionality and proportionality by an independent body
- Hypothecation/ringfencing to insulate funding levels from the need for annual budget contestation
- Fiscal neutrality, i.e. no impact on existing government consolidated funds
- Costs incurred by industry transferrable to consumers with minimal transaction costs
- Minimal and proportional costs incurred by consumers/end users of media services
- Costs incurred by industry are more likely to be accepted if there is scope for the industry to benefit either by direct reinvestment (e.g. contestable content funding or infrastructure development subsidies)
- Costs incurred by consumers are more acceptable if the consumer perceives that the funding confers at least some personal benefit as well as wider social benefit

There are several identified alternative funding mechanisms to support enhanced public interest media in New Zealand:

A) Government appropriation model

- Relatively simple to implement as part of the departmental Vote allocations.
- Can be provided as a direct mechanism to a specified service provider (e.g. Crown funding of the Maori television service) an indirect mechanism through an arm's-length agency (e.g. NZ On Air funding for RNZ) or as a contestable mechanism through an arm's-length agency (e.g. NZ On Air and TMP contestable funds).
- Passive mechanism that does not require collection/transaction by public or industry (although contestable funding option requires applications).
- Levels and periodicity can be determined in annual budget rounds (e.g. appropriations could be committed for a 3-year term to support medium term planning).

- Non-hypothecated (ringfenced) and non-statutory appropriations are subject to revision as policy priorities change or new government are elected.

B) License fee model

- Would entail reintroduction of a fee payable either by households or device-users. Fee could be collected either directly by the PSM provider (BBC model), indirectly by a funding agency (NZ On Air model 1989-99) or 'piggy backed' on household rates or utilities billing (see Greek and Turkish models).
- Revenue could be disbursed on contestable basis through a funding agency (NZ On Air model 1989-99) or directly to designated public media provider(s) (original NZBC/BCNZ model).
- Potential for development of new models of license payment for bundles of content (e.g. combination of print/online/broadcast content)
- Clear link between the paying public and service provider receiving the funding.
- Hypothecation (ringfencing) avoids annual budget negotiations and, if statutory, prevent immediate revocation by incoming government thus allowing longer-term planning.
- Public obligation to pay for services in an environment of increasing choice of subscription services for premium content may engender resentment unless services are valued by a majority.

C) Marginal levy model

- Small tax (1% or 0.5%) on a range of media services potentially including subscription services, telecommunications (phone/mobile/broadband), audio-visual hardware/software, and advertising (including online operations like Google and Facebook which currently benefit from online traffic but do not contribute content production costs).
- Potential for a low level of levy to generate relatively substantial revenue if multiple sectors contribute.
- Collection and disbursing agent could operate whether through direct allocation to designated public media provider(s) or through a contestable mechanism.
- Hypothecated, index-linked and fiscally neutral. With the exception of advertising levy, costs are passed onto the consumer of commercial media at point of purchase transaction.
- Commercial media and consumer contribute proportionally across the value chain to compensate for the under-provision of civic and cultural content.
- Passive payment system and low level makes the levy largely invisible from the consumer's point of view; for example the Telecommunications Development Levy which is administered by ComCom and has successfully provided for rural broadband and mobile reception black-spots. While there have been some rumblings from ISPs it has not raised any objections from the public, even when the cost has been directly passed onto them as \$1 on their monthly bill.

- There may be some initial technical complexities in implementing the levy in some sectors (e.g. audio-visual retail).

D) Spectrum/Facilities subsidy

- Subsidy or provision of free broadcast spectrum/satellite carriage for public interest media providers and/or regional/commercial media operators providing relevant public interest services. A recent example of this model was the low-cost spectrum allocation to the (not defunct) Kiwi FM which was dedicated to local music. An example of where such provisions might have usefully been applied was Stratos TV which closed down after Kordia demanded commercial rates for digital spectrum access.
- The production/distribution facilities of existing public sector could also be made available to non-profit/ public interest media providers to support complementary forms of media content (although this would depend on availability and may require costs to be off-set by other means).
- Potential to enhance diversity and viability of regional/non-profit broadcasters and/or help off-set opportunity costs for some other commercial media providers which provide public interest content.
- Primarily a complementary funding mechanism alongside others; unlikely to be sufficient on its own to meet mainstream public interest requirements.

E) Ringfencing of profits from state sector media

- Profits from commercial public sector media operators such as TVNZ and Kordia could be recycled to fund public interest requirements. This could either function through a hypothecation (ringfencing) of dividend payments to the Crown or through being channelled to an agency such as NZ On Air.
- Potential to enhance diversity and viability of regional/non-profit broadcasters by using profits from commercial spectrum to subsidise access for non-commercial media.
- Alternatively, a variant of this model could differentiate between the operation of TVNZ's channels making TV One more public service in orientation by recycling the dividend to off-set the opportunity costs (note this would *not* be sufficient on its own to make TV One non-commercial).
- Primarily a complementary funding mechanism alongside others; unlikely to be sufficient on its own to meet mainstream public interest requirements.
- No effect on private commercial operators; however, the model could reduce the incentive for media operators like TVNZ to maintain profitability if they are not a beneficiary of the mechanism.

RNZ should be the home of public media and funded accordingly

Both NZ On Air and RNZ have had to cope with long-term budget freezes. Although RNZ received a modest increase of \$2.84m for four years in the 2017 budget, it should be noted that a KPMG base-line funding report in 2007 found that RNZ was *already* under-funded by up to \$7m. Based on inflation, RNZ's base-line funding should arguably have increased by roughly \$14m by 2017 *for the radio operations alone*. Although RNZ has been able to cut its costs while expanding its online services, this has not been without cost. It has been unable to invest in expanding its regional presence, salaries have been frozen, and staffing has been cut. BPM and Action station presented evidence of the impact of the budget freeze (including feedback from RNZ staff) to the Parliamentary [Commerce Committee](#). Some RNZ staff have opposed online expansion where this has been facilitated through cuts in the radio service, and there are doubtless some concerns that this will be exacerbated if the commitment to RNZ+ is not accompanied by adequate funding.

NZ On Air, meanwhile has also had a budget freeze although it should be noted that in 2009 it received a significant \$15m boost when the government re-directed the TVNZ Charter money to establish the contestable Platinum Fund. This was intended to be earmarked for high quality public service genres not normally covered by the regular contestable fund (and this was used to expand the range of funded content to include current affairs). When the funding for the commercial-free TVNZ 6 & 7 was discontinued in 2011-12, the government argued that NZ On Air could still ensure many of the local programmes remained available on a contestable platform-neutral basis. Unfortunately, that turned out to be incorrect; NONE of the of the TVNZ 6/7 programmes have survived (although Media 7 and Back Benches did received funding for several seasons while Sky put Kidzone 24 behind its paywall).

What this points to is a structural problem within the NZ On Air contestable funding set-up. Potential programme makers generally need to have an agreement from a broadcaster before funding will be considered, which gives enormous gatekeeping power to the commercial schedulers. Even when NZ On Air offers a high level of subsidy, high quality proposals are routinely declined because they represent an opportunity cost to the broadcaster compared with more populist or cheaper overseas content. Even though some programmes like The Nation and The Hui are broadcast, these have been pushed out of prime time (reducing their discoverability) because they do not attract sufficient ratings and advertising revenue. In this respect, the contestable funds are exposed to the very commercial market limitations for which NZ On Air is intended to compensate (in fact this was explicitly recognised by the Ministry for Culture and Heritage when the TVNZ Charter was being implemented to extend the range of content beyond the genres funded on a contestable basis).

The commercial media sector is facing intensified competition in the digital environment as convergence and new online services blur value chains and undermine traditional business models. There is decreased appetite for commercial risk and opportunity costs of producing and scheduling less popular/profitable genres (e.g. children's programme, educational content) have increased. This has significantly broadened the demands on the contestable funds at the same time as NZ On Air has itself faced its own funding freeze. In response, NZ On Air reformulated its funding model and now includes provision for some funded content to be distributed online. Although this has allowed some new and important content to be produced (such as The Valley which was a joint venture between Stuff and Mediaworks), it is significant that the Platinum Fund has been absorbed back into the main funding budget, removing the public service earmark. NZ On Air also requires prospective programme makers to demonstrate audience reach and co-funding, which naturally favours the more established commercial producers and distributors which can meet co-funding prerequisites and guarantee audience reach.

The structural gap in the NZ media ecology is the absence of a non-commercial public service media provider encompassing radio, television and online. It is noteworthy that TVNZ 6 & 7 were non-commercial and because they were free from the obligation to optimise ratings and revenue in every slot, they scheduled a much greater diversity of content in prime time than any of their commercial rivals. However, they were never eligible for contestable funding. A significant 2017 report on contestable funding by the European Broadcasting Union⁶, pointed out that contestable models still need a public service provider in order to ensure they addressed public service functions.

Both NZ On Air and RNZ can make a plausible case for a share of any additional public funding made available in the 2018 budget. It is clear that even with the additional \$15m, the level of support for public service media in New Zealand is still going to lag considerably behind other comparable countries (e.g. Finland, Denmark, Ireland). If the government and RNZ are indeed committed to expanding RNZ+ as a multi-platform public service operator, including linear free-to-air television, then several points need to be recognised:

- Although RNZ has a Freeview channel, it does not currently have the facilities, infrastructure and personnel to suddenly commence a full television service.
- Given that the estimated cost of maintaining TVNZ 7 before its discontinuation was around \$17m per annum, it would cost at least this much for RNZ to develop such a service. (By contrast, MTS receives around \$35m in direct subsidy from Te Puni Kokiri and Te Mangai Paho, and with other contestable funding and subsidised programming, costs >\$50m).
- Previous attempts to revitalise public service television (notably the TVNZ Charter and TVNZ 6 & 7) were not sustainable policy successes because the level of funding was not sufficient to make a substantial difference commensurate with policy expectations (e.g. between 2003-2008, the TVNZ Charter received \$95m in government funding, but TVNZ paid out \$142m in dividends⁷).
- Under-funding RNZ as it attempts to establish RNZ+ as a multi-platform public service provider therefore risks replicating previous policy shortcomings. The lower level of funding allocation in the budget will engender lower expectations for future years among all stakeholders and likely prove very difficult to increase in the future (especially if that implies a zero-sum funding competition with NZ On Air). The lower level of initial funding could also make it harder to deliver any initial policy impact, making it more complicated to justify claims for future increases (a scenario that vested commercial interests opposed to RNZ+ would inevitably seek to exploit).
- Beyond news and current affairs, RNZ is unlikely to have the capacity to offer a full range of public interest programming serving the needs of a wide range of audiences. Even assuming RNZ+ received the large majority of any additional funding, it will likely need to commission content from third party providers.
- NZ On Air has greater institutional experience of commissioning processes.
- Many commercial media are backing NZ On Air's bid for increased funding (and opposing RNZ+) because this will expand their own eligibility for public subsidy. Although some commercial media do produce high quality local content, it is evident from past patterns of commissioning that there is a strong preference for popular genres which meet their commercial criteria, to the detriment of other genres.
- Many independent producers who are interested in making a diverse range of local public service genres find that the mainstream commercial distributors/platforms are simply not willing to carry this content. They currently struggle to obtain any funding.

- The question over the disbursement of the promised additional funding risks entrenching the tension between the needs of RNZ+ on the one hand and NZ On Air and the independent production sector on the other.
- However, these different institutional interests may be potentially compatible under certain arrangements. Interestingly, the 2005-8 Labour government moved to place NZ On Air in charge of the TVNZ Charter funds (prior to the establishment of the contestable Platinum Fund) in order to ensure transparency and accountability. Hypothetically, if NZ On Air were to act as the commissioning body for the content RNZ+ could not produce itself, then one would kill three birds with one stone, so to speak; The additional funding would be earmarked for RNZ+, *including the contestable proportion*. That would mean RNZ+ would have a reasonable level of base-line funding to develop in the future. Meanwhile, NZ On Air's contestable model would still function in sourcing the best programming ideas from the local creative sector, but with the proportion of additional funding earmarked for initial distribution through RNZ+. Moreover, the independent production sector would have more opportunity to bid for a full range of local content proposals currently inhibited by the constraints of the commercial media ecology. (A discussion paper by Peter Thompson including a possible 'public service publisher' arrangement of this nature is included in the appendix)

¹ - People's Commission Full Report - www.peoplespublicmediareport.com

² - www.radionz.co.nz/audio/player?audio_id=2108592 Bill Francis explains how right-leaning hosts are "good for the business of talkback" at 16.10

³ - *Businesses owners have threatened to pull their advertising if we print stories on certain issues, issues that can't be ignored.* Ashleigh Collis – Reporter, Horowhenua Chronicle

⁴ - www.nzonair.govt.nz/research/all-research/where-are-the-audiences-2016/

⁵ - See <http://www.mch.govt.nz/sites/default/files/MCH-OECD-Funding-Report.pdf> and http://www.victoria.ac.nz/seftms/about/staff/peter-thompson/Show_Me_the_Money_Thompson-SPADA_2011.pdf

⁶ - ¹ Dunleavy, T. (2017) the New Zealand Experience. Chapter 1 in Contestable Funding for Public Service Content. EBU Media Intelligence Service Unit. December 2017. Switzerland.

⁷ - See Thompson, P.A. (2007), From the Digital Sublime to the Ridiculous? TVNZ's New Digital Services and the Future of Public Television in New Zealand, *Communication Journal of New Zealand: Special Edition on Broadcasting Histories, Digital Futures*, 8 (1): 43-62.