

NZ On Air: 2023 and Beyond

Nov 2022



Purpose

The establishment of the new Aotearoa New Zealand Public Media entity (ANZPM) and a reduced budget from 2023/24 means that NZ On Air needs to consider a new strategic framework for its operations. This paper uses extensive industry feedback to identify high level themes that will shape a new strategic direction, and ensure we remain relevant and connected to the sustainability of the local media eco-system, deliver value to the audiences we serve, and continue to reflect and develop NZ identity and culture.

The basis for this paper

To understand the impact of the ANZPM on the media ecosystem, and how this might impact our mahi, in June 2022 we commissioned independent media consultant Hal Crawford to interview 43 stakeholders across the various sectors we serve. These anonymised interviews were to gather insights from the sector about the potential impacts and opportunities for NZ On Air.

In August 2022 the NZ On Air Board and management held a one-day workshop to brainstorm ideas for change. Initial observations from the stakeholder interviews were fed into the workshop, and the workshop produced three concepts for change. These concepts were then tested against the views expressed by stakeholders*.

In September 2022 we received formal advice that the agency's funding in 2023/24 would be reduced by \$84.8m (\$42.6m being RNZ platform funding and \$42.2m contestable content funding) leaving approximately \$61m for investment into scripted and factual content, music, industry development and platform outcomes. These inputs have informed this paper.

Our key questions

The key questions we have sought to answer are:

- what role should NZ On Air play in the new media eco-system alongside the establishment of the ANZPM;
- and what is feasible in the 2023/24 year given the reduction to the agency's budget, and no immediate change to legislated remit?

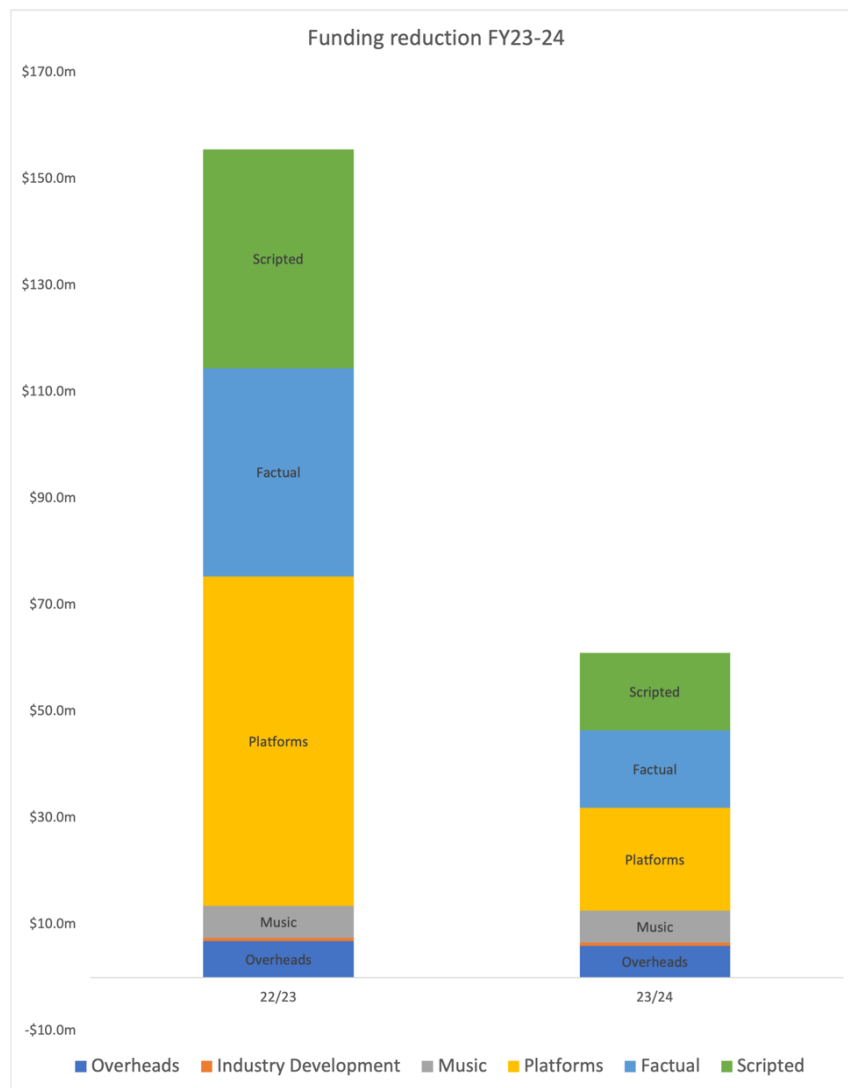
The second point requires a **transitional strategy** which also forms part of this paper.

Funding level

An indicative model for funding in the 2023/24 year (below) paints the potential future. The model is produced entirely for the purpose of informed discussion and is not at this stage a decision NZ On Air has made about future funding allocations.

The assumptions in creating this model¹ are that allocations for Music, Platforms, and Industry Development Funding are largely unchanged in 2023/24. There is scope for reduction in overheads, however without taking measures to reduce the number of applications the effort in running funding rounds does not decrease proportional to funding available.

It is noted that Music funding is seen by the Music community as having huge impact well beyond the comparatively modest current investment and there is strong sector advocacy for this to continue. Additionally, cuts to Platforms funding are difficult to achieve without significant impact to public media services for underrepresented audiences.



Analysis of the remaining funding and indicative modelling shows that essentially ‘doing the same with less’ is not an option.

¹ This does not include the “other revenue” line historically seen in NZ On Air annual reporting, which would be expected to contribute an additional \$2-3m in a normal year.

On a proportional distribution of funding, there is insufficient money to fund a single Premium Drama project, while many other genres such as Sustainable Drama, Scripted and Unscripted Comedy have only sufficient funds for a single project each. The problem hinges on the unscalable nature of individual projects, which are not free to shrink in proportion to the funding pool.

Insights from stakeholders

In considering the observations provided by stakeholders the following key points have informed our strategic planning:

- The remit overlap of the ANZPM and NZ On Air requires NZ On Air to redefine its role to ensure public funding has the greatest impact for audiences and that it is aligned with but differentiated from the ANZPM.
- Attempting to ensure the same broad range of content types would mean the amount of money each priority group and project might procure from NZ On Air is lower, and new or expensive initiatives are harder to justify.
- In practical terms, how does 'collaboration' in the new environment help to deliver the best audience outcomes? How does it avoid duplication?
- How does NZ On Air use this opportunity to provide sector leadership?
- Is NZ On Air liberated to innovate more, and if so, where might this be applied in service to audiences?
- Does this provide an opportunity for a different role in supporting the sector - for example greater content development, talent capability and capacity building?
- What role does NZ On Air play in maintaining the plurality of local content across local private media platforms?
- How can NZ On Air enhance its research and data monitoring to provide critical insights that remain useful to the whole sector (including ANZPM)?
- How can the Broadcasting Act 1989 be amended to account for these changes and modernise NZ On Air's mandate and settings?

A transitional strategy

The options for longer term change explored in the next section present a unique opportunity to reshape NZ On Air's funding strategies. However they require further work to develop, time for industry discussion and input, and engagement about impact and implementation. Furthermore, they will likely require a better understanding of the interdependencies with the ANZPM, legislative change to be progressed, and deeper understanding of industry and audience need.

It is anticipated any significant strategic shifts would be implemented in the 2024/25 year.

In the immediate term it is vital that NZ On Air collaborates with the ANZPM, other funders and private media platforms to ensure audience outcomes are delivered.

Therefore in the 2023/24 year NZ On Air will adopt a **transitional strategy**.

The extensive stakeholder interviews have provided rich insights alongside this agency's extensive operational experience to inform this transitional strategy.

The **transitional strategy** is based on the following key factors:

- Formal advice that NZ On Air funding for the 2023/24 year will be \$61m.

- The Broadcasting Act 1989 has not been amended therefore NZ On Air has an obligation to deliver and adhere to the key requirements set out in it.
- Music funding and Platforms funding is essentially untouched by the transfer of contestable funds to the new ANZPM – therefore those strands of the NZ Media Fund should remain untouched in the 2023/24 year.

When making decisions about funding rounds (for Scripted, Factual and Industry Development Funding) for the 2023/24 year. NZ On Air will need to consider:

- How many rounds it is feasible/sensible to run
- Whether funding caps should be applied to applications and if so at what levels
- What types/genres of content will no longer be viable to fund in full within available funds.

Timeline

Intentions for the 2023/24 year are as follows:

- Present a **transition strategy** at the SPADA conference in Auckland on 25 November and publish to NZ On Air’s website.
- Publish funding round deadlines for the first round of 2023/24 in December.
- Begin a process of consultation on the longer-term strategic change (2024/25 onwards) in 2023.

Longer-term options for change

The three longer-term options for change considered in this paper were tested against the insights and commentary provided in stakeholder interviews. The three options were the outtakes from the Board and management strategy discussions and can be summarised as:

- **Laser Focused.** Explicit focus on the core Broadcasting Act audiences and market gaps.
- **Ideas Factory.** Incubator of ideas with focus at the development and seed-funding phase.
- **Critical Mass.** Establishing a unique differentiated footprint to the ANZPM and then joining with other agencies for maximum scale and impact in the new environment.

NZ On Air Board and management have agreed that trying to be everything to everyone in the new era would lead to failure, likewise, trying to do the same things with less makes little sense. There was also broad feedback from stakeholders that NZ On Air needs to differentiate itself from the ANZPM, remain relevant, take more risks, and build on its unique position in the local media ecosystem.

As already expressed, the following options for change are thought starters and seen as options for a new direction. In many ways they are provocations for where NZ On Air may move within the new media ecosystem.

Laser focus

- Be explicit and focused on core Broadcasting Act audiences and the content that is funded for them.
- **Super serve audiences** (esp. those that may be less well served by ANZPM or other platforms) by jettisoning certain genres or content types for the benefit of others that will have a clearer and more targeted audience impact.
- Avoid trying to be everything to (almost) everyone.
- Define and differentiate strongly.

- True audience focus with agnostic channel and format outcomes.
- **Music** could become a core focus with greater budget allocation.
- **Research and insights** led – use targeted audience research to inform content funding priorities that deliver to audiences (e.g. targeted Requests for Proposals (RFPs)).
- Explore **no mandatory platform requirement or licence fee contributions**.

*Testing this option against stakeholder observations:

On super-serving certain audiences

The idea that NZ On Air could or should focus on certain audience segments that might be less-well served by ANZPM did not receive general support in the interviews. Some noted that to do so would require a legislative change, while others were more interested in, for example, focussing on innovation or increasing the amount of funding dedicated to digital platforms.

The exception to this was content “by, for and about” Māori, which was championed by some interviewees.

On removing mandatory platform requirements

The requirement for NZMF applications to have the backing of a domestic platform – historically a broadcaster, more recently digital publishers along with broadcasters – is a key element of the NZ On Air system. The system has served NZ On Air well, with commissioning platforms acting as a filter on application volume and providing editorial oversight. This “three-legged stool”, designed for the linear TV world, has looked increasingly anachronistic in recent years. With audiences flocking to content on global digital platforms that have no formal content commissioning function and no domestic editorial presence, there is an argument for NZ On Air to directly fund producers in some situations.

And...

Part of the problem for NZ On Air, identified in the (2020) NZ Media Fund Review, is that the agency is running out of platforms: linear TV audiences are shrinking and domestic digital platforms are growing slowly, if at all. In the circumstance where NZ On Air loses access to two of its biggest platforms (TVNZ and RNZ), actually reaching audiences will be a challenge. Several interviewees suggested a way out of the impasse could be to fund platforms themselves.

On Music

The music interviewees formed a distinct group. These people, removed from the concerns of screen producers, believed that NZ On Air funding had made a critical difference to the health of New Zealand music.

When considering the quantum of funding dedicated to music of the overall funding pie (Music received 3% of all funding 2010-2020), all considered it too small, pointing to the cultural impact of home-grown music and musical talent.

On research and insights

The idea that NZ On Air could lean into data seems to play to natural advantages of an independent industry-wide body with no “horse in the race” when it comes to measuring audiences, engagement, and other metrics. Where Are The Audiences has become an important and often-cited source in the industry - as one interviewee put it, “a currency” – since the first report was released in 2014.

Ideas Factory

- Focused more on the creative process and enhancing environmental factors (i.e. industry/skills development) that create dynamic, creatively risky content.
- Prioritise incubating and generating ideas (**content and talent development**). Supercharge diverse development funding (that does not have a platform attached).
- Lean into fostering industry, cross-sector and international connections, mentorship, and **training** – with a focus on emerging talent.
- Audiences remain at the heart, but producers and writers are the conduits.
- Research and insights-led to identify what the targeted audiences are missing.
- Getting ideas up and started for the market to then pick up. i.e. fund pilots or first season run/enable pitching events to platforms.
- NZ On Air content funding would be more akin to gap funding/ **match funding /co-funding with platforms**.
- Look to the gaps / areas where the ANZPM will not be focused, and de-prioritise things that they will deliver strongly to.

*Testing this option against stakeholder observations:

In general

Considering both the strengths of the agency and anticipating the gaps in the market, it seems clear that activities that help the industry as a whole, or that can only be achieved by an independent agency with a pan-sector remit, must form a big part of the future.

On content development

As with funding general content projects, the advantages of content development are more concrete outputs and easier measurement of impact. In general, funding content development was seen as a prudent investment.

[One stakeholder's perspective] was that investment in content development meant a lower overall investment, because outside money was easier to attract with a better-developed proposition. Content development funding was also seen by some producers as an indirect training investment.

Several producers – those with a more global outlook – brought the idea of intellectual property (IP) to the question of content development. How the idea of “generating more IP” differs from simply producing more content is not entirely clear. Could it be creating content with the explicit goal of developing formats, characters and worlds that extend beyond the life of single projects?

On capability development

Idea incubators, talent development entities and even education (which implies younger customers than “training”) are all included in capability development.

Opinion was divided on training. Some producers thought it was not appropriate for NZ On Air to become involved in an area outside its core expertise and that fell to other organisations. Some believed that training was best supported indirectly through content funding.

On the other hand, many producers were supportive of a more active role for NZ On Air in training. It is instructive here that much of this support came from those with first-hand experience of the benefits of training from the PIJF.

*Tying in with the **Laser Focus** possibility of an increased investment in music, two interviewees advocated for funding involvement in music education.*

On stopping doing some things

***Ideas Factory** contemplates leaving the floor to ANZPM in certain content areas: Premium Drama, Journalism and Children's. One of the requirements of the reduced funding pool is to stop operating in certain categories altogether, and at least one interviewee thought this should happen in the case of journalism. On the other hand, many in the industry are closely attached to journalism funding and argue persuasively that NZ On Air has had a big positive impact in this area, particularly around training.*

On promotion and marketing

*While promotion and marketing funding is not explicitly mentioned in the **Ideas Factory** outline above, it fits with the idea of funding content creators directly. Marketing funding has long been forbidden under general NZ On Air guidelines – it is permitted in music – as a cost that platforms should be expected to meet. Under the “three-legged stool” system this is a reasonable restraint: a platform with no desire or ability to provide marketing for a piece of content it has commissioned is most likely disengaged. Under those circumstances, why provide the funding in the first place?*

This changes as the platform environment evolves. The possibility of directly funding producers to undertake promotion and marketing seems like a prudent investment: why fund content that doesn't reach an audience?

On co-funding

***Ideas Factory** is built around the co-funding idea: projects generally seek backing from multiple sources, of which NZ On Air is one. From NZ On Air's perspective, the smaller per-unit investment is a sensible adaptation to its greatly reduced funding pool, and allows it to remain involved with premium productions that carry cultural heft and connect with audiences. Co-funding frees up funds to pursue costs associated with other **Ideas Factory** activities while retaining a strong connection to content output.*

On no editorial input

Despite the possibility of funding content without platforms attached, discussed above (see “No mandatory platform requirement”) ..., it would seem prudent for NZ On Air to steer clear of becoming a content commissioner and taking on editorial oversight Another solution will have to be found to the challenge of “some kind of creative or editorial oversight”.

Critical Mass

- Create scale and tactical, differentiated positioning in market by **upweighting collaboration with like-minded funding agencies.**
- The Māori Media Shift programme requires NZ On Air to collaborate with Te Māngai Pāho which in many ways is a reflection of things we already do (ie the Co-fund).
- This provides more scale to collaborate meaningfully with ANZPM.

- Accepts the convergence of funding agencies remit across digital content, insights and development.
- This concept works as a longer-term vision with a focus on either Laser-Focused or Ideas Factory in the short-term to build towards Critical Mass.

A further consideration

Not specifically relevant to any of the change options, but a topic canvassed in the stakeholder interviews on which there was some consensus was paywalls:

The justification for this prospect, which only a few years ago was almost unthinkable, is that subscription services have become ubiquitous, are cheap in absolute terms (and relative to pay TV, for example), and may be needed to reach certain audiences. Many interviewees were open to the idea, provided content was moved on to free platforms after a paid window.

Others were unequivocally against the idea.

In conclusion

Change creates both uncertainty in the short-term, and opportunity in the longer-term. While there are many things outside NZ On Air's control that are about to impact the agency and the stakeholders served, focus remains firmly on how to continue to provide a valuable contribution to public media outcomes for NZ audiences.

Having reviewed the analysis, the Board has determined that NZ On Air will progress with developing a model that draws on the **Laser Focused** and **Ideas Factory** thinking to create a research and insights-led strategy (from 2024/25) that invests more heavily in capability and capacity building, content development, promotion of funded content and maximises flexibility to distribute content on platforms where audiences are. This will likely require legislative change.

Alongside this, the **Critical Mass** model will need further industry and policy input and buy-in from other funding agencies and is seen as a longer-term concept beyond 2025.