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**Television Reform in New Zealand:  
Broadcasting Blues or Blue Sky?**

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# Television Reform in New Zealand: Broadcasting Blues or Blue Sky?

## Abstract

Following the 1989 Broadcasting Act, New Zealand was regarded as indicating the consequences likely to flow from substantial deregulation of broadcasting. Now it is providing a case study of government attempts to renew intervention in broadcasting markets for social and cultural purposes. Since 1999 the government has been seeking to address the legacy of the 1989 broadcasting reforms – low levels of quality New Zealand programming and a highly commercialised publicly owned broadcaster. This paper traces these developments which to date have had mixed outcomes. It discusses the broadcasting landscape in New Zealand, the deficiencies the government is seeking to address, and progress to date with reform. The paper highlights the continuing relevance of social and cultural objectives for broadcasting in the emerging digital environment.

## Key words

New Zealand television  
cultural objectives and broadcasting  
public service broadcasting  
local content  
digital issues

## Introduction

Many New Zealanders have the broadcasting blues. They want TV and radio of a higher calibre.<sup>1</sup>

Broadcasting reform was a key element of the New Zealand Labour Party's policy platform in the lead-up to the 1999 election. The party promised to establish a long-sought Maori television service, increase the amount of New Zealand content on television and radio, and return the highly commercialised publicly owned television broadcaster TVNZ to a public service broadcasting role. The platform represented a commitment to a more interventionist approach to broadcasting policy in order to achieve social and cultural objectives, in marked contrast to the policy direction pursued since 1989 when broadcasting was substantially deregulated.

Since 1999 the Labour government has set about the task of implementing its broadcasting reform agenda. At the same time, digital television issues have come to the fore and, along with the distinctive features of the New Zealand broadcasting landscape, are adding to the complexity of the task. New Zealand poses a case study relevant to the broader issue of how to support local content and a public broadcasting mandate in a changing broadcasting environment. Its experience is of interest in Australia, given the links that exist at many levels between the broadcasting and audiovisual sectors in both countries. These include Australian shareholdings in broadcasting and communications businesses in New Zealand, a pattern of industry personnel working in both countries, significant amounts of

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<sup>1</sup> *Christchurch Press*, 2 Feb. 2000.

Australian programming on New Zealand television, and the formal inclusion of New Zealand programs in the Australian local content system.

This paper examines developments in New Zealand television, focusing mainly on the reform of TVNZ and local content developments. The major outcomes to date have been changes in the role of TVNZ and the establishment of a Maori television service. TVNZ will operate under a charter which requires it to fulfil various cultural objectives. While some additional funding was provided in the 2002 budget, questions remain about how the new charter obligations will be funded in the longer term and whether it will be successful in balancing a public service role with a commercial imperative. It appears that the government is unlikely to proceed with mandatory local content quotas and may opt instead for a self-regulatory scheme, similar to the approach being taken to New Zealand music on commercial radio.

There is dissatisfaction with the progress of reform from the film and television production industry and various commentators. The government argues that progress is reasonable, given the restraints involved such as the marginal position of private broadcasters, and overall funding constraints. The underlying dilemma is the small size of the New Zealand market (population of 3.8 million in 2001) which limits the profitability of multiple television operators, and means that funding of local content and public service broadcasting is an ongoing and difficult to resolve issue.

The paper falls into the following sections:

- An outline of the broadcasting landscape, including an overview of digital developments;
- A discussion of the deficiencies the government is seeking to address;
- Progress with implementation of the reform agenda.

## **The Broadcasting Landscape**

The deficiencies in New Zealand broadcasting are usually traced back to the substantial changes that occurred in the late 1980s at the height of the 'New Zealand experiment' – the program of wide ranging deregulation of the economy and of public institutions instituted by the Labour government. Since 1989 New Zealand television broadcasting has been marked by an open competitive market, the relative absence of regulation, and considerable dissatisfaction with the quality of services, particularly those provided by the dominant broadcaster TVNZ.

## **The Regulatory Environment**

Up to the late 1980s, the publicly owned Broadcasting Corporation of New Zealand (BCNZ) was the only provider of television services. The first major shift towards a deregulated environment occurred in 1987 when a licence for a commercial service TV3 was offered. This was followed by the 1989 deregulation which involved a major restructure of BCNZ, and the removal of barriers to market entry and of restrictions on the introduction of particular technologies. The major relevant features of the 1989 reforms were:

- The radio and television arms of BCNZ were split, with TVNZ established as a limited liability company under the State Owned Enterprise Act. As such, it was required to operate as a successful business and to return a dividend to its shareholding ministers;

- Ownership of transmission sites was vested in a subsidiary TVNZ company, Broadcast Communications Ltd, which would service other clients and be competitively neutral in its dealings with all broadcasters;
- A Broadcasting Commission, later known as NZ on Air (NZOA), was established to promote the government's social objectives. Funded by the broadcasting licence fee previously allocated to BCNZ, this was given the role of promoting universal access, minority programming, and programs which reflect New Zealand identity and culture;
- The quasi-judicial Broadcasting Tribunal, whose role had been to advise the responsible Minister, license broadcasters and adjudicate complaints, was abolished. A new body, the Broadcasting Standards Authority (BSA), was established, with the more limited role of overseeing program standards.

In enacting these changes, the Labour government did not see itself as resiling from cultural and social objectives, hence the decision to retain public ownership in broadcasting companies, and to establish the two bodies – the BSA and NZOA – charged with maintaining program standards and supporting local content. However, 'at the heart of the new reforms' was the separation of the commercial and social objectives of broadcasting with new organisations (TVNZ and NZOA), which would pursue each of these objectives independently (Spicer, Powell and Emanuel 1996, p. 15). Rather than directly funding the public broadcaster, support for public service programming was to occur through a system of competitive contracts between public and private broadcasters as part of the overall aim of creating a 'level playing field'. TVNZ was to be driven primarily by commercial objectives, with social objectives taking very much a secondary role.

While the changes in the late 1980s were far reaching, publicly owned television in New Zealand had never fitted the classic public service broadcasting model. From its introduction as a state monopoly in 1960, television had been funded by a combination of advertising and the licence fee, and accordingly been subject to competing commercial and cultural objectives. This early reliance on commercial revenue related to the small size of the market and the high cost of transmission due to the geography of the country (Horrocks 2002, p. 246). These factors continue to have a close bearing on television broadcasting developments. However, all major commentators regard the 1989 deregulation as a significant shift. Writing in 1996, Horrocks said: 'What is clear is that even though commercial forces have always been strong in New Zealand television, they are more dominant today' (Horrocks 2002, p. 257).

A recent government report (MED 2001, p. 11) described the broadcasting environment as follows:

Since 1989 there have been no restrictions on who may enter the market to provide broadcasting services in New Zealand. The only government-imposed constraints on commercial broadcasts have been the need to acquire suitable radio spectrum, to comply with the provisions of the Commerce Act and to meet program content standards.

This position contrasts with that in radio where non-commercial, publicly funded services were retained following the privatisation of a number of state owned radio services in 1995-96. Radio New Zealand, which operates National Radio and Concert FM, is funded by NZOA, and operates under a charter setting out a clear public broadcasting role. This gives it responsibility for promoting New Zealand

culture, and providing high quality news, current affairs and educational programming (Thompson 2002, p. 3).

## **Current Industry Structure**

The period following deregulation saw an increase in television services, with the commencement of pay television in 1990 and the establishment of a number of small regional or community free-to-air broadcasters. However, a few broadcasters are dominant: the main free-to-air broadcaster is TVNZ, followed by Can West; the pay television sector is dominated by Sky Television, with a cable operator TelstraClear offering retail services in a limited geographical area, and, as set out below, now reliant on Sky for programming.

### **Free-to-air Broadcasters**

TVNZ operates two national channels, TV One and TV2, with a combined audience share in 2001 of 66 per cent of the total television audience including pay TV.<sup>2</sup> The two channels are designed to be complementary, with TV One having the larger audience share (41 per cent) and targeting an older demographic, and TV2 with a 25 per cent share aiming at the under 39 audience. The TVNZ Group also operates transmission and communications services businesses, primarily Broadcast Communications Ltd and TVNZ Australia. These provide domestic and international linking and transmission facilities and services for the television and radio broadcasting and narrowcasting industries, and were primarily responsible for the group's after-tax profit of \$30 million in the year ending June 2001. Net surplus for the six months ending 31 December 2001 was \$14.5 million, with \$5.2 million contributed by the television and media business and the remaining \$9.3 million by the transmission business (TVNZ 2002a).<sup>3</sup>

Canadian company Can West, which operates the Ten Network in Australia and broadcasting interests in Ireland and Canada, owns TV3, a national network, and the limited reach channel TV4. These have a combined audience share of 22 per cent. TV3 with 19 per cent targets the 18-49 age group, and TV4 is aimed at the 15-39 demographic. The television business has been operating at a loss, with revenue falling 9.5 per cent to \$91.8 million in the year to October 2001. On the other hand, Can West's extensive radio holdings in New Zealand have recorded profits in recent years, leading to an overall operating profit for Can West New Zealand of \$9.8 million in the year to August 2001 (Louisson 2001). More recently there has been speculation that Can West intends to divest itself of its New Zealand broadcasting assets to help pay off part of the significant debts resulting from activities in other markets.<sup>4</sup>

Prime TV, a subsidiary of Australian regional broadcaster Prime Television Pty Ltd, has been operating in New Zealand since the end of 1997, broadcasting in nine cities and provincial centres. Its New Zealand operation has been struggling, with 3 per cent of the total television audience but a lower share of revenue (1 per cent), and losses in 2000-01 of \$13.19 million. At the end of 2001 Prime announced a five year agreement with Publishing and Broadcasting Ltd (PBL) under which the Nine Network will supply programming to Prime New Zealand and use its sales force to

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<sup>2</sup> Nielsen Media Research.

<sup>3</sup> All monetary values in the paper are expressed in New Zealand dollars unless otherwise stated.

<sup>4</sup> Media reports cite potential buyers as being the Ten Network, PBL, the Austereo radio network and SkyTV (*National Business Review*, 19 Apr. 2002).

sell advertising on the station (Marriner 2001). In return for its content and advertising sales, PBL has been granted an option to acquire 50 per cent of Prime NZ over the next five years. The agreement will also see the station's coverage expanded from 75 per cent of the population to 90 per cent. This development is leading to a shift in Prime's programming profile from a largely British 'top end of TV One niche' to 'a more mainstream channel' with increased Australian and back catalogue American programming (Drinnan 2002a).

In addition, there are seventeen small regional broadcasters, most of which are non-commercial and funded through a mix of local sponsorship, donations and limited advertising.

### **Pay Television**

The take-up of pay television by 32 per cent of households is relatively high, largely driven, in the absence of anti-siphoning rules, by sports programming. Sky Television with 9 per cent of the peak television audience (and 14 per cent in the 6 a.m. to 12 midnight period), accounts for 95 per cent of pay subscribers. Sky Network Television Ltd, established in 1990, is 66 per cent owned by Independent Newspapers Ltd which is in turn controlled by Rupert Murdoch's News Ltd. Sky operates both an analogue terrestrial network and a digital satellite based network which commenced in 1997. At December 2001 it had 443,000 subscribers representing around 30 per cent of all households, with 300,000 of these connected to the digital service. While still not in profit, Sky reported an improved result in the six months to December 2001 with a net loss of \$13.2 million compared to \$19.6 million over the comparable period in the previous year (Sky Television 2002).

Sky has recently strengthened its position by reaching an agreement with TelstraClear.<sup>5</sup> Since February 2002 Sky has provided all TelstraClear's television programming, taking over existing programming contracts, and managing the relationship with suppliers (Sky Television 2001). This added around 25,000 subscribers to Sky's total subscriber base. The two pay operators will continue to compete at retail level.

### **Emerging Digital Issues**

At the beginning of 2001 it seemed that two digital camps would emerge in New Zealand: Sky Television (in partnership with Telecom) and a TVNZ/Telstra Saturn alliance. The position changed dramatically over the year with Sky emerging as the sole provider of digital television and with the main free-to-air channels now carried on the Sky platform. The main developments are outlined in the accompanying box.

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<sup>5</sup> TelstraClear resulted from the recent merger of cable operator Telstra Saturn, which was rolling out a cable network in Christchurch, Auckland and Wellington, and telecommunications company, Clear.

### **Digital Developments: The Emerging Sky Monopoly**

Carriage of TVNZ services on the Sky platform occurred after two attempts to launch a separate digital service. The first occurred in late 1999 when a proposal was developed for a digital data network for a free-to-air/pay TV service in partnership with United Kingdom pay TV operator NTL.<sup>6</sup> The newly elected government rejected this in early 2000 on the grounds of expense and because it would distract attention from the government's priority – the reform of TVNZ.

Can West and Sky Television reached agreement in early 2000 that TV3 and TV4 would be carried on a conditional access basis on the Sky platform.

The second TVNZ initiative commenced in November 2000 when TVNZ and Telstra Saturn announced their intention of forming a joint venture to establish a free-to-air/pay TV digital platform. The parties signed an interconnection agreement in April 2001 which provided for open access to each other's transmission networks and set-top boxes. The deal included a satellite services agreement under which TVNZ subleased satellite capacity on Optus B1 to Telstra Saturn. For Telstra Saturn, the agreement would thus have extended the reach of its pay TV services.

In mid-2001 Can West rejected an invitation from TVNZ to participate in the proposed digital free-to-air service on the basis that access to the Sky platform was adequate at the time.

TVNZ was to have launched a digital broadcast service in October 2001. It was to use an interactive set-top box capable of interoperability with Sky as well as Telstra Saturn (subject to agreement being reached with Sky on open access). The box was to be capable of delivering non-traditional services such as email, internet and home shopping, as well as enhancements and interactivity around traditional TV content.

Telstra Saturn withdrew from the agreement in August 2001, leaving TVNZ in the position of having to launch without a pay partner, as Sky would not allow its content to be accessed via the TVNZ platform. In this situation TVNZ could not proceed, having nothing to offer immediately except channels 1 and 2, and the promise only of more channels and new applications.

TVNZ reached an agreement at the end of 2001 for TV One and TV2 to be carried on Sky for ten years, with the TVNZ chairperson saying this provided a low cost digital option. The agreement gives TVNZ the option to introduce additional channels and interactive extensions for TV One and TV 2 in the future. TVNZ will need to move to a non-Sky transponder for any interactive applications so they have their own return path, but will have to use the same middleware and functionality as Sky (MED 2001). After some very hard negotiation, TV One and TV2 occupy positions 1 and 2 on the remote.

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<sup>6</sup> A digital data network is digital transmission using satellite formats but transmitted from terrestrial sites, proposed for operation in the 12 GHz bands. (MED 2001, p. 47).

TV One and TV2 are unencrypted and can be accessed in digital form by viewers purchasing a satellite dish and set-top box independently of Sky. TV3, TV4 and Prime are encrypted and thus only accessible through the Sky set-top box. Through Sky, the viewer has the option of receiving the free-to-air channels along with the various Sky channels, or just taking the free-to-air channels. This latter option costs around \$17.30 a month, said to cover the rental of the set-top box, plus installation costs starting at \$199.

Given that most viewers already have access to the free-to-air channels in analogue form, neither option – of accessing either TV One and TV2, or all free-to-air channels in digital form through Sky – would seem very attractive. The second option may have some appeal for viewers who experience free-to-air reception problems. However, it would seem that most digital viewers are Sky subscribers, with the attraction being premium sports programming, increased choice in other programming and, for those with free-to-air reception difficulties, the ability to get good quality signals from all channels. Sky's digital service offers up to 32 television channels, a number of audio services, four pay per view channels, and some recently introduced interactive applications.

There is uncertainty as to whether an alternative, free-to-air, digital platform will be established in the near future. The debate about New Zealand's digital future accelerated over 2001 as industry events unfolded and as digital television transition proceeded (albeit often with considerable problems) in other countries. A report commissioned by NZOA, *New Technologies and the Digital Future* (Norris and Pauling 2001), released in August provided a discussion of digital trends and an assessment of their likely impact on New Zealand broadcasting. The government issued a discussion paper in December 2001 to feed into its development of policy, with the underlying question being the extent to which the government should intervene to influence digital developments (MED 2001).

The main issues in the digital debate are:

- What are the implications of the emerging Sky monopoly?
- Should the government regulate for open access to ensure competition, viewer access to content, and access for content providers to platforms?
- How can an alternative free-to-air digital platform be established? Will there be cooperation between the free-to-air broadcasters? Will the government need to subsidise the cost of extending transmission to more isolated rural areas?
- What are the implications of digital television for the government's social objectives in broadcasting and, in particular, for TVNZ's new public broadcasting role, for Maori television, regional and non-commercial television, and the promotion of local content?

On the Sky monopoly, commentators argue it is undesirable for the dominant pay TV provider to control the digital gateway to the home. Provision of the free-to-air services through Sky is seen as a second best option which will impact on their ability to fully develop the potential of digital television. There is also some uneasiness about New Zealand being reliant on a foreign owned pay TV company using a foreign owned satellite (the OptusB2 satellite) for digital services.

One of the major advocates of regulation for open access has been James Munro, the former head of TVNZ's digital strategy. He argued that when the TVNZ/Telstra Saturn agreement folded, the government should have intervened to require Sky to make its content accessible via the TVNZ platform. Munro's (2001a) view is that

TVNZ needs to be an independent digital player, and that the government should mandate TVNZ to provide a free-to-air option for set-top boxes and invite the rest of the free-to-air industry to participate. Munro (2001b) has made the following points:

- Public service broadcasting has to be more than programming two linear channels to make up for market failure in delivering certain types of content;
- Digital is not only about e-commerce and other commercial aspirations; it has various benefits for New Zealanders as citizens. A digital platform can provide email and internet access and thereby provide citizens with access to government and to each other;
- The ability to develop and distribute content via digital systems will enhance New Zealand creative development and lead to extensions and new forms of content;
- Being a real digital player able to offer a range of services and generate new sources of revenue will prevent the marginalisation of TVNZ, enabling it to compete in the face of the continued fragmentation of TV audiences.

Sky argues there is no need for regulation as it has provided access for the main free-to-air services and has not placed restrictions on TVNZ's activities on the Sky platform. However, it is unclear how far Sky's commitment to open access extends. The advocates of regulation respond that it been somewhat of a one way street, with Sky not prepared to make its content available through the mooted TVNZ/Telstra Saturn service or through a stand-alone TVNZ platform.

The Telecommunications Inquiry which reported in late 2000 recommended a level of regulation which would require the industry to work towards a common standard. Two categories of regulated services were recommended: a lower level (specified services) and a higher level (designated services). The recommendation was that Sky's conditional access systems should be specified, but only to enable an Industry Forum (of which Sky and other broadcasters would be members) to develop a code to prevent any foreclosure of competition. The report noted that specifying the Sky service is important 'given the potential of Sky's digital TV network to deliver innovative electronic communications services (including internet access) throughout New Zealand' (MED 2000). In its response in December 2000, the government decided not to adopt this aspect of the Inquiry's recommendations. However, the issue is still under consideration, being one of the main questions posed in the government's digital discussion paper.

Norris and Pauling (2001, p. 112) have taken issue with the government approach, saying 'there are some crucial areas to the digital future where New Zealand has, to date, notably failed to regulate':

- Lack of a legislative framework for the transition to digital television;
- Open access to digital platforms;
- Unbundling of the local loop to facilitate competition in the provision of broadband access.

The government has indicated that finalising its approach to digital transition is not an urgent priority and that it has some preference for taking a 'wait and see' attitude. Some broad policy positions have been articulated. The former Minister of Broadcasting, Marian Hobbs, commented that the fragmentation of the digital era

means that the role of the public broadcaster becomes more, not less, important.<sup>7</sup> Reflecting this, the TVNZ charter will apply to all TVNZ broadcast content including any future new digital services. The government is also mindful of access issues, with the minister saying, 'We must ensure all New Zealanders can benefit from digital television...especially in relation to public service broadcasting'. She identified the following obstacles for the public:

- The costs associated with acquiring digital reception equipment;
- The possibility of constraints on access to content via the set-top box depending on the capability of the box, and whether conditional access applies (Hobbs 2001d).

While the minister emphasised the need for viewers to access any content in the future and to continue to receive core services on a free-to-air basis, it remains to be seen whether the government will consider it necessary to regulate to these ends.

Although some argue that there is urgency about resolving various digital issues, the 'wait and see approach' is perhaps understandable, given the problems surrounding digital television elsewhere. With the collapse of the ITV digital service in the United Kingdom, continuing slow take-up in the United States and great uncertainty over digital television in Australia, more searching questions are now being asked about the benefits of digital television for viewers. A United Kingdom study released in late 2001 showed considerable resistance to incurring the costs associated with moving to digital (Broatch 2002). The cost issue is very relevant in the New Zealand context when one considers the low incomes of many households.<sup>8</sup> It is possible that many New Zealanders would agree with the following comment:

More channels, widescreen movies, video on demand, online TV guides and multiple TV angles – who cares? Ordering pizza online, games, betting, internet, email, less interference – honestly I'd settle for fewer of those weekend schedules that only video shop owners could be pleased with (Broatch 2002).

## The Need for Reform

The problem has been one of underperformance by the New Zealand model of broadcasting as a whole. I do not believe that the true reality and diversity of New Zealand life are well enough represented in our broadcasting. I think that the contribution broadcasting can make to democratic participation and public debate is under-developed (Hobbs 2001a).

While the 1989 changes led to an increase in television services, the quality of those services has been very contentious. The critique mounted by various commentators and supported by government is that a market driven, commercially based broadcasting system has failed many in the community. Easton (2002, p. 229) has put it as follows:

there is widespread perception that the broadcasting system is failing markedly. The reforms of the 1980s are seen as too pro-market, and the system is failing to deliver on choice and community and culture.

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<sup>7</sup> Marian Hobbs was Minister of Broadcasting from 1999 to the July 2002 election when Steve Maharey took over the portfolio.

<sup>8</sup> June 2002 figures showed that 60 per cent of income earners had a weekly income of under \$509, equivalent to an annual income of just under \$26,500 ([www.stats.govt.nz](http://www.stats.govt.nz)).

The major concerns have been:

- Excessive commercialism of TVNZ services;
- Lack of quality, public broadcasting programming;
- Minimal presence of in-depth news and current affairs;
- Relatively low levels of local content across public and private television services, and lack of diversity in local content.

To a considerable extent, these concerns have centred on TVNZ, given its public ownership and dominant market position. TVNZ's reliance on advertising revenue and the absence of a public service mandate has meant that New Zealand audiences have been provided with very limited diversity and choice. There are differences in programming between the three national channels, related to factors such as their different target audiences, the extent to which they draw on American or British drama, and some differences in the type of local content they provide. TV One, which aims at the older audience, tends to focus on news, sport, entertainment, information programming and British drama. TV2, aimed at the younger audience, carries children's programs, reality programs such as *Big Brother* (the Australian version), *The Mating Game* (a local dating series), the long-running local serial *Shortland Street*, and popular United States series such as *ER* and *The Simpsons*. TV3 targets a somewhat similar audience to TV2, with programs such as the Australian serial *Home and Away* and United States programs such as *Sex and the City* and *Malcolm in the Middle*. However, all three operate as mass appeal commercially driven services: New Zealand television is missing the structural diversity that marks Australian television with its mix of public and private broadcasters.

Lealand (2000, p. 216) points out that the increase in the number of transmission hours resulting from the increase in services in the 1990s was not accompanied by a corresponding increase in programming diversity. He identifies the following trends in television scheduling:

- A shift towards populist programming in prime time;
- A proliferation of reality programs and sponsored magazine programs;
- Documentaries and quality drama shifting to late hours.

The debate about the quality of New Zealand television focuses on the role of the medium in promoting democratic participation, as well as reflecting New Zealand culture. A major criticism has been the perceived tabloid tendencies in news and current affairs broadcasting (Horrocks 2002, p. 251). An analysis by Daniel Cook of news bulletins over the period 1984 to 1996 found 'comprehensive change in One Network News' as evidenced by:

- A shift to faster paced news that is cheaper to produce and more appealing to advertisers than longer, more in-depth pieces;
- A reduction in items concerned with political policy making and its implications;
- Increased corporate and economic information;
- An increase in crime news.

Cook's (2002, p. 144) analysis showed that the trend over the period was for non-news items (weather, sport, commercial breaks and chat) to increase at the expense of news, so that by 1996 non-news items exceeded news items on the main TV One news bulletin. His overall conclusion was that the changes support a number of

theories about the impact of commercialisation on news content: that the news would serve advertisers more than viewers; that the news would tend to avoid complicated stories and focus on simpler issues; and that the content would reflect the media organisation's view of the audience as consumers rather than citizens. While some changes are now occurring, much of this critique has remained valid.

The concern about the quality of television services is shared by the general public as well as academic and media commentators. Lealand (2000, p. 218) reports that an opinion poll in 1996 reported 64 per cent of respondents as dissatisfied with the outcome of unfettered commercialism in television. NZOA commissioned research shows strong support for increased local content. A recent survey showed that support for increasing locally made TV programs grew from 35 per cent in 1996 to 61 per cent in 2001 (NZOA 2001b).

More recently, the newly appointed chief executive of TVNZ Ian Fraser commented on the paradox that while TVNZ is dominant in the ratings, surveys conducted by independent agents show 'that dissatisfaction levels among viewers are going up year after year' (Menzies 2002).

### **New Zealand Content**

Farnsworth (2002a, p. 334) has described the position in respect of local content as follows:

it has created pressure for cheap, mass produced local programming. Moreover none of these figures (for the main national channels), account for the tiny amount of local content shown on any of the TV4, Prime, or Sky TV channels. The net result is often thinly spread, cheaply produced local content overall.

In 2001 the overall outcome for the three national free-to-air services – TV One, TV2 and TV3 – was:

- New Zealand content represented just under 24 per cent of all programming (6 a.m. to midnight) on the three networks taken as a whole – similar to the level in 1988;
- Local content in prime time has increased, standing at 37.2 per cent in 2001 compared to 23.5 per cent in 1988. However, this increase has not been steady, with the current level lower than the peak of 42 per cent reached in 1995;
- The position varies across the three services: across the 6 a.m. to midnight time span, local content represented 54.5 per cent of all TV One programming; for TV2 the figure was 17.4 per cent, and for TV3, 19.6 per cent.

This outcome led NZOA (2002, p. 9) to comment:

TV One is almost at the level of local content achieved by quota regulation in Australia, but the other two national free-to-air channels have a long way to go.

Much local content is wholly funded by broadcasters, with a smaller proportion, comprising the more costly, risky formats, supported by NZOA. The proportion of local content made with NZOA funding has declined in recent years: 17 per cent in 2001 compared to 25 per cent in 1997. In the 2001 Local Content report (NZOA 2002, p. 1), its chairman said:

We can see that broadcasters are contributing solidly to total local content, with more programmes produced without a subsidy. However such programmes are generally more commercial, or lower cost, than NZ on Air funded.

In the absence of regulation, the higher outcome for TV One shows a responsiveness to viewer desire for local programming, a feature of television services around the world. This is related to TV One's dominant share which gives it sufficient revenue to support this level of local content. The position is quite different with TV2 (17.4 per cent) and TV3 (19.6 per cent), and, as discussed below, all three national networks are marked by a lack of diversity in local content. NZOA (2002, p. 1) chairman commented on the overall position in 2001:

the face of local content is changing significantly. The amount of local sports programming on the main free-to-air networks has decreased dramatically since the highs of the early 1990s. Relatively low cost genres such as information, entertainment, news and current affairs programming are showing the strongest increases over time. The hours of highly subsidised genres (which also tend to be high cost and high risk) such as drama, documentary and children's programming are remaining static and are decreasing as a proportion of the overall total.

The amount of local content on the other television services is minimal:

- TV4 screened 186 hours in 2001, representing 5.6 per cent of total broadcast time, with 79 hours of this being prime time first run programs.
- Local content represented 15.9 per cent of total broadcast time on Prime, with 40 per cent of this being repeat programs. Local programming consisted primarily of the infomercial *Prime Living* and local sports and news.
- There is minimal New Zealand content on Sky TV channels, with some local sports and news and 'the occasional New Zealand film or documentary' (NZOA 2002, p. 24).<sup>9</sup>

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<sup>9</sup> Sky has since established a locally based lifestyle channel, the Living Channel, operated by New Zealand producers Julie Christie (of Touchdown Films) and John McCready. It is not clear how much of this will be locally produced programming. Touchdown, which specialises in reality/infotainment type programming, will provide content which reportedly will mainly be repeat programming (*Listener*, 29 June 2002).

### **The NZ on Air Model**

Support for local programming has been delivered through a single mechanism – direct subsidy available through NZOA – with grants available to the national public and private broadcasters on a competitive basis. NZOA’s statutory functions include the reflection of New Zealand identity and culture through commissioning programs about New Zealand and New Zealand interests, promoting Maori language and culture, and serving the interests of particular audiences. Its total operating budget in 2001-02 was \$96.5 million, with \$57.3 going to television program funding.<sup>10</sup> The remaining funding goes to radio (for Radio New Zealand’s two public service stations, and for access/special interest radio), New Zealand music, archives and transmission coverage.

Relatively speaking, the level of public funding for television has been low. A 1999 comparison of public funding of broadcasting across seven countries showed that New Zealand had the lowest level of per capital expenditure. The per capita figure was \$12, compared to \$43 for Australia, \$57 for Ireland and \$40 for Canada (MCH 2001a).

NZOA funds two types of programs:

- High risk, high cost categories such as drama and documentaries;
- Programs catering to the special interests of women, youth, children, persons with disabilities and minorities in the community including ethnic in the community.

NZOA funding comprises the bulk of the production budgets of both types of programs. The majority of NZOA funding supports TVNZ programs – 72 per cent in 2001, with TV3 accounting for 28 per cent. Interestingly this break down is close to the share of each broadcaster. In both cases most programming is produced by the independent sector which accounted for 79 per cent of all NZOA supported production in 2001 (NZOA 2001c, p. 48).

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<sup>10</sup> From July 2000 (following the abolition by the previous National Party government of the public broadcasting fee), NZOA has been funded directly from the national budget. Its total operating budget of \$96.5 million is made up of the \$87 million base funding as of the change of government at the end of 1999, along with an additional \$9.5 million provided over 2000 and 2001 (Hobbs 2002b).

## The Diversity Issue

In its local content surveys, NZOA has repeatedly drawn attention to the increasing lack of diversity across, genres with increases in news, entertainment and information occurring at the expense of the riskier, more expensive forms such as drama and children's programs (NZOA 2001a, p. 1). This is clearly demonstrated in the case of TV One by the modest amount of local drama (21 hours in 2001), compared to the large amount of locally produced 'information' programming (832 hours, up from 229 hours in 1995).<sup>11</sup>

In the riskier areas of programming, there has been a significant decline in the amount of new locally produced programs across all three networks since the mid-1990s:

- In 1995 there were 224 hours of first release New Zealand drama, compared to 181 hours in 2000 and 205 hours in 2001;
- First release children's programming stood at 467 in 1995, compared to 308 in 2001.

Drama and children's programming are particularly difficult to deliver in a small market like New Zealand, given the economics of television. The key factor for commercially driven broadcasters is the marginal profitability of different kinds of programming. Given the low cost of foreign programming compared to the cost of supporting local programming, foreign drama will often make more sense commercially, notwithstanding audience desire for local programming. In a situation where limited subsidy has been available, audiences receive large amounts of United States, British and Australian drama, but few New Zealand drama programs. Audience preference for local programming has mainly had to be satisfied with sports, news and current affairs, and infotainment.

Tables 1 and 2 provide further detail on the amount of first release programs in various categories for the period 1995 to 2001.

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<sup>11</sup> Under the NZOA local content survey, 'information' comprises a wide range of program types, generally with a magazine format and/or an information as opposed to an entertainment or competitive flavour.

**Table 1: First-run hours (peak and offpeak) for all three channels**

	News, current affairs	Entertainment	Sport	Documentary	Information	Drama, comedy	Children	Maori	TOTAL
2001	1,992	391	766	197	990	205	308	295	5,151
2000	1,876	313	1,188	168	892	181	308	256	5,182
1999	1,835	418	932	229	743	179	297	196	4,830
1998	1,745	313	945	233	729	182	342	180	4,673
1997	1,438	230	864	189	772	171	367	180	4,211
1996	1,186	154	1,055	187	717	201	403	165	4,068
1995	1,032	270	1,545	206	320	224	467	127	4,191

Source: < <http://www.nzonair.govt.nz/pag.cfm?i=610>>

**Table 2: First-run hours (peak and offpeak) by channel**

	News, current affairs	Entertainment	Sport	Documentary	Information	Drama, comedy	Children	Maori	TOTAL
<b>TV One</b>									
2001	1,142	70	423	103	832	21	0	182	3,071
2000	1,347	77	759	91	793	5	0	163	3,235
1999	1,324	74	758	121	670	25	0	144	3,116
1998	1,328	65	751	132	676	14	0	140	3,106
1997	1,002	60	562	108	438	24	8	146	2,349
1996	757	46	748	121	249	20	1	122	2,064
1995	526	131	1,066	128	229	41	28	127	2,276
<b>TV2</b>									
2001	8	291	21	56	61	157	294	47	934
2000	11	205	20	37	43	167	271	47	801
1999	4	290	71	48	30	145	255	48	889
1998	0	182	36	28	25	144	210	40	665
1997	18	125	121	20	281	119	198	34	916
1996	0	75	102	9	378	136	209	44	953
1995	89	77	197	18	7	135	243	0	588
<b>TV3</b>									
2001	542	30	322	38	98	28	14	67	1,145
2000	518	31	409	40	57	10	37	47	1,149
1999	507	55	103	61	43	10	43	3	825
1998	421	67	158	73	28	23	132	0	902
1997	418	45	181	60	52	28	162	0	946
1996	429	33	205	57	89	44	193	0	1,050
1995	417	62	282	61	85	49	197	0	1,153

Source: < <http://www.nzonair.govt.nz/pag.cfm?i=610>>

The position for the high risk areas of programming in the last two years was as follows:

#### *Drama/Comedy*

- In 2000 there were five hours of first release New Zealand drama/comedy on TV One, increasing to 21 hours in 2001;
- TV2 broadcast 167 hours in 2000, dropping to 157 hours in 2001, mainly accounted for by the serial *Shortland Street*;
- TV3 broadcast ten hours of first release drama in 2000, increasing to 28 in 2001.

#### *Children's programming*

- TV2 broadcast 271 hours of first release children's programming in 2000, increasing to 294 in 2001;<sup>12</sup>
- For TV3 the 2000 figure was 37 hours, dropping to 14 hours in 2001;
- There was no children's drama on any network in 2000, and only one, *Being Eve*, commissioned by TV3 in 2001;

#### *Documentary*

- Documentary has fared somewhat better, particularly on TV One which screened 103 hours of first release documentary programming in 2001, up from 91 hours in 2000;
- Hours of new documentary on TV2 also increased from 37 in 2000 to 56 in 2001;
- TV3 screened 38 hours of first release documentary in 2001 compared to 40 in 2000;
- Across the sector, levels of new documentary programming are no higher than in 1995.

The better results in 2001 for some program types relate to NZOA attempts to address the declines over the 1990s and to the networks' own strategies. Over recent years, Can West has pursued a strategy of increasing local drama on TV3 with the aim of improving its ratings position. This followed a period where local content had been cut in the attempt to contain costs – a move which it came to regard as counter-productive. At the same time, Can West has continued to reduce the relatively high prices it was paying for United States programming.<sup>13</sup>

However, the increase in first release drama has come on a low base (10 hours), and at 28 hours is still less than in 1995 and 1996 when TV3 broadcast 44 and 49 hours of new local drama respectively. The amounts of first run locally produced children's programming and documentary broadcast by TV3 are also well below those reached in the mid-1990s.

As its head of programming Kristin Marlow pointed out, there are limits to the extent to which TV3 is prepared to increase local programming.<sup>14</sup> Can West's main

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<sup>12</sup> TVNZ's children's programming is on TV2 which is targeted at the under 39 audience, with TV One aimed at older viewers.

<sup>13</sup> Both Can West and TVNZ had historically been paying high prices for United States programming, partly due to output deals being negotiated in US\$ and to competition with TVNZ for United States programming in the early 1990s.

<sup>14</sup> Discussion with author, Dec. 2001.

imperative has been to turn around its loss-making position. The cost of commissioning drama (at the standard pre-sale of \$50,000), and indeed of producing the less expensive forms of local programming such as light entertainment at around \$100,000 per hour is expensive compared to buying foreign programming.

In the case of TVNZ, recent increases in drama, documentary and children's programs would appear to relate to efforts to increase local content in the context of the general debate about local content levels and the imminent introduction of the charter, and possibly in the face of increased competition from TV3.

### **More on Quality and Diversity**

The above analysis has dealt mainly with the lack of diversity across genres. The related issues of quality and diversity within genres is another aspect of the criticism of New Zealand television. In discussions of television content, the question of quality can be difficult, given the element of subjectivity involved. In the New Zealand context, the discussion about 'quality' has been characterised by some defenders of the status quo as representing an attempt to impose 'high culture' 'arty' programming on an unwilling audience, and accordingly derided as paternalistic, old fashioned and doomed to commercial failure. However, leaving this aside, there seems to be some shared understanding in the policy debate in New Zealand, as there is in Australia, on what constitutes quality television. While a general definition may not be possible, most agree there are a number of markers of quality. Applied to drama, for example, these include high production values, well told stories with good scripts, and in-depth characterisation.

There is no doubt that New Zealand's creative community can produce quality, and at times innovative, television programs. However, the opportunities for this have been limited, given the resources available for the more expensive, riskier forms of local programming. Put simply, the content industry has not yet had the chance to achieve the depth and breadth and economies of scale that are needed to underpin diversity and quality in areas such as drama and documentary.

The issue of news and current affairs has been discussed previously. Diversity within documentary is regarded as an issue, with most programs in the low budget category (under \$100,000 an hour) being more populist in theme, with limited amounts of in-depth documentary.

While the decline in the amount of children's programming is a concern, so too is the nature of some of the programming that is available. Much has taken the form of low cost presenter segments wrapped around imported programming, mainly cartoons. As in Australia, children's programming poses a challenge, with ratings data indicating that children may prefer 'clever overseas hits to unheralded indigenous production designed for them' (Zanker 2002, p. 271). Zanker attributes this, in part at least, to the uneven playing field that exists: 'Untested, largely unpromoted local productions are provided with no space for experiment, or even to grow an audience before the next funding round looms.'

At the same time, successful programs for young people have been produced locally, an example being *Mai Time* which, while targeted at young urban Maori, also has a popular following amongst non-Maori youth and children (Zanker 2002, p. 277). Notwithstanding the problems with ratings data, the challenge is to develop strategies

for funding appealing programming for children and young people.<sup>15</sup> NZOA (2001d) announced new funding priorities intended to encourage the production of quality children's programs 'designed specifically for the needs of New Zealand children'. The priorities include 'the need to provide positive role models for boys and girls, in particular Maori and Pacific Island boys and girls; programs where children are active participants; and programs that encourage creativity and deliver education in palatable forms'.

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<sup>15</sup> 'PeopleMeter ratings in after school off-peak zones for children in New Zealand are regarded as highly unreliable, even by ratings researcher ACNeilsen' (Zanker 2002, p. 275).

## Maori Programming

In 1993 a separate funding agency, Te Mangai Paho, was established for the promotion of Maori language and culture in radio and television. It has played a key role in the efforts over the last decade to revitalise the Maori language. Like NZOA, the agency has been funded directly from the national budget since the abolition of the public broadcasting fee with an allocation of \$27.4 million in 2000-01. Te Mangai Paho funds programs made specifically for a Maori audience. Total expenditure on television programs in 2000-01 was \$17.35 million, with a significant proportion of this going to three ongoing series produced by TV One's Maori programs department: *Marae*, *Te Karere* and *Waka Huia* (Te Mangai Paho).<sup>16</sup> A number of other programs, mainly documentary, children's programs and drama, were supported for broadcast on all three national networks. These included *Pukana*, a children's magazine program, and supplementary funding for the feature film *Te Tangata Whai Rawa o Wenite* (a Maori language version of *The Merchant of Venice*)

NZOA has a complementary role, funding programs featuring Maori themes and perspectives, 'substantially produced by Maori and intended for the mainstream audience including Maori' (NZOA 2001c, p. 17). The aim of its Maori programming strategy, Te Rautaki Maori, is to enhance the onscreen outcomes for mainstream Maori programming and to improve the broadcast experience for Maori practitioners. Programs supported in 2000-01 included *Mai Time*, *Poi-E the Concert*, and the comedy series *Life and Times of Te Tutu II*, a satirical look at Maori/pakeha relations in colonial times. NZOA also has a policy of ensuring a presence of Maori projects (at or above 15 per cent) in the umbrella drama and documentary strands it supports.

Te Mangai Paho and NZOA have collaborated on some projects, namely *Mataku* (a series of five half-hour mystery dramas for TV3), *Wiggly Fin* (a children's animation project) and *Language* (a history and examination of the contemporary significance of the Maori language).

The NZOA local content survey defines Maori programming as programs made specifically for a Maori audience.<sup>17</sup> Maori programming has steadily increased since the mid-1990s, rising from 127 hours in 1995 to 295 in 2001. The breakdown by network for 2001 was: TV One, 182 hours; TV2, 47 hours; and TV3, 67 hours. The outcome for TV3 is a marked contrast to the earlier position, with no Maori programming in the years 1995-98 and only three hours in 1999.

<sup>16</sup> *Marae* is a Maori language current affairs program, *Te Karere* is a news program, and *Waka Huia* provides archival documentary programs dealing with the tradition and history of Maori culture and heritage.

<sup>17</sup> Programming with Maori themes made for a mainstream audience is included in the figures for the genre concerned.

## NZ on Air: Strategies and Pressures

NZOA has been attempting to enhance diversity in recent years, focusing on adult and children's drama, documentary and Maori programming. Funding for adult drama has increased, with series a particular priority, the aim being to achieve a consistent presence of New Zealand drama on all three free-to-air networks. This was achieved in 2000-01 with three series funded: *Mercy Peak* (TV One), *The Strip* (TV3) and *Street Legal II* (TV2).

A children's drama initiative was adopted in 2000 to address the absence of local productions. This led to one program, *Being Eve*, commissioned for TV3 in the first year of the initiative. In 2000-01 two programs comprising 26 half hours of children's drama were supported: *Hard Out*, a spoof action thriller for TV2, and a second series of *Being Eve*.

In documentary, the aim is to strike a better balance between popular and more 'adventurous' documentary and to support an increase in in-depth, research based documentaries. Examples of the latter cited by NZOA include *A Taste of Place*, *The Feathers of Peace* and *Numero Bruno*.

NZOA funding is under pressure on a number of fronts. Its chair David Beatson (NZOA 2001a, p. 2) has been saying for some time that funding restraints limit the ability to enhance quality and to maintain quantity:

Our choices are either to hold budgets and maintain target hours (with the risk of compromising program quality), or accept that fewer hours will be produced in order to allow programs with higher on-screen production values.

At \$62.7 million in 2001-02, the amount available for television was at an all-time high, with the organisation forecasting a reduction of around \$8 million in 2002-03. In the 2002 budget, the government provided an increase of \$6 million in base funding (which incorporated an additional \$2.5 million provided as a one-off increase in 2001). The Minister of Broadcasting (Hobbs 2002b) advised that the purpose of this was to maintain developments in television program funding.

The case of adult drama is particularly difficult. Drama budgets are broadly comparable to those in Australia, but licence fees paid by broadcasters are considerably lower (\$50,000 per hour is commonly cited). Consequently, the bulk of drama budgets are met by NZOA funding, complemented where possible by international funding. For example, NZOA funding for *Mercy Peak* was \$363,000 per hour, and for *Street Legal* \$357,000 per hour.

NZOA has focused to a considerable extent on series drama, with smaller amounts of one-off drama being funded. In doing this, the agency has been concerned to address the situation where the development of local drama has been 'a stop-start affair' (NZOA 2000, p. 2). The aim has been to build the capability of the production sector to produce quality drama that will succeed with audiences used to a diet of high production value American and British drama. This strategy appears to be having some success. For example, TV2's *Street Legal* is now in its third series, is popular with New Zealand audiences, and has sold to Australia and a number of European countries.

The NZ Film Commission (2001, p. 1) has taken issue with this strategy. It has raised the lack of 'signature' drama (one-off drama 'which carries the style and voice of the individual filmmaker') as a major concern, noting that there were only five hours of

such drama in 2000. The Commission has argued that an increase in the broadcast of signature drama – mini-series, telemovies and films – is necessary to provide diversity for audiences by giving expression to writers ‘with strong singular New Zealand voices’ (NZ Film Commission 2000, p. 2).

NZOA has pointed to factors such as low and static licence fees from broadcasters and difficulties in raising international finance as inhibiting the further development of New Zealand drama. While it is attempting to address these factors, levels of funding will continue to be the key to building on current levels and achieving greater diversity.

Finally, there is pressure from other broadcasters. NZOA funding has to date been allocated primarily to the national free-to-air networks, given its mandate of reaching the widest possible audience. Regional broadcasters have been arguing that they should not be precluded. The announcement that Prime intends to extend its reach has led to speculation that it will seek access to NZOA funding. Finally, the establishment of the Maori television service can also be expected to increase demand.

## **Reform Starts**

Following the 1999 election, attention turned to the various policies flagged in the Labour party platform: resolution of the longstanding Maori broadcasting issue; reform of TVNZ; a review of spectrum allocation; local content quotas for radio and television; and an investigation of ways of increasing revenue for public service programming. In terms of promoting New Zealand identity on television, the government has focused mainly on the establishment of a Maori television service and, given its dominant position and public ownership, the reform of TVNZ. The issue of funding looms large, with the government concluding that direct funding through taxation is the main mechanism available, but warning that this is limited, given priorities in areas such as health, education and regional development.

## **Maori Television Service**

Let the language be heard on the airwaves, thereby causing the heart to leap with joy, the ear to appreciate its eloquence and the eyes to moisten at its impact (Te Mangai Paho vision statement).

The Maori claim in relation to broadcasting rests on the Crown’s obligation under the Treaty of Waitangi to protect the Maori language as a taonga, a cultural treasure. Maori interests intervened in the 1989 restructuring of broadcasting to press their claim to access to the airwaves as a key means of fulfilling this obligation. In 1991 the High Court upheld the obligation in respect of language, with the government giving an undertaking that, amongst other things, a Maori television station would be created. Over the 1990s there were a number of developments, including the establishment of Te Mangai Paho in 1993 and the launch in 1996 of a pilot, Aotearoa Television, in the Auckland region. This has ceased to operate due to management and funding problems. Work continued in the late 1990s under the National Party government, with a Maori Television Trust set up to advise on the establishment of a national Maori television channel. Following the change of government, the new cabinet agreed in early 2000 that this was a priority.

Legislation was introduced in late 2001 with the expectation that the Maori Television Service (MTS) would commence broadcasting in mid-2002. Its principal function is to

promote Te Reo Maori me nga tikanga Maori (Maori language and culture) through the provision of programs in both Maori and English. The service is a statutory corporation with a seven member board, three appointed by the government and four by an electoral college of Maori organisations (Te Puni Kokiri).

The government has allocated operational funding of \$6 million a year, with additional funding for programming provided through Te Mangai Paho and NZOA. Funding for Maori television programming – \$23 million in 2000-01 – will increase to \$30 million in 2002-03 and reach \$50 million in 2004-05. Some of this will continue to be allocated to TVNZ on the basis that Maori programming should continue to be provided on mainstream television.

The expectation is that the program funding will be enough to support one to two hours a day of new programming for the Maori television service by 2004. While some news programs may be produced in-house, most original programming will be produced by independent Maori production companies, with Maori occupying key creative positions. The service hopes to broadcast twelve hours a day, with new programming supplemented by back catalogue Maori programming, sports programs and indigenous content from other countries such as Canada and Australia.<sup>18</sup>

The service's aim is to expand the range and diversity of Maori programming. Programs will be aimed at various age groups, with submissions sought for programs in various genres such as entertainment, music, sports and current affairs. Maori programming will screen at peak times, in contrast with TNVZ where Maori language programs are broadcast in off-peak hours.

Key issues are how much new programming will be possible given the budget, the mix of Maori language and English language programming, and what transmission means the service will employ. There are differences between the MTS and the Ministry of Economic Development (MED) which administers spectrum allocation, on this last aspect. The MED view is that the service should utilise UHF frequencies which have been reserved for the purpose and which should reach 70 to 80 per cent of households. The MTS has been exploring the possibility of leasing TV4 from Can West. It is concerned that this MED option has 'to be built from scratch', will require people to purchase UHF aerials, and consequently will not give the service sufficient reach (Matthews 2002, p. 27).

At the end of April 2002, it was revealed that the newly appointed chief executive, a Canadian called John Davy, had falsified his credentials. He was subsequently sacked, with Wayne Walden, a Maori, appointed as interim chief executive. The *Listener* reported that, despite this setback, 'an enormous amount of goodwill remains among Maori for the channel', with efforts concentrated on resolving the platform issue and getting on with the task of bringing the service to air' (Matthews 2002, p. 26).

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<sup>18</sup> As outlined by chairman Derek Fox at SPADA conference, Nov. 20001.

## TVNZ

New Zealand's small population does not allow us to emulate other countries that enjoy fully subsidised public television. We can aim, though, to achieve as much as possible of the indigenous and diverse content and sense of public service that characterise public broadcasters at their best (Minister of Broadcasting, First Reading Speech, TVNZ Bill).

The government ruled out the option of a directly funded public broadcaster in early 2000 due to budgetary restraints. TVNZ will continue to rely heavily on advertising revenue while fulfilling new public service obligations. It will operate under a charter which requires it amongst other things to:

- Inform, educate and entertain audiences;
- Contribute to a sense of national identity;
- Maintain the highest standards of program quality and editorial integrity;
- Ensure the presence of a significant Maori voice;
- Promote the talents of New Zealanders;
- Be comprehensive, catering to smaller audiences as well as providing programs of general interest.

TVNZ's status will change from that of a state owned enterprise to a crown owned company, a shift regarded, after some debate within government, as necessary to ensure the cultural objective is given due significance rather than being subordinate to commercial objectives. Its principal objective will be 'to give effect to its Charter while maintaining its commercial performance'.<sup>19</sup>

These developments have not been without controversy about structural and funding arrangements, TVNZ's preparedness to embrace change, and claims that the charter involves the government in social engineering.

A major source of controversy has been the relationship between the broadcasting and transmission arms of TVNZ, an issue closely related to the vexed question of funding the charter. As discussed, the TVNZ Group also operates transmission and communications services businesses, which have over the years provided a degree of cross-subsidy to the broadcasting arm, and in more recent years have accounted for a significant proportion of the dividend paid to government.

The initial intention was that the two arms should be separated out to provide the greatest degree of transparency and allow the government to make a clear decision as to whether to reinvest in broadcasting, and by how much. The film and television production industry organisation, SPADA, argued that that this was transparency at a high cost, with TVNZ losing a revenue source for public broadcasting outcomes and having to compete in the broad budgetary process with pressing areas such as health and education. This view was supported by the Alliance, then Labour's coalition partner, with the end result a compromise. The bill introduced in late 2001 establishes a holding company, TVNZ Group, with two subsidiaries – the broadcasting business, TVNZ, and the transmission business, to be called

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<sup>19</sup> The precise financial objective, which is similar to that which applies to National Radio, requires TVNZ 'to operate in a financially responsible manner, to generate an adequate rate of return on shareholders funds and to operate as a successful going concern' (TVNZ Bill, Clause 5).

Transmission Holdings Ltd (THL). Separate operational and governance structures will apply, with each subsidiary having separate reporting and financial statements. TVNZ will, as outlined above, be required to implement the charter while maintaining commercial performance. THL will continue to operate on a purely commercial basis. It seems that that dividend policy for the group will be determined in negotiations between the government and the holding company.

The bill was considered by the Commerce Committee in the first part of 2002, with a minority (from the National and ACT parties) opposing the overall approach and the majority recommending a number of amendments. These included:

- Specifying that TVNZ should serve children's interests by adding education to the provision for children's programming and by broadcasting both New Zealand and international children's programs;
- Adding to the preamble to state that charter objectives are considered when programming for children;
- Specifying that qualitative and quantitative performance measures are required to measure the implementation of the charter as a whole;
- Removing the right of shareholding ministers to issue directions to the subsidiary companies of TVNZ Group Ltd (Commerce Committee 2002, p. 1).

The last recommendation arose from submissions from SPADA and other production industry organisations concerned about the ability of ministers to determine the amount of dividend payable by TVNZ to the parent company. However, the committee's recommendation does not do away with this ability. Rather it recognises that 'if directions need to be issued, shareholding Ministers should make these through TVNZG' (Commerce Committee 2002, p. 12).

The recommendations relating to children's programming urged by the Children's Television Foundation reflect the view shared by other commentators that a major test of the charter will be the extent to which it brings about improvements in children's programming. The committee also noted submissions about the levels of advertising for children. While making no specific recommendations on this, the committee said:

We believe that TVNZ as a public broadcaster has a leading role to ensure that children are not exposed to inappropriate levels of advertising. We call on the Government to find the most appropriate means to deal with this issue (Commerce Committee 2002, p. 5).

The TVNZ Bill was put on hold given in the lead-up to the July 2002 election. Following its re-election, the Labour government made a commitment to pass the legislation by the end of 2002, possibly incorporating some of the Commerce Committee's recommendations.

Some commentators have portrayed the charter as an old fashioned attempt to force 'worthy' programming on an unwilling audience, and argued that TVNZ will lose audience by going more 'upmarket' and 'elitist'. The government responds that the charter is not about marginalising TVNZ or developing programming schedules of interest only to minority audiences. For example, it cites one aim as being to enhance the quality and quantity of local drama and documentary, genres popular with audiences. Public support for the charter certainly appeared to be positive, with

72 per cent of submissions in favour, albeit with some recording reservations about particular aspects (Van Aalst and Daly 2000, p. 1).<sup>20</sup> NZOA audience research has indicated strong community expectations of the charter, with 80 per cent of those aware of the charter wanting it to ensure more local programming and for this to reflect the diversity of New Zealand society (NZOA 2001b).

As discussed later, the main issue is funding and how the aims of the charter will be implemented in practice.

In fulfilment of these objectives TVNZ will – for example – provide independent, comprehensive, impartial, and in-depth coverage and analysis of news and current affairs in New Zealand and throughout the world. In its programming it will enable all New Zealanders to have access to material that promotes Maori language and culture, it will feature programs that reflect the regions to the nation as a whole, promote understanding of cultures that make up the New Zealand population, and feature New Zealand films, drama, comedy and documentary programs (Hobbs 2002b).

### **Local Content Quotas**

While local content quotas initially appeared to be firmly on the government's agenda, it now appears unlikely that mandatory quotas will be introduced, at least in the near future. A number of factors have contributed to this situation including trade treaties, the ramifications of proceeding with the TVNZ charter, government reluctance to regulate loss-making private broadcasters, funding issues and the possible impact of digital technologies.

### **Trade Treaties**

When the talk of quota emerged in New Zealand in 1999 many commentators on both sides of the Tasman considered New Zealand's stance on two trade treaties – the General Agreement on Trade in Services (GATS) and the Closer Economic Relations Agreement (CER) with Australia – would have significant bearing on its ability to readily implement an effective quota system. In the 1994 GATS negotiations, while most countries resisted pressure from the United States to liberalise trade in the audiovisual sector, New Zealand agreed to accord full market access and equal national treatment to other countries.

Since early 2000 New Zealand programs have been able to count towards quota under the ABA's Australian Content standard. This was the result of the High Court action taken by the New Zealand production industry in the hotly contested *Project Blue Sky* case. As quota talk accelerated in New Zealand, it became apparent that the *Blue Sky* decision might have represented a somewhat pyrrhic victory. Clearly the CER obligation was mutual, and Australian programs broadcast in New Zealand would have to be treated as local under any quota system. Unless this issue could be addressed in some way it appeared that, given the amount of Australian programming on New Zealand television, a significant proportion of any New Zealand quota system would be filled with Australian programs. When it released its proposed

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<sup>20</sup> In all, 166 submissions were received, 108 from individuals and 58 from stakeholders.

quota model, SPADA (2000) argued there were ways to overcome these trade treaty issues.<sup>21</sup>

Opinion is divided within the New Zealand government on the trade treaties issue, with the Ministry of Foreign Affairs and Trade taking the view that withdrawing a GATS commitment is unprecedented and would be inconsistent with New Zealand's approach to trade issues.<sup>22</sup> On the other hand, the Minister of Broadcasting has stated that trade and services agreements should be reviewed if necessary to protect local content (Hobbs 2001c).<sup>23</sup>

### **Towards Self-Regulation**

The trade issues have become somewhat academic as the government's main reservations are related to the other factors outlined. The view is that the objective of enhancing local content on TVNZ services is being addressed, in part at least, by the charter, with the new arrangements for TVNZ to involve quantitative as well as qualitative performance measures. This situation focuses attention on the private broadcasters who campaigned against quotas, arguing that they impose costs on broadcasters, focus on quantity not quality, and serve special interest groups rather than the whole community. Over 2001 Can West insisted that it was commissioning as much local content as it could afford, and indicated it would consider pulling out of the New Zealand market if quotas were introduced. Subsequently it emerged that Can West was planning to sell anyway, due to the heavy debt obligations of the parent company. Sky Television argued that pay viewers do not want to watch New Zealand programs, that private broadcasters do not have an obligation to promote national identity, and that quotas would interfere with the relationship between the company and viewers (as reported in Wrightson 2001a, p. 9).

A number of these arguments are debatable. For example, the argument that quotas would only serve the interests of the production sector is rather specious. While industry support is a necessary result, the primary purpose of local content regulation is usually regarded as being the provision of culturally relevant programs to audiences. Further, under a quota model there is not a neat trade-off between quantity and quality, particularly when genre specific quotas are included. In the Australian experience, content regulation has been key to developing the economic base and the creative skills necessary to support quality and diversity in local programming.

However, from the government's point of view, the quota issue primarily comes down to one of subsidy. In the New Zealand context, as discussed previously, the bulk of funding for the more vulnerable program types such as drama comes from NZOA.

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<sup>21</sup> In relation to CER, SPADA argued that the Australian and New Zealand governments could enter into a side agreement which would exclude each country from the other's system. Alternatively, and if concerns about New Zealand programs being swamped were realised, the New Zealand quota level could be revised upwards. In relation to GATS, SPADA argued that the government should be prepared to use the provision in GATS for modifying or withdrawing a commitment.

<sup>22</sup> Interview with Clare Kelly, Trade Negotiations Division, Ministry of Foreign Affairs and Trade.

<sup>23</sup> New Zealand has joined the International Network on Cultural Policy which comprises the Cultural Ministers of forty-six countries. This is examining the possibility of an international instrument on cultural diversity, in the face of pressure for cultural support measures to be subject to free trade disciplines. While New Zealand has joined the group, it does not yet have any formal position on an international instrument (Australian Film Commission 2002).

With all broadcasters except TVNZ not yet in profit, it does appear that additional funding would be required to enable broadcasters to fill any quota obligations involving increased levels of local content. On this reasoning, the fundamental problem – how to fund local content – would not be addressed by mandatory quotas.

Given the various factors outlined, the government is tending towards a self-regulatory approach as has occurred with radio, with discussions taking place between government, SPADA and television broadcasters on a possible way forward. NZOA has advocated such an approach, with chief executive Jo Tyndall describing it as 'quota driven by funding arrangements'. As outlined by Tyndall in November 2001, this would involve setting the terms and conditions for broadcasters to access NZOA funding.<sup>24</sup> This could be done via a performance agreement or similar instrument which would set broad outcomes with targets for particular genres. A certain sum would be set aside for each broadcaster, i.e. TVNZ and Can West, but programs would still have to be approved and funded on a program by program basis. The model would thus preserve the principle of contestability in that it would rely on appropriate programs being proposed. If broadcasters did not use their allocation by a certain time, the money would no longer be guaranteed. This approach is seen as providing leverage over programming outcomes, with Tyndall advising that the aim would be to provide incentives to increase the licence fees paid by broadcasters, take risks with time slots and encourage innovation.

However, under either regulated quotas or an industry code, funding remains the key issue with some movement on this in the 2002 budget.

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<sup>24</sup> Interview, Nov. 2001.

## NZ Music on Radio

The opening of the market in the late 1980s led to a substantial increase in the number of commercial radio stations in New Zealand. There are now over 200 radio stations in the country. The highly competitive market has tended to favour music that has already proved successful overseas, over less well known New Zealand music (Hobbs 2001b).

A strong lobby for more New Zealand music on commercial radio developed in the late 1990s, with prominent musicians such as Tim Finn playing a leading role. The government responded by encouraging the establishment of an industry code aimed at increasing the levels of New Zealand music over a five year period. This approach is regarded by the Ministry of Foreign Affairs and Trade as being consistent with New Zealand's international obligations in that it involves a self-regulatory industry run scheme rather than government imposed regulation. The Minister of Broadcasting has reserved the right to introduce a mandatory quota if the 'momentum fails' (Hobbs 2002a).

The minister issued a position paper and draft code for industry and public comment in August 2001. The draft resulted from discussions between the government, the music industry and commercial radio broadcasters. The paper noted that while there had been some improvement in the overall amount of New Zealand music on commercial radio, 'it still fails to meet desirable levels'.<sup>25</sup> The paper proposed a minimum target of 10 per cent in the first year, moving incrementally to 25 per cent by the end of the fifth year.

The Code of Practice finalised in March 2002 commits broadcasters to lifting local content by 2 per cent a year to reach 20 per cent by 2006, with a target of 13 per cent for 2002. A New Zealand Music Performance Committee comprised of industry representatives has been established to monitor the code, with quarterly reports to be provided to government and the Radio Broadcasters' Association. The first report released in May 2002 showed overall local content was 13.2 per cent, leading the minister to predict the 2002 target would be easily met.

*Unfortunately it doesn't do a lot for the cultural identity in the country where so many young people are influenced by what they are force fed on the radio – and TV for that matter...so yeah...stick it to them Marian Hobbs and if they don't agree to increase their local quota to 25 per cent they don't deserve the right to be broadcasting on NZ airwave frequencies – which they probably acquired for a song anyway...(woops! excuse the pun) (Dewok).<sup>26</sup>*

<sup>25</sup> As of June 2001, the overall level of New Zealand music across the industry was 10.75 per cent, with levels of less than 10 per cent on adult/contemporary and pop formats, and higher levels on rock and alternative formats.

<sup>26</sup> New Zealand music fan responding to *New Zealand Herald* comment that the government attempt to increase local content on radio was a case of 'cultural jackboots' ([www.nzmusic.com](http://www.nzmusic.com)).

## Funding Local Content

Key issues in late 2001 and early 2002 were funding, the TVNZ charter and the related issue of NZOA funding.

TVNZ implemented some programming changes over 2001 and into 2002, urged on by the government which felt that progress towards charter objectives could be made within 'its already substantial programming budget' (Hobbs 2001a). This was reflected in increases in drama and children's programming, and in the news and current affairs area where specialist reporters were recruited to provide greater depth. *60 Minutes* was dropped, with a new current affairs show *Sunday* replacing it in the 7.30 Sunday evening time slot. TVNZ (2002b) described the new program as 'designed to reflect New Zealanders in the 21st century' and promised that viewers 'will find a greater diversity of content and story telling techniques'.

There have been tensions between the government and TVNZ in the past, related to concern about certain management decisions and the view that TVNZ could have made better use of its financial resources. Notwithstanding this, the government has accepted the TVNZ argument that additional funding is required to make substantial progress towards charter objectives. In terms of how such funding might be delivered, a number of options present themselves: 'forgiving' the dividend, a direct budgetary allocation to TVNZ, more money to NZOA, and/or TVNZ getting a greater and guaranteed share of NZOA funding.

The first option is tied up with the debate about the relationship between the television business and the transmission businesses. If treated as a whole and allowed to retain the dividend, the TVNZ Group could presumably generate a surplus that would go a considerable way to supporting charter requirements. For example, the dividend of \$22 million in 2001 would have made a significant contribution to enhanced program outcomes. A further possibility is that any surplus from the television business, as opposed to the whole business, could be retained for investment in charter programming. On results for the second half of 2001 (net profit of \$5.2 million), this option would have yielded around \$10.4 million. However, TVNZ spokesperson Glenn Sowry, for one, was pessimistic about the size of future dividends, citing flat advertising revenue and a possible decline in revenue with a shift to more public service programming.<sup>27</sup>

Alternatively, the government could continue to require TVNZ to pass on any dividend from both the transmission and the television businesses, and then make an allocation back from the budget. It seems that the long-term position is open, with the Commerce Committee (2002, p. 12) which considered the TVNZ Bill reporting:

The level of dividends to be paid will be agreed each year in the Statement of Intent process. All THL dividends will be paid directly to TVNZG. While there is potential for dividends to be paid directly the Crown, TVNG also has the ability to pay dividends directly to TVNZ to supplement its other revenues. This decision will be made through the Statement of Intent and business planning process and any subsequent negotiations.

A further question under debate was the ramifications for the NZOA model, of the charter and any increases in local content for private broadcasters. Understandably, TVNZ argued that it needs certainty about funding,, given its new charter requirements. However, Can West, as would be expected, has been insistent it

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<sup>27</sup> Interview, Dec. 2001.

should at least maintain its share of NZOA funding in light of its efforts to increase and diversify in the areas of local drama, documentary and Maori programming.

Some consideration was given to alternative funding mechanisms, with the Ministry for Culture and Heritage examining the applicability of international models for funding public broadcasting outcomes. This occurred given the 1999 election commitment to consider alternative funding mechanisms in light of concern that the shift from the Public Broadcasting Fee (PBF) to direct funding made broadcasting funding vulnerable.<sup>28</sup> An initial paper looked at whether an alternative mechanism was available that would generate an amount at least equivalent to that provided by the PBF. The study concluded that, in the New Zealand environment, general taxation sourced funding is the most effective means of funding broadcasting available to the government (MCH 2000, p. 1).

A subsequent paper looked at possible ways of supplementing (rather than replacing) government funds. The main options explored were a levy on advertising revenue, taxes on imported programming, and increases in returns on program sales. These were all dismissed on the basis that they would not generate sufficient additional revenue to justify the inefficiencies and other disadvantages involved. It was concluded that the cost of a levy on advertising revenue would impact on the financial viability of the still unprofitable private broadcasters or alternatively be passed on to customers (advertisers and consumers or subscribers). Further, and most significantly, the bulk of such a tax would be paid by TVNZ and consequently would lead, in the words of one official, to a 'pointless money go-around' that would provide no net gain to the Crown.<sup>29</sup>

Prepared when quota was still under active consideration, the paper concluded that, given the limited amounts which could be generated from privately owned broadcasters, 'the government has other instruments available (conditional subsidies and/or quota) which could provide an incentive to the broadcaster...without incurring the costs of compliance, collection and administration' (MCH 2001b, p. 8). In the event and as discussed, the government is favouring using subsidy as an incentive to increase local content, rather than mandatory quota.

In the 2002 budget, the government allocated an additional \$12 million to TVNZ to assist with meeting charter requirements and an additional \$6 million for NZOA 'to maintain its budget for television without making inroads into other activities such as radio' (Hobbs 2002b, p. 1).<sup>30</sup> This outcome is consistent with the preference for funding charter requirements via direct allocation for reasons of transparency and accountability. In providing funds direct to TVNZ, it also reflects the government's aim of achieving on-screen improvements in TVNZ's news and current affairs coverage, areas not funded by NZOA. At the same time, the decision sees the NZOA model maintained, with the minister saying the government remains committed to NZOA as a contestable funding agency for TV programs. Noting that TVNZ receives around 70 per cent of NZOA funding, the minister advised she expected that share to remain the same (Hobbs 2002b, p. 2). This statement may foreshadow a more formal division of funding between broadcasters in the future according to market share and/or charter obligation along the lines advocated by NZOA.

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<sup>28</sup> The previous National Party government abolished the PBF. The Labour Party manifesto advised 'it would not reintroduce a broadcasting fee, but would investigate other alternative means of funding public and community based broadcasting'.

<sup>29</sup> Email from Martin Durrant, Ministry for Culture and Heritage.

<sup>30</sup> The \$12 million will not be actually passed on to TVNZ until the legislation establishing the charter is passed.

TVNZ (2002c) said the additional funding would enable it to maintain its increased funding in documentary, improve children's programming and strengthen the quality and range of news and current affairs coverage. The minister (Hobbs 2002b, p. 1) said that, while recognising that the charter will be implemented incrementally, the TVNZ allocation should make 'a visible difference to what we see from our public broadcaster'.

## **Recent TVNZ Developments**

While the additional funding for TVNZ has provided some resolution of the funding issue, the first part of 2002 saw continuing controversy and debate over other developments. Like the ABC, TVNZ has always attracted considerable public and media comment, given its public ownership and important role in the lives of New Zealanders. The recent developments reflect the uncertainties surrounding the situation of flux in early 2002 with a change of chief executive, and legislation for the new structure pending.

In April it was reported that the board was moving to revise TVNZ's internal rules (the Board Governance and Policy Manual) with the object of giving itself a bigger say in programming matters. The rules contain the editorial protocol which sets boundaries between the board and the chief executive who is also editor in chief. The manual states the rules are designed to provide protection of editorial freedom between the politicians who appoint the board and the editorial staff, 'that is appropriate and absolutely necessary in a free and democratic system'. The protocol is also designed to protect board members against accusations of bias 'for commercial or political motives' (Drinnan 2002b). The move caused considerable concern amongst staff and led to charges from opposition parties of possible political interference, including suggestions that the move could be used to favour Labour in the election environment.

This occurred just before the newly appointed general manager Ian Fraser was to take up his position. Fraser, who had most recently occupied a number of senior executive positions, including heading the New Zealand Symphony Orchestra, was previously a TVNZ journalist. He was reportedly not overly concerned about possible change to the protocol, saying it is not realistic for the board of a large cultural organisation like TVNZ to have no opinion on programming (Drinnan 2002b). The board move may have reflected the oft heard view that some TVNZ staff are too imbued in their old commercial ways to effect the change required by the charter.

This concern about charter related developments undermining TVNZ independence has come from different quarters, with varying motivation. In the case of the conservative National Party, talk of possible political interference represents a useful point which with to criticise the government approach to TVNZ reform. However, the party, which while in office was preparing to sell off TVNZ, has not presented any creditable strategy for improving broadcasting outcomes for New Zealand audiences. There is also from other quarters, such as the production industry and media commentators, some unease that political interference could occur in the future, if not under the current government. To some extent this may be an over-reaction in that New Zealand already has a model in Radio New Zealand of a public broadcaster operating independently from government (albeit funded at arms length through NZOA). The stakes are of course higher with television, given the much larger audiences it commands: in the absence of recent experience of a publicly funded but independent television broadcaster, the concern is perhaps understandable.

There has been speculation about whether Fraser will be able to bring about the necessary cultural change at TVNZ. In a media interview he was emphatic that the new charter-driven programs must be popular so that TVNZ does not lose revenue. He also indicated an interest in 'broadening the public taste', and encouraging programs on minority-interest issues that will also be of interest to a general audience. Fraser expressed some mistrust of ratings data, saying ratings research could provide more in-depth information, and that he wanted to 'crank up the qualitative side of the information'. Fraser (in Clifton 2002) also expressed fairly strong reservations about the standard of current affairs:

I'm not nourished by what I see...Your news and even your current affairs should be edgy...I've made it reasonably clear that this is one area where there has to be some pretty major change. What's required first is a shift in attitude...People working in news and current affairs are going to have to challenge themselves to do it better, work outside their comfort zones.

The big issue remains that of balancing of the cultural and commercial objectives. Martin Mathews, chief executive of the Ministry for Culture and Heritage, indicated that the government is well aware of the challenge this involves. He noted the case of Ireland where the public broadcaster also operates on a mixed model of public funding (60 per cent of revenue) and commercial revenue. Here, according to advice to Mathews from the chief executive of the Irish public broadcaster RTE, the balance has proved complex.<sup>31</sup> This comment suggests it will be more so in New Zealand where commercial revenue will continue to form the bulk of funding. The government hope as expressed by Mathews is that TVNZ's dominant market position should assist in striking the balance.

One media commentator (Drinnan 2002c) expressed some scepticism:

The new current affairs program, *Sunday*, has made a stumbling start, largely because it suffers from the same confused commercial versus public service identity that afflicts TVNZ on a wider scale...for all Labour's worthy talk about improving quality and treating the audience as citizens rather than solely consumers, profit (or at least breaking even) will have to be the main focus...anything that provides revenue for TVNZ will be sacrosanct. The wish for change at TVNZ will be tempered by its commercial past.

### **The Impact of Digital Broadcasting for Local Content: Some Views**

The paradox of the digital revolution is that while enormously increasing potential choice, it can work against the ability of citizens to access television that is representative of their own experiences (Hobbs 2001c).

Intervention will be even more critical in the digital future, because New Zealand's local culture will be at risk of being swamped by the burgeoning power of the global conglomerates and because commercial free-to-air networks are likely to become less and less viable (Norris and Pauling 2001, p. 11).

In their August 2001 report, Norris and Pauling proposed a policy approach involving various aspects: maintenance of the NZOA model albeit with some changes; the charter for TVNZ; and consideration of other models such as quotas and 'a broadband model for the future'. Specific proposals included:

<sup>31</sup> Interview, Dec. 2000.

- Consideration of the Canadian approach to regulation of new digital services under which new pay, speciality and video on demand channels contribute 5 per cent of gross revenues to a production fund;
- Further integration of the Australian and New Zealand audiovisual markets, with Australian public service channels retransmitted in New Zealand, with or without local new Zealand segments;
- As pay television becomes dominant, local content quotas for pay channels and the targeting of NZOA programming to the most appropriate channel;
- An NZOA portal ('the broadband model for NZOA') with its own streaming video and archive of local programming;
- A proactive approach by NZOA to developing broadband content. Producers should be required to include proposals for non-linear interactive content along with any proposals for programs for conventional broadcast.

Response to these proposals was mixed. The proposal for the NZOA portal, involving possibly the compulsory acquisition of rights from producers, met with concern from the production industry. Aspects such as the broadband model for the future are predicated on the authors' view of the inevitable revolutionary impact of the new technologies, regarded by many as debatable.<sup>32</sup> Norris and Pauling (2001, p. 11) point to a number of the uncertainties associated with digital transition, such as consumer reaction to new services. They suggest the most reasonable assumption is 'that the new technologies, and the associated new media and services will not simply replace the old; they will be added to the mix'. However, they tend towards the view that the revolution will happen with an eventual move to individualised, 'me-centred' television, with viewers effectively able to create their own channels from a plethora of content choices available (Norris and Pauling 2001, p. 5).

SPADA (2002) outlined its views in its submission to the government's digital discussion paper. It argued that the multi-channel digital environment and audience fragmentation will exacerbate the existing challenges for New Zealand made programs and only reinforces the case for quotas. SPADA argues for mandatory open access, saying that, given its important cultural role, TVNZ 'should not be put in the form of hostage position to a platform provider'. SPADA also suggests that if non-commercial regional stations are to continue to be supported by public policy, a must carry regime may need to be implemented so these channels get access to the digital platform/s. Lastly, the submission reiterated the view that local content regulation should extend to Sky, as 'there will be little positive impact from a local content perspective unless Sky becomes a significant contributor to local broadcasting in many genres'.

## Conclusion

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<sup>32</sup> Norris and Pauling (2001, p. 12) suggest that television will move through three phases: the current 'privileged' stage, to the 'multi-channel' stage, to 'cyber television'. In the first stage, free-to-air services remain dominant, although facing increasing competition from pay and broadband services. In the second stage, free-to-air channels are no longer sustainable and pay channels dominate. In the third, 'television channels as we know them have largely been superseded by broadband access to sites from which viewers can pick and choose programs in their own time'.

The government is seeking to build a viable, contemporary framework for broadcasting in a volatile environment of competing interests, changing needs and inevitable constraints. These three things we must take as givens:

- Funding is not unlimited;
- Any framework of government involvement must be flexible enough to respond to new technologies. It must be capable of working in a digital environment – which raises different demands than the analogue environment;
- NZ citizens deserve diversity and choice – and to ensure that choices are provided, we need viable broadcasters (Hobbs 2001c).

Will audiences see a better reflection of the diversity of New Zealand life and culture on their television screens or are the sceptics right? Is the outcome likely to be a continuation of what Farnsworth writing in the early 1990s called 'television by compromise'? Farnsworth discussed various tensions prevalent since the introduction of television, such as 'more New Zealand programmes but more cheaply made, higher quality local content but in smaller quantities':

In the end the constraints are provided by a small, dispersed population, a difficult geography, finite local capital and strong corporate and regional interests, all of which dictate how this particular sphere of cultural production is shaped' (Farnsworth 2002b, p. 197).

The production industry in particular has expressed dissatisfaction with the pace and direction of reform and the failure to introduce local content quotas. Others such as lobby group, the New Zealand Friends of Public Broadcasting, insist a commercial free television service should be established. The government response is that there have been a number of positive outcomes, namely, the cultural package in 2000 which included increased film funding, the increases in 2000 and 2001 in NZOA funding, the establishment of the Maori channel, the charter for TVNZ, the recent funding increases for both TVNZ and NZOA, the code for local music on radio, and the commitment to youth radio and to Pacific Island radio (Hobbs 2001c, 2002a).<sup>33</sup> In relation to television, the government argues that it has had to work within significant constraints, as outlined in the above quote from the minister.

The charter for TVNZ and the reassertion of its public broadcasting role is significant, given its commercial focus for the last thirteen years, and given that prior to 1999 privatisation was on the agenda. A shift in broadcasting policy *is* occurring in the sense that New Zealand is moving from reliance on a single mechanism (public funding through an independent agency), to a system involving an arms length funding agency plus direct funding of the public service broadcaster (albeit at this stage a minimal amount).

The question of what expectations will be placed on private broadcasters remains. SPADA argues that both quotas and charter could and should happen, saying that

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<sup>33</sup> One of Labour's 1999 election commitments was to a publicly funded non-commercial youth radio network. While supported by high profile musicians, this met considerable resistance from commercial radio interests. The Youth Radio Advisory group presented a report to government in June 2002 with a decision still pending (as of October 2002). The Pacific Island radio initiative involves the government allocating spectrum and funding to establish a pilot National Pacific Island Radio network, which will extend Pacific Island radio currently operating in Auckland, to major centres with significant Pacific peoples' population.

genre specific quotas are needed along with the charter and public funding to underpin guaranteed minimum levels on *all* broadcasting services. It believes quota could complement the charter for TVNZ by providing a clear measuring device of charter performance (Wrightson 2001b).

As discussed, a number of the arguments against quotas are debatable. For example, one concern is that placing obligations on locally based broadcasters could put them at a competitive disadvantage in a future digital multi-channel environment in which foreign channels are increasingly beamed into New Zealand by satellite. Ironically, the same spectre was raised in the late 1980s as one of the arguments for deregulating broadcasting and not introducing local content requirements. However, it is not at all clear that digital technology will drastically undermine the competitive position of locally produced broadcasting services. One of the lessons from broadcasting developments around the world is the continued and in some ways stronger appeal to audiences of locally relevant services.

However, the key factor is the government reluctance to regulate loss making private broadcasters and the view that the issue is largely one of funding levels. The situation with private broadcasters became even more fluid in 2002 as Can West prepared to sell its New Zealand broadcasting interests.

It remains to be seen what emerges from discussions on a self-regulatory approach and whether funding can be effectively used as a lever. This may involve a rebalancing, with NZOA continuing to prod broadcasters towards more risk taking, better time slots for local programs, and to increasing their financial contribution to budgets.

Public expenditure will inevitably continue to be the main mechanism for supporting diversity and quality in New Zealand programming in the foreseeable future. The key question remains: what is the additional amount the government is prepared to pay for broadcasting outcomes? The answer will determine the extent to which New Zealand audiences can shake off their broadcasting blues.

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