

Report on Comparative International 'Best Practice' Performance Measures for Funding Local Content Television

Report to NZ On Air

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Executive Summary

NZ On Air has an established set of performance measures specified in its Statement of Intent (SOI) and reported on in its Annual Report. As a Crown Entity, it is subject to evolving New Zealand Government guidelines on both annual and medium term components of measures within the SOI that are relevant, reliable, understandable and comparative. The Office of the Auditor General (OAG) is requiring outcomes to be measured over the SOI three-year period that facilitates medium to longer term performance targets.

Purpose of Report

This report has been commissioned to provide comparative information and potential new ideas on performance measures for television funding, scoping comparative 'best practice' measures employed by public funding agencies and public service broadcasters including those overseas.

Overview of Study

NZ On Air is a wide-ranging independent broadcast funding agency for which there is no comparable funding agency outside New Zealand. In this report, its approach to performance measurement is compared to and tested against measures employed by, or evolving from, public funding schemes for local content television production in overseas jurisdictions, predominantly English language television environments. The most relevant national public funding agencies are:

- Canadian Television Fund: a public/private fund that is triggered by Canadian television broadcasters and provides license fee top-ups and selective investment for eligible productions in specified genres: drama, documentaries, children's and youth and variety & performing arts.
- Screen Australia: recently established and consolidating previously available funding for adult drama, children's programming and documentaries as well as feature films and short films.
- Telefilm Canada: primary focus is on funding feature film and new media, but also provides administration services for the Canadian Television Fund.

The UK Film Council was reviewed but judged not relevant as it does not fund television programme production.

Where relevant, a comparison is also made with measures employed by public television broadcasters in those jurisdictions.

Other New Zealand public funding agencies such as Te Māngai Pāho (TMP) and the New Zealand Film Commission (NZFC) have also been included for comparative purposes.

A list of the agencies and broadcasters employed in this comparative process is in Annex A and Annex B respectively, along with a brief description.

NZ On Air performance measures overall are robust based on comparison with other funding agencies involved in funding of local content television.

Findings

This report has identified several new measures that could be introduced at minimal cost. It also provides options for simplifying, or otherwise addressing, current performance measures that appear to be beyond NZ On Air’s direct control as outputs and, therefore, may be neither reliable nor relevant in OAG terms. Other suggestions are made on the information that is currently provided by NZ On Air in its annual report but that could be expanded to provide more extensive year-to-year tracking of relevant trends within the domestic television production environment. If implemented, these would enhance the robustness of NZ On Air ‘best practice’ measurement of its performance as a Crown Entity and funding agency.

The following highlights these observations and suggestions:

| Measure | NZ On Air (Comparative) | Proposed Action |
|---|---|---|
| Administration cost as % of total funding | NZOA less than 4% (CTF less than 6%) | RETAIN 2008/09 NZOA 2.3% (CTF 4.3%) |
| Public equity % uncommitted | NZOA less than 3% (No comparative example) | CONSIDER ALTERNATIVES NZOA can reallocate funding. |
| Funding committed as per SOI | NZOA measures & can reallocate (No comparative example) | RETAIN Include explanations of reallocations as needed. |
| Application/ decision implementation processing time | NZOA does not measure (CTF sets no. of days targets for contracting & draw-downs) | NEW For contestable funding, measures workload, administrative efficiency and relates to client satisfaction. |
| Number of applications | NZOA does not measure outside of general ‘funding administration’ in SOI that 100% received were considered by Board at its next meeting (CTF measures received, ineligible and over-demand) | NEW Measure relates to demand on public equity & workload; informs decisions to reallocate funding. |
| Priority genres & categories | NZOA - drama (includes comedy), documentary, children’s (comparable to Canada & Australia), plus special interest; <ul style="list-style-type: none"> Diversity/minority: NZOA <i>Te Rautaki Māori</i> (comparable to Canada & Australia); Disability/versioning & archiving: NZOA focus on captioning & archiving reflects NZ needs (limited comparability) Development: NZOA funding allocation (comparable to Canada & Australia) | RETAIN Scope of NZOA reflects statutory obligations; priority genres consistent with overseas examples of under-served popular television programming. |

| Measure | NZ On Air (Comparative) | Proposed Action |
|---|---|--|
| Number of hours | NZOA measures number of hours by genre & category with funds allocated to each (TMP measures hours by target audience; CTF measures funds allocated by genre) | RETAIN Also track trends (see annual report below) |
| Television Broadcast License | NZOA does not measure outside of general 'funding administration' in SOI that 100% decisions are made in accordance with policies (Canada & Australia require broadcast license also) | NEW Establish as distinct performance measure |
| Not less than 50% to be broadcast in peak/prime time | NZOA measures (with exception for children's, comparable though less robust than in Canada or Australia) | RETAIN Plus track trends (see annual report below) |
| Broadcast within 15 months of formal delivery | NZOA measures (comparable CTF guideline is 18 months) | RETAIN Track trends in relation to peak/prime time measure (see annual report below) |
| Independent production as % of contestable funding | NZOA tracks within annual report (not comparable as only NZOA & TMP can be accessed by television broadcasters for in-house production) | NEW In the interest of diversity establish measure such as not less than 85% of contestable funding will go to eligible productions by independent production companies |
| Public equity as % of total production cost | NZOA tracks only within annual report (not comparable with overseas given availability of other financing sources and regulated television environment) | NEW As indication of audience demand, quality & license fee consider setting measures by genre of less than 100% public equity |
| Client satisfaction | NZOA measures tri-annually (comparable with Telefilm Canada) | RETAIN Information from new measures covering processing time & number of applications will add value |
| Audience satisfaction | NZOA measures through annual Public Information & Opinion Monitor report; methodology is being reviewed (Comparable overseas measures include viewer numbers & proportion of 'total hours tuned') | REVIEW Suggested focus on ratings & audience numbers at least for peak/prime time |
| Audience awareness of NZOA | NZOA also measures through annual Public Information & Opinion Monitor report (No comparative example) | REVIEW |

| Measure | NZOA (Comparative) | Proposed Action |
|---|---|---|
| Annual Report: Expanding Information & Analysis | | |
| Programming decisions: regional production | NZOA does not address (CTF has specific targets) | ADD Production company location & location of production to lists of programmes funded. Explore with Stats NZ more detailed regional breakdowns for television production data in annual survey |
| Trends: number of hours, peak vs. off peak | NZOA SOI reports over 3 year period as actual, estimated and forecast | CONSIDER Provide 5 year trend analysis of fluctuations between forecast & actual |
| Hours of funded television by genre | NZOA tracks over 10 years for drama/comedy, documentary/information, children/young people, special interest/other | RETAIN Consider expanding detail of genre and peak vs. off peak results |
| Programmes produced by television broadcasters & independent producers | NZOA tracks over 7 year period; (access by television broadcasters to NZOA funding is only comparable to TMP) | RETAIN See also new performance measure for independent production above. |
| Local content television | NZOA is tracking number of hours by now six free-to-air TV channels since 1990 (not comparable to overseas regulated local content television environments) | RETAIN |
| Awards | NZOA annual report mentions examples only (CTF presents quantitative information on domestic TV industry awards) | CONSIDER Awards represent peer assessment of quality |

NZ On Air Performance Measures

NZ On Air's current measures address its stated priorities consistent with its legislated functions: these are both quantitative and qualitative covering financial and non-financial performance targets. The measures in use currently are manageable and cost-effective. Given the time lag between NZOA financing decisions and broadcast of each completed production, one medium term measure is related to the confirmed broadcast within 15 months of delivery of the finished production.

In brief, the measures relating to television activities that are set out within NZ On Air's 2009-2012 SOI are a mix of quantitative and qualitative:

Category A: Financial measures that apply to funding administration:

- Funding is committed to planned activities in accordance with the SOI;
- Uncommitted equity is less than 3% of total annual funding; and
- Administration cost is less than 4% of total funding.

Related to these measures are two other general ones regarding percentage of applications received and considered by the Board at its next meeting; and percentage of funding decisions made in accordance with approved policies and procedures.

Category B: Non-financial measures:

- Appropriate balance between mainstream and special interest TV programmes, with not less than 50% of the TV budget spent on programmes scheduled for peak or prime time;
- Broadcast hours for television programmes being funded in accordance with specific quantities and genres set each year in the SOI;
- Funded projects are of broadcast quality, with all being broadcast within 15 months of formal delivery.

Category C: Independent research into audience and industry attitudes (also covers non-television activities)

- Annual public information and opinion monitor: Audience satisfaction is measured through independent research with a target that more than two-thirds of respondents agree that NZ On Air supports programmes and activities important to New Zealanders; and
- Tri-annual independent research on service delivery to clients (industry) with target again that more than two-thirds of respondents agree that NZ On Air is efficient, fair, balances competing demands well and makes the right choices.

NZ On Air also commissions an annual analysis of local content across the now six main free-to-air television channels that includes data on the number of hours contributed by NZ On Air-funded programmes. The findings do not form part of its performance measures though are covered in its annual report.

A. Comparative Analysis for Performance Measures

This section addresses various categories of performance measures including measures not currently employed by NZ On Air, and provides initial conclusions.

1. Administration & Management Efficiency

Among the funding agencies examined, there are various measures employed in reporting on administrative performance or, as one describes it, 'value for money' in terms of management of public funds and operational efficiency.

1.1 Expenditures on Administration of Funding

NZ On Air has set a standard that its administrative costs will be less than 4% of total funding. This measure reflects its commitment to cost-efficient management and delivery of its responsibilities. In 2008-09, NZ On Air reported administration costs of 2.3%.

The Canadian Television Fund (CTF), and its administrative arm the Television Broadcasting Unit (TBU) at Telefilm Canada, is the overseas public agency with a function most similar to that of NZ On Air. It also measures efficiency through its administration expenditure: under its contribution agreement with government the CTF is required to keep its administrative expenses below 6%. In 2008-09, CTF administration costs including those of TBU represented 4.3% of total funding.

Telefilm Canada (TFC) also measures and reports on what it terms its 'Management Expense Ratio': that is, direct programme administrative costs as a percentage of total funding available for each of its funding programmes. However, outside of its TBU, Telefilm does not set specific percentage targets: in 2008/09, TBU providing administrative services to CTF is just under 3%, the Canada Feature Film Fund comes in at 8% and the Canada New Media Fund is 17% (down from 26% in the previous year). It reports comparatively for three year periods as evidence of 'value for money'. (Other administrative costs including corporate management/governance are treated separately.)

Te Māngai Pāho (TMP) outputs include administration costs or costs for contract management within its SOI as actual amounts without reference to those expenditures as a percentage of total revenue.

The New Zealand Film Commission (NZFC) identifies actual and expected costs within its SOI goal 4: to maintain standards of good governance, business practice and accountability. Screen Australia does not address this, perhaps understandably given it has been consolidating three previous statutory entities into one.

Conclusion: NZ On Air should continue to measure administration expenditures as a percentage of total funding. Its goal of less than 4% is a robust one in comparison to the only two international funding agencies that employ this type of clear measurement. As a 'management expense ratio' measure, it underlines efficiency and measures operational 'value for money'.

Over time, this target may require adjustment, if total funding becomes static and inflation increases administration costs. However, the margin of 2.3% actual to 4% target suggests a degree of comfort for the next SOI cycle.

1.2 Administration Processing Times

In Canada, the CTF service agreement with Telefilm for its TBU funding administration includes specific targets for turnaround in the number of business days involved in processing applications and the drawdown of funding at various stages.

For production funding, there are three stages for processing:

- Contract & 1st drawdown with programme-specific targets for processing application through to this stage ranging from of 30.5 days for its automatic BPE grant and 50.5 days for selective equity investment
- Rough cut with target of 7 days
- Final Cost with target of 31 days

For development, versioning and digital media, there is one primary target for application processing to Contract – 1st drawdown with the number of days varying between 15.5 and 41.5 (selective development). Subsequent disbursement turnaround time is 6 days. CTF/TBU report on performance achieved – positively and negatively – at financial year end on a comparative two-year basis.

Telefilm Canada has a Client Service Charter that includes specific timeframes for decision-making. For example: decisions on financing requests will be made within 10 weeks of the receipt of a complete application though deadline-based applications may take longer depending on volume of applications received.

The only New Zealand example of turnaround time being measured is within NZFC and its administration of both the LBSP/PDV grant scheme and the Screen Production Incentive Fund. Both have a target of 3 months from receipt of completed application to payment of the grant and NZFC reports on whether or not the targets were met though not specifically within its SOI.

Conclusion: As an administrative performance measurement, setting turnaround targets is worth consideration. The assumption here is that processing times can be tracked with relative ease, and also measured against the comparative international example of the CTF.

It could be more relevant for NZ On Air to measure processing time from the Board meeting date when decisions on funding are made, given those decisions are a Board responsibility. An alternate starting point for measurements could be issuing of contract.

1.3 Managing Demand/Over-Subscription

NZ On Air sets a performance measure that uncommitted public equity at financial year end is less than 3% of the total annual funding. No comparative example of this type of performance measure has been identified in any other funding agency in New Zealand or overseas.

An additional or even alternative measure is one employed by the CTF that tracks over 3 years the following administrative work carried out by the TBU:

- Total number of applications received
- Number of accepted applications and as percentage of total
- Ineligible applications (did not meet Guideline requirements) and percentage of total (very low being indication of Guideline clarity)
- Applications turned away due to lack of funds (oversubscription) and as percentage. (Reduced in CTF case from 8% to 0%).

Note: This would not replace existing performance measures set out in NZ On Air's SOI under Funding Administration which cover percentage of completed applications received by deadline and considered by the Board, as well as percentage of funding decisions made in accordance with approved policies and procedures. Both rank at 100% for each of the three years covered as would be expected.

CTF operates within a very structured funding framework in comparison to NZ On Air's ability to set out planned activities in its SOI and to adjust these from one year to the next. Further, NZ On Air reported that in 2008/09 uncommitted public equity was only 1.4%, so the issue of oversubscription may not be quite as relevant. Its flexibility includes provision for the Board to reprioritise allocations within its activities. Its regular liaison with New Zealand television broadcasters and production companies also facilitates efficient management of demand.

However, given the predominance within NZ On Air of contestable funding, measuring numbers of applications that must be processed, and at least the proportion for which funding is approved, would be indicative of workload, administrative efficiency and/or client demand. It could also allow NZ On Air to track demand over time and build a case for additional funding if oversubscription emerges in specific programme areas.

Conclusion: The target for keeping uncommitted public equity at a minimal level is discussed further in Section B. Consideration could be given to measuring demand through the number of applications that are processed, particularly in relation to contestable funding, to provide added weight to reprioritisation decisions during the course of the year. This demand measurement would also fit with the potential introduction of turnaround processing targets suggested in 1.2 above.

1.4 Client Satisfaction

Through independent research NZ On Air measures industry feedback on how well it is balancing competing demands and making the right choices. The standard set within its performance measures is that more than two-thirds endorse its performance.

In Canada, Telefilm also includes client satisfaction as a performance measure under its overall good administration objective. It also sets out how it will interact within its client service charter. Its planned follow up in 2008/09 to the survey conducted in 2005/06 was reported as postponed.

CTF conducts regular industry consultations; however, it is the TBU that administers the funding and that is covered within Telefilm client service charter. Screen Australia has been doing industry consultations with its new programmes and it is too early to test satisfaction.

Conclusion: This type of measurement is a fundamental part of assessing the administrative and operational effectiveness of a public funding agency and should be continued. Measurement on a tri-annual basis is robust compared to Telefilm in Canada. Separately, NZ On Air can consult and report on periodic client consultations on any significant policy or administrative changes as required.

2. Targeted Funding Programmes

The practice of establishing criteria about genres of production eligible for funding is more predominant in television funding than in public agencies with broader mandates in development of creative talent and feature films.

By contrast, but reflecting its specific mandate, TMP sets programming criteria in its SOI by target audiences: fluent Māori language speakers, those learning Māori as a second language and those receptive to Māori.

2.1 Eligible Genres

The various genres in television public funding employed by three agencies with specific local content television mandates are, in summary:

- *NZ On Air*: drama (including comedy), documentary, special interest, children's programmes.
- *Canadian Television Fund*: drama (includes comedy), documentary, children's and youth, variety and performing arts.
- *Screen Australia*: television drama (excluding serials) and children's television, plus documentaries including the National Interest Programme. Feature films, short films, etc. can also be licensed for television but that is not the driving output.

Both Canada and Australia have regulated local content quotas whereas New Zealand does not. The focus in all three agencies is on popular, culturally-significant and under-served programming types that require subsidy for the production of local content that could not otherwise be made within each jurisdiction due to market size, dominance of cheaper imported programming and/or comparative domestic production costs.

NZ On Air also covers specialist current affairs under the new Platinum Fund and also through Special Interest programming. Current affairs, news, reality and sport are not eligible under CTF or Screen Australia.

Conclusion: Specific genres or programming types are clearly prescribed by the individual agency's enabling legislation or direction from government based on the domestic audience needs that have been identified in that specific market. Comparatively, NZ On Air definitions are consistent with international funding agencies in the under-served popular local content programming genres – drama (including comedy), children's/youth and documentaries.

2.2 Diversity/Minority Audiences

NZ On Air targets programming for these audiences including ethnic programmes and, consistent with its legislated responsibilities, religious 'spiritual' programming. This represents a quite unique component of NZ On Air's mandate in comparison to Canada's CTF where religious programmes are specifically excluded.

Both NZ On Air and TMP fund programming reflecting and/or for Māori, with TMP concentrating on Māori language programming. NZ On Air funding for Māori programmes is derived from its genre allocations in accordance with *Te Rautaki Māori*.

Canada's CTF has specific funding for Aboriginal language programming that must also fall within its four eligible genres. (Note also that the CTF funds both minority language English-language produced in Québec and French-language television programmes produced outside of Québec. See 2.4.)

Screen Australia has a specific Indigenous Production programme.

The CTF specific annual allocation and its usage for qualifying Aboriginal language programmes is reported on, though in and of itself is not a performance measure. TMP allocations for Māori language programmes are also not a distinct performance measure.

Conclusion: As with eligible genres, comparative applicability is determined by legislated/directed mandate, with all three countries supporting to differing degrees unique indigenous cultural/linguistic programmes. The number of hours targeted and/or funding amounts being allocated by agencies to programming for minority audiences is a function of national policies and is therefore not a comparable performance measure.

2.3 Disability/Versioning/Archiving

Within its overall television programme funding associated with disability services, NZ On Air funds captioning for the hearing impaired. New Zealand also has well-established capabilities in sub-titling and dubbing.

Canada's CTF has a versioning fund – dubbing or subtitling – from either French or English into the other official language or an Aboriginal language.

Elsewhere these types of services are the responsibility of broadcasters themselves. In Australia, SBS is extensively involved in subtitling original language productions acquired internationally for its multicultural audience, as well as in-house multicultural programmes.

Archiving is specifically funded by NZ On Air, TMP and NZFC through its industry support contribution to the New Zealand Film Archive. In Canada and in Australia, national archives are statutory government agencies and funded directly by the federal/Commonwealth Government.

Conclusion: These activities are specific to national environments. Comparative performance measures do not exist. NZ On Air's practice of setting targets and measuring by number of hours for its allocations to both disability services and archiving (measured by hours of television programmes archived, preserved and digitalised) is appropriate and robust.

2.4 Regional Production

NZ On Air provides programme funding to regional broadcasters for local news/programming. However, it has no specific targets for the regional origin of television production that it funds. The annual Statistics NZ Screen Industry Survey is now providing measurable comparative data on regional disbursement of screen industry businesses and on regional distribution of production spends including through not separately identifying television data.

By comparison, Canada's CTF has a very specific regional performance that it measures and attempts to address:

- First, it is required to balance the disbursement of its funds between the two major production centres (Toronto and Montréal) and other regions across Canada; the percentage of funding and hours of programming produced are tracked and reported on in total funding and percentages over a five year period. (In 2008/09 for English production 26% of CTF funding was directed to regional production, representing a 16% decline compared to the 41% average for the four previous years.)
- Second, it gives a weighted 20% value within its calculations of annual BPE allocations to television broadcasters on the basis of regional production that has been licensed by the broadcaster previously.
- Third, CTF takes market-intervention initiatives to address imbalances and satisfy regional aspirations:
 - *Production Incentive for Regional English Production:* pilot programme introduced in 2008/09 allocated funding to a 10% licence fee top-up for productions in regions where the share of English-language funding had dropped 20% below the region's five-year average. (In 2008/09, Atlantic Canada and Quebec were targeted with C\$5m; 2009/10 is targeting Atlantic Canada again and BC/Yukon/Northwest Territories and has doubled the allocation to C\$10m.)
 - *Minority Official Language Funding:* special measuring of the number of projects, funding allocated and number of hours of official-language programming produced in regions where that language is the minority. E.g. French language production outside of Québec (C\$12m for 121 hours) and English language production in Québec (C\$17m for 87 hours).

Public service broadcasters in the UK, Canada and Australia also have regional performance measures, based on regional television stations that form part of the national public service network providing local and national programming. Given its size, the structure of public broadcasting in New Zealand is not comparable.

Screen Australia is not required to address regional production targets within its Corporate Plan. However, as part of its research responsibilities, it publishes annually the National Production Survey covering feature film and television drama (including children's) that includes an analysis of production level trends by each state. In effect, in the absence in Australia of an annual statistical survey, this National Production Survey replaces and expands on the regional data now available in the Statistics NZ report.

NZFC and TMP do not address regional production.

Conclusion: it is debatable whether New Zealand is either large enough or NZ On Air is sufficiently resourced to do more than the modest regional television programming funding currently in existence.

However, in terms of tracking regional distribution of funded television production, an analysis for inclusion in its annual report of production company location and even location of the actual production if different, could generate – depending on the results – an appreciation by Government and taxpayers of NZ On Air's direct financial impact around the country.

2.5 Development

All funding agencies, be these television-focussed, mixed or film-focussed, provide funding for development of projects. NZ On Air development funding is provided mostly for drama and for research required by larger documentaries.

In all cases, development is carried out on the basis of a funding allocation set annually. None set a target suggesting that a certain percentage of the projects receiving development funding should be produced. NZFC has set a target of 10 feature film scripts at advanced stage in its SOI, but then its focus on development comprises a significantly larger component within its SOI than is the case with NZ On Air.

Conclusion: The existing allocation approach established within NZ On Air is consistent with comparable agencies. Consideration could be given to setting some quantitative target for advanced development as a new performance measure; however, given the amount approved for development in 2008/09 was only \$165,000, this does not seem justified.

2.6 Conclusion re Targeted Funding Programmes

Overall, within the various eligibility criteria and types or genres of programming that are being funded, it is difficult to see how NZ On Air can improve on its established financial performance measure - funding will be expended on planned activities as forecast in its SOI. Its prioritisation for

allocating the bulk of its investment funding towards drama, children’s and documentary is consistent with comparable agencies overseas.

3. Quantitative Measures

Quantitative measures relate to the individual agency’s public equity funding base and its efficiency in utilising those funds for the purposes intended. The number of productions by title, name of the production company, genre and amount of public equity approved in each case are provided by all public funding agencies in their annual reports. NZ On Air’s transparency in providing this information is consistent with all comparable public agencies.

3.1 Measuring Number of Hours

NZ On Air sets targets for the number of hours to be generated within each target genre. TMP also sets targets for the number of hours to be delivered but directed to its targeted audience groups, with results being measured over five years as, for example, increasing the percentage of fluent Māori speakers.

NZ On Air’s annual report provides a 10-year comparison by number of hours in each main genre or category of programming funded. Its SOI provides a 3-year scope of actual, estimated and forecast targeted number of hours for the coming year again by detailed genre of programming, and sets targets for peak and off-peak scheduling.

Canada’s CTF and Screen Australia for its television investment both identify the number of hours associated with each production; however, neither set specific targets for how many hours of programming by genre the funding will produce. While not measured specifically, in both cases there is a requirement that, with the exception of children’s programming, financial support is focussed on peak or prime time broadcast.

The CTF provides five-year comparisons in its annual report on the number of hours generated for each genre and comments on trends.

Screen Australia’s National Production Survey also tracks number of hours produced over a five-year period and provides a 5-year average.

Conclusion: NZ On Air’s performance measure of setting annual targets for the number of hours it intends to generate within its targeted genres, peak scheduling vs. off peak, and allocation funding is the most comparatively robust. Its 10 year tracking by main genre is also more extensive than the five-year historical overviews provided by comparable agencies.

3.2 Public Equity Funding Share

New Zealand’s television broadcasting environment does not have local content quotas, and therefore there is no well-developed robust practice for broadcasters to pay significant license fees for local content programming, such as exists in Australia and Canada where local content quotas are regulated by government. Also in both of those countries, there are multiple other sources of financing that producers can bring to the table including state/provincial

agencies, national and state/provincial tax credits or offsets, and other supplementary educational broadcasters, pay TV or cable services. Canada's CTF also sets threshold license fees for each genre that are the minimum payable by the broadcasters that can trigger access to its funding.

The CTF can therefore analyse what portion of total production budgets by genre its contribution represents and where, in addition to the broadcast license fee, other financing is being found. Its annual report provides a 5-year profile of financial participation as a share of the Canadian production budget: in 2008/09 across all genres and including English, French and Aboriginal language production, CTF share was 29%, Broadcasters (including educational and speciality) 32%, federal/provincial tax credits 27%, with the balance attributed to distributors, foreign, producers, private funds, interim financiers each at 3% or less.

Similarly, the Australian National Production Survey provides comparative 5-year breakdowns by the following categories: Australian government sources, Australian private investors, Australian film/TV industry (includes license fees) and Foreign investors. It also provides a 5 year average for financial contributions which in 2008/09 for television drama were: 14% government, 3% private, 70% industry (including license fees) and 13% foreign.

In neither case is there a suggestion that 'leveraging' increasing amounts from other sources into the production financing mix should be a performance measure.

Only Telefilm Canada has a key performance indicator related to leveraging other financing: within its strategic objectives relating to building industry capacity, its target is to maintain or increase financing from other sources. Its 2008/09 annual report notes, however, that due to the difficult economic times its share of investment increased in feature films from 31% to 37% and in new media from 29% to 49%.

It should be noted that NZFC now provides information on total production costs for films in which it has invested but only after three years after the individual film's theatrical release. Currently, the list of titles from 1990 to 2009 and including NZFC's investment is available on the website with total production budget figures for each production through to the end of 2006. Film Fund I has provided this information also in its Interim Report to March 2009. Feature films can also access both NZFC and Screen Production Incentive Fund introduced in 2008 and, depending on presales, can attract other sources of financing.

By contrast, New Zealand producers of qualifying television programmes accessing NZ On Air funding are specifically precluded from also accessing the Screen Production Incentive Fund. And given population base, commercial television broadcasters in New Zealand pay more modest license fees, thus NZ On Air's funding as the only significant subsidy represents a higher proportion than in the overseas examples.

NZ On Air reports annually on its total funding commitments in each genre by production title and as a percentage of total production cost. Its funding represented in 2008/09 a much higher proportion than comparable overseas agencies contribute: 52% for drama (excluding children's drama), 66% for

documentaries, 76% for comedy, 83% for arts/culture, 84% for children's and 98% for special interest.

Conclusion: Given the New Zealand television broadcasting environment, NZ On Air's annual report identification of its percentage contribution by genre and against total production budgets for each genre is appropriate. Its legislated function is to ensure local content programming is available; it is not required to build industry capacity, though clearly that is a desirable outcome of its funding.

Rather than incorporating this within performance measures, consideration could be given to providing in the annual report comparative year-by-year trends that could assist in gauging impact of the value NZ On Air investment to the production sector's capability to deliver local content in the New Zealand market.

3.3 Contestable Funding Splits

NZ On Air is measuring and reporting on a historical basis in its annual report on the shares of contestable funding by broadcaster and by producer (including broadcasters themselves). In the latter category, independents represented 85.8% in 2009, down from 89% in 2008 and a high of 91% in 2005.

NZ On Air is unique in allowing broadcasters as producers to access its funding. CTF has strict guidelines for broadcaster-affiliated production companies, and television broadcasters cannot access CTF funds for in-house productions.

The tracking of contestable funding share by broadcaster in NZ On Air's case does have a parallel within the CTF which allocates Broadcaster Performance Envelopes (BPE) from which CTF automatic license fee top up grants are triggered by the broadcaster. This complex system is explained in more detail in Annex A: Canadian Television Fund: access to license fee top up grants is essentially only contestable by independent production companies within the CTF allocation to each individual broadcaster. CTF contestable funding is its selective equity funding, which is an additional investment separate to the automatic license fee top up grant.

Conclusion: The ability of New Zealand free-to-air broadcasters to access contestable NZ On Air funding is another distinctive aspect of New Zealand's national environment and legislated flexibility. Reporting historical trends is necessary.

At best, some emphasis on maintaining independent producers in a strong position measured as a percentage share of contestable funding could be considered as a performance measure in the interests of diversity. For example, independently-produced programmes should represent no less than say 85% of the productions for which contestable funding is approved.

3.4 Local Content Availability

Annually, NZ On Air commissions independent analysis of the availability of local content on New Zealand's six main free-to-air television channels; the Local

Content Report includes data on NZOA-funded programming within the total local content. The number of local content hours tracked for each broadcaster since 1990 are graphically presented in the annual report.

Funding agencies involved in feature film investments in Canada, Australia and the UK also track 'local content' share of the domestic theatrical box office. Telefilm Canada has a specific objective of building audiences and within that a target for Canadian feature films of 5% of the Canadian box office. In 2008/09 it reported that the box office revenues were down to 2.9% in 2008 from 3.3% in the previous year. Within that percentage the total box office share for Canadian English language movies was only 1.1%.

Screen Australia's research department also publishes annual data on market share at the domestic box office, but the funding agency does not employ targets within its KPIs. And neither does NZFC. As the example of Telefilm illustrates, the theatrical domestic feature film market as measured through box office share is by its very nature not comparable.

In Canada, the UK and Australia, television broadcasters are regulated and have to meet certain levels of local content. Measurement of this performance sits with the respective national regulatory agency. However, among funding agencies only the CTF tracks overall audience viewing habits as part of its monitoring of audience results (See 4.3 below).

In the absence of regulated local content television quotas such as exist in Australia, the UK and Canada, the Local Content Report and its uniquely comparative year-to-year results constitute the most effective quantitative measurement of the impact of NZ On Air's basic mandate, noting there is the time delay between the year of NZ On Air's investment and the annual review of the year in which the programme is broadcast.

Conclusion: Consideration could be given to incorporating these results within longer term performance measures. In doing so, NZ On Air-funded programming as a percentage of overall local content on the main free-to-air networks, along with extenuating factors such as NZ On Air's funding base and the risk that, if static, quality may decline as local content increases, would need to be taken into account.

4. Qualitative Measures

NZ On Air's direct responsibility is to invest in local content for broadcast television. Its functions set out in section 36 of the Broadcasting Act require it to make qualitative judgements about each programme it gives funding to in relation to intended audience and programme content. In summary, the qualitative components of its statutory functions are implicit in the frequent use of 'interests' and 'beliefs':

- To reflect and develop New Zealand identity and culture by promoting programmes about New Zealand and New Zealand *interests*; and promoting Māori language and Māori culture;
- To ensure that a range of broadcasts is available to provide for the *interests* of women, youth, children, persons with disabilities and minorities in the community, including ethnic minorities; and to

encourage a range of broadcasts that reflects the diverse religious and ethical *beliefs* of New Zealanders;

- To encourage and establish the operation of archives or programmes likely to be of historical *interest* in New Zealand by making funds available for broadcasting and the production of programmes to be broadcast; and the archiving of programmes; and
- To make funds available for producing content for transmitting on demand and archiving such content.

Behind each NZ On Air decision on contestable funding, there is a qualitative outcome to be delivered. In support of that judgement, the applicant must also meet the requirement for a commitment from a New Zealand free-to-air broadcaster to screen the programme in which NZ On Air is investing.

4.1 Funding/Broadcast Use Ratio

One of NZ On Air's current performance measures is the percentage of funded programmes that meet the performance target that it will be broadcast on television within 15 months of formal delivery to the broadcaster. That is currently measured by the percentage of programmes that did not meet this target: in 2008/09 that percentage was 0%, meaning that all funded programmes have been broadcast within this timeframe.

This measure indicates that: (i) broadcasters are making serious commitments to programmes obtaining funding; and (ii) NZ On Air's contribution is being well-managed with contractual obligations from the recipient producer to deliver. However, factors beyond NZ On Air's control such as corporate failures may impact negatively on the completion of a production.

The relationship between a decision on public funding and the action by an end-user within the marketplace could be considered too far removed to be reliably measured. In between sits the production company itself and, with the exception of direct funding of in-house broadcaster production, NZ On Air has no direct control over the broadcaster's eventual scheduling.

Within the comparative review of public agencies also involved in film production, there is a more modest approach. Screen Australia within its key performance measures sets a market-reliant target for 75% of Australian feature and short films achieving an Australian theatrical release or Australian television broadcast. In its 2008/09 annual report it notes that 4% of past feature films in which the Film Finance Corporation had invested had failed to be released theatrically in Australia. NZFC frames its target as all cinema features having a theatrical or festival attachment before being 'greenlit': in essence this is comparable to NZ On Air's requirement that there be a broadcaster commitment. The market utilisation of the completed production is a 'best efforts' rather than prescriptive. The issues identified above in 3.4 relating to the Canadian box office performance measure for Telefilm underline the fragility of market-reliant measures.

Though not a performance measure, the CTF guidelines do require that the television license agreement for individual productions include a commitment to go to air within 18 months of delivery. Further, the financial characteristics of its funding guidelines (Ref. Annex A) are such that the broadcaster has a very

strong financial interest – e.g. minimum but significant license fees paid to trigger CTF funding - in exploiting the completed production. The CTF does not report on whether productions it has funded do meet this target or not.

Conclusion: This performance measure is not directly comparable to any other performance measure being employed by a public funding agency; however, the 15 month from delivery target is more robust than the CTF guidelines requirement of 18 months.

NZ On Air’s policy requiring the attachment of a free-to-air broadcaster is also a relevant measure; this could be added as a specific performance measure consistent with the fundamental requirements of overseas television funding agencies and therefore comparable.

4.2 Audience Satisfaction

NZ On Air includes within its performance measure, and reports on in its annual report, audience satisfaction indicators based on an independent commissioned survey: Public Information and Opinion Monitor. NZ On Air sets the target that more than two-thirds of those surveyed will agree that programmes funded are important to New Zealanders.

The 2008/09 Annual Report identifies this measure as having been achieved in part: while 93% watched and enjoyed at least one programme supported by NZ On Air, only 53% agreed with the basic question. The issue noted is that many respondents do not differentiate between NZ On Air funded programmes and other New Zealand content.

NZ On Air has indicated that the methodology for this public perception research will be reviewed in the current year.

Conclusion: In light of both the internal review of methodology for this research into public or audience satisfaction, alternative measures are identified in 4.3 below.

4.3 Ratings & Audience Share

Measuring audience consumption of public-funded productions is commonly undertaken through two methods: theatrical releases of feature films can be measured by ‘bums on seats’ or admissions based on the number of tickets sold; television ratings measure estimated number of viewers (‘bums on the couch’) but rely on the illusive box in homes of a very small if scientifically pre-determined number of viewers.

NZFC sets some targets for admissions. Screen Australia sets targets for audience levels to be achieved by both feature films and television programming in which it invests.

Screen Australia's targets for television are the most relevant:

- Adult drama – commercial networks 900,000 viewers, ABC 600,000 viewers and SBS 350,000 viewers. (Only 1 on SBS did not meet this KPI in 2008/09.)
- Children's drama – 200,000 viewers.
- Documentaries: commercial networks 500,000, ABC 350,000 and SBS 150,000. (Not all achieved these targets in 2008/09)

In Canada, the CTF reports on the number of hours tuned to by viewers in Canada by Canadian vs. foreign (i.e. local content consumed), by total number of hours in each genre supported by CTF funding and by CTF-funded programmes vs. other Canadian and foreign programmes. Based on the detailed tracking of viewers in Canada, the CTF measures viewers both full day and peak hours and audience share for its funded programmes as a percentage of total time spent viewing. Audience success based on 'total hours tuned' by genre for each broadcaster is also a weighted factor at 40% within the BPE allocations (ref. Annex A: Canadian Television Fund).

NZ On Air's annual report includes the top 10 funded programmes by average rating and audience, based on AGB Nielsen data. In 2008/09, all 10 programmes exceeded 350,000 viewers. This suggests that there is room to expand a potentially robust qualitative measure around audience numbers, recognising the time delay between investment and broadcast.

Conclusion: Ratings and audiences could be considered as a new performance measure, depending on AGB Nielsen cost.

4.4 Awards

As undoubtedly the major public funding agency for Canadian television programming – 471 productions in 2008/09 – the CTF reports on nominations and awards achieved at the two major Canadian annual award programmes: the Gemini Awards for English and the Prix Gémeaux for French language programmes. It describes this as industry-wide recognition that the CTF supports high-quality programmes.

Rather than listing every title, the CTF provides a statistical compilation by language and by total: e.g. in 2008/09 CTF reports the total number of projects nominated (154), total nominations earned (449), number of awards received (91) and eligible categories (137 -noting that it does not fund programmes in all categories covered by the awards). Telefilm does list Canadian and international awards won by the feature films and interactive new media productions in which it has invested.

Screen Australia sets within its key performance indicators for cultural recognition a specific target for international awards: 23 for features, 4 for children's drama, 2 for adult drama, 31 for documentaries and 15 for short films. Its annual report lists every award won in Australia and overseas by productions it has funded in Appendix: the 2008/09 edition runs to about 12 pages.

Public service broadcasters also take pride in awards received for programming they have commissioned or produced. None employ awards as a performance indicator.

National awards received under competitive 'peer assessed' frameworks represent an arm's length indication of programming quality.

Conclusion: NZ On Air's situation could be compared to that of CTF as the main national funding agency and, similarly, it could compile the number of productions nominated and awards won for example at the Qantas Film and Television Award as an indication of peer assessment.

However, it is not suggested that this achievement should be incorporated as a performance measure with specific targets such as those employed by Screen Australia.

B. Options for Consideration

This section reviews the conclusions reached in section A. in light of the advice from the Office of the Auditor General (OAG) on the qualities that performance measures should reflect:

- Relevant
- Reliable
- Understandable
- Comparable

5. NZ On Air & Nature of Its Activities

Consistent with its enabling legislation, NZ On Air activities or outputs exert control over the allocations of its annual government funding to the various under-served programming genres and the terms and conditions under which that funding is provided. In making decisions on investment of its public equity, it also exerts control in two other forms:

- It requires the attachment of a free-to-air broadcaster to ensure that the funded programme has confirmed domestic market interest and will be available to viewers; and
- It enters into a contractual relationship with the production company that governs the draw down of its funding and the delivery of the completed production.

NZ On Air, however, does not have direct control over other aspects of the process that can impact on the end result. For example:

- The recipient production company as a business enterprise whose corporate health may be affected by ventures outside the direct programme production relationship with NZ On Air;
- Broadcaster's scheduling within the target viewing period and promotion of the programme when it does go to air; and
- Audience and/or critical response to the programme itself.

In terms of its performance measures, the emphasis should be on the outputs that NZ On Air directly controls. This would include of course the clarity and quality of services to clients. And further, on the qualitative medium to longer term measurement of value to viewers.

6. Financial Stewardship & Operational Efficiency

These represent the 'value for money' strengths of NZ On Air in its management of public equity.

6.1 Financial Performance Measures

Administration costs are less than 4% of total public equity: this represents a very strong and solid measure of efficiency and meets the four OAG specifications. Annual comparative indicators are available from the CTF/TBU

and separately Telefilm Canada, the CTF/TBU being the most similar in operations.

Not more than 3 % public equity is uncommitted: while this is understandable and can be reliably measured, it does raise the issue of how any fluctuation in demand or creative assessments by NZ On Air about applications could impact on the output being measured. It indirectly requires that NZ On Air must attract, approve funding for and contract the right proposals during the year. However, the objective of wise financial stewardship implicit in setting out clear planned priority activities with budget allocations (see 7. below re programme priorities) is a closer fit to the OAG specifications and can more appropriately be tied back to statutory obligations.

Funding expended on planned activities: this one is clear and addresses more directly the planned expenditure of public equity. And with the NZ On Air Board's ability to reprioritise fits the four OAG specifications, is measureable and comparable on a year-to-year basis.

6.2 Non-Financial Efficiency Performance Measures

Non-financial new measures could be introduced to make this general operational efficiency set of performance measures more robust and fit with OAG specifications. These two sit comfortably together and provided they can be introduced without additional cost, are:

- **Turnaround processing targets:** review recent 12-month processing times to set reasonable targets, comparable to those measured in Canada.
- **Application workload and demand:** again reviewing numbers of applications and level of funding requested over a 12-month period and set the stage for ongoing tracking and comparative year-to-year data.

The latter would also inform the 'not more than 3% public equity' measure if that is retained.

Both relate to measuring efficiency. The second would also serve to measure workload, guideline clarity and levels of demand that could tie-in with client satisfaction surveys and forecasting future public equity needs.

7. Priority Programme Genres/Categories

International comparisons are not possible on a 'level playing field' basis, given New Zealand's lack of regulated local content quotas. However, the comparability between NZ On Air priority genres and those especially in Canada's CTF – i.e. drama, children & youth, documentaries and variety/performing arts – as being under-served is worth noting. Also, NZ On Air's target with respect to peak time is relevant to measures employed overseas, though its 50% to be broadcast in peak/prime time is substantially less ambitious.

NZ On Air should retain established practice of specifying each genre or category of programme, annual priorities and target for at least 50% in peak/prime time.

This also should be addressed within the new Platinum Fund with more specific targets to be developed over time.

8. Quantitative Measures

The issue of NZ On Air direct control has an impact on the options being suggested below. Some further elaboration in the SOI on how the targets are set each year and reasons underlying variations may add to the OAG requirement for 'understandable'.

8.1 Number of Hours

This performance measure is clearly under NZ On Air's control and meets all OAG criteria. The established comparative year-to-year reporting is solid.

Trend analysis of any significant changes over a 3 to 5 year period could be useful. This could be tied into the peak/prime time targets and results.

It is also suggested that the television value of digital content be added as convergence strengthens between the two. (See Annex re CTF and the new Canada Media Fund.)

8.2 Public Equity as % of Total Production Cost

This is not under NZ On Air's control and is not a statutory obligation. At best – and potentially inappropriate in the case of some programming genres – a performance measure that says NZ On Air's funding will be less than 100% of total production budgets could be considered. Or as an alternative, some measurement within specific genres of the number of programmes attracting market investment over and above domestic television broadcast license fees could be developed.

The current level of information in the annual report should be retained, and consideration given to adding a 3 to 5 year tracking on NZ On Air percentage contribution trends within each genre of programming as an indication of demands on public equity.

Also consideration could be given to reporting on trends in financial contributions from broadcasters licensing programmes produced by independent production companies.

Statistics NZ annual screen industry survey is delivering more detailed breakdowns on government and private sources of funding, along with the number of recipient businesses. (Ref Table 18: Screen Industry Report 2008 statistical data) The latter would include broadcasters as well as independent production companies and indicates that NZ On Air funding is reaching a growing number of businesses (114 in 2008 compared to 96 in 2007). It would be worthwhile discussing with Statistics NZ whether the television production data now available could be drilled down to generate an 'arm's length' portrait of how New Zealand television production is being financed and the number or diversity of production companies involved.

8.3 Availability of Local Content & NZ On Air Share

NZ On Air's function is to serve domestic audience interests and support under-served categories of local content programming. It is not directly responsible for or in control of the overall availability of local content on New Zealand's unregulated broadcasting system.

However, the annual report on local content being commissioned by NZ On Air is invaluable: it provides a measurement of the position of local content within the overall free-to-air programming available to New Zealand audiences and, in terms of delivering value to taxpaying viewers, it measures NZ On Air's contribution to maintaining or increasing local content.

There is a question about how this could be treated as a new distinct performance measure: would a decline in share of NZ On Air funded programmes represent a positive outcome indicative of overall growth in local content, or should NZ On Air aim to maintain some degree of share within free-to-air local content? Given the range of factors beyond NZ On Air's direct control, it seems more appropriate to retain within the annual report.

9. Qualitative Measures

Overall, qualitative measures represent a greater, but necessary, challenge for NZ On Air's performance as a funding agency. There are basic measurements such as adherence to policies and procedures in its decision-making that are already in place. But measuring 'quality' through performances by the broadcaster as end-user is less directly controllable.

9.1 Broadcast Use

The key point of NZ On Air control relates to its decision to fund a particular programme that has a free-to-air broadcaster attached and committed to the completed production going to air in peak or off peak schedule. This market attachment is comparable with funding criteria in Canada and Australia, and meets other OAG requirements.

One option could be to include this broadcaster attachment criterion in a distinct new performance measure. (As noted, it is currently covered within the Funding Administration measure within the SOI: Percentage of funding decisions made in accordance with approved policies and procedures.) By making this broadcaster attachment a distinct performance measure, it could also be employed in relation to the non-financial operational measures suggested in 6.2 above tracking any applications rejected for not meeting this requirement.

Another option would be to retain the 'within 15 months of formal delivery' requirement, and tie in with targeted peak or off peak scheduling. The 15-month target is comparable to the CTF requirement of 18 months. Again, this is a 'best efforts' performance on NZ On Air's part where achievement can be influenced by factors beyond its control.

9.2 Audience Satisfaction

This outcome measure is the most challenging for a television funding agency to address. It can only be measured over the longer term due to the time involved from the decision to fund, through the production cycle to delivery and then the 15 month window for broadcast, after which audience response can be evaluated. At the same time, NZ On Air's mandate is to provide funding for programmes in which New Zealand audiences are 'interested'.

Screen Australia's television funding sets target audience numbers within its performance measures. Canada does not, though it tracks viewers of funded programmes by genre and 'total hours tuned' and, through its weighting of annual allocations to broadcasters, provides an incentive for broadcasters to build audience success.

TMP based on its particular mandate is measuring success through increasing, for example, percentage growth in Māori speakers over a 5-year period.

Broadcasters all employ ratings to measure a programme's success. NZ On Air employs audience numbers within its annual report for a 'top 10' list.

NZ On Air could focus on ratings and viewer numbers as a reliable, understandable and comparable measurement, especially for the 'not less than 50%' targeted at peak time audiences.

There is another option that could be considered and derived from the annual Local Content data: a formula might be developed based on tracking 'total hours tuned' by genre and average audiences, and measuring how NZ On Air funded programmes fare in comparison. If this could be developed without significant additional cost, it might form the basis for future targets and measures. This would require regular adjustments or multi-year averaging. But, given New Zealand's lack of regulation and impact of multi-platform availability and digital convergence, this analysis may already have passed its 'use by' date.

The 'NZ On Air' awareness within the New Zealand audience is a separate issue.

9.3 Stakeholder Acknowledgement of NZ On Air Value

This covers a broad range of stakeholders from taxpayers or audience through to industry clients. It could be seen as part of NZ On Air good governance and involve its communications plan.

In terms of industry or client satisfaction, NZ On Air's current performance measurement on a tri-annual basis of 'good service' should be retained.

Acknowledgement of quality decision-making through domestic industry awards could be considered, though within the annual report rather than as any performance measure.

Audience awareness of NZ On Air's involvement in funded television programmes and, therefore taxpayer endorsement of its role is more challenging. End credits are frequently missed by audiences both in cinemas and at home. Above title credits on feature films are more visible, though NZ On Air's involvement in feature films does not represent a numerically significant audience reach.

Audience awareness of the funding agencies role and value as managers of public equity does not appear within CTF or Telefilm measures, though both also require end credits. Broadcasters themselves take this very seriously, but then attracting audiences to their individual network/channel is core business.

Given NZ On Air's intention to review methodology employed in its audience survey, no further suggestions are made here.

10. Conclusion

NZ On Air performance measures overall are robust based on comparison with others involved in local content television funding especially comparable funding agencies. Indeed, the existing set of measures could be said to represent 'best practice' for a public funding agency with the unique breadth of mandate that NZ On Air is implementing within the unregulated local content television environment in New Zealand.

This report identifies several new measures that could be introduced and at potentially minimal cost. It also provides options for simplifying or otherwise addressing current performance measures that are, in fact, beyond NZ On Air direct control as outputs and, therefore, may be neither reliable nor relevant in OAG terms.

Further, suggestions are made on how expanded information could be presented within NZ On Air's annual report that would add value, encourage analysis of trends within its television funding and forecast future demand.

If implemented, these new measures and expanded information and analysis would enhance the robustness of NZ On Air 'best practice' measurement of its performance as a Crown Entity and funding agency.

This report's findings are collated in the Executive Summary and distinguish between performance measures – comparable or not – currently in use or suggested as new ones and other information for presentation in annual reports.

Reference is made in this report to the CTF 'Broadcaster Performance Envelope' approach: this is designed to provide both broadcasters and production companies with greater predictability on available funding annually. The objective is an interesting one. It is debateable whether NZOA funding fits within this model and any consideration of adopting this type of approach would require analysis beyond the scope of this report.

Annex A: Comparative Funding Agencies

Canadian Television Fund (CTF)

Budget: 2008/09 C\$316 million, mixed public/private fund. Revenues for CTF comprised of: Cdn Government Department of Canadian Heritage (vote) C\$120m; Cable TV services C\$96.6m; Direct-to-home services C\$85.9m; Production investment returns C\$9.5m; Interest C\$4m.

Decision-making: CTF Board sets policy guidelines, budget and BPE annual allocations; selective funding decisions made by management.

BPE: Broadcaster Performance Envelope – Summary of Key Elements

This approach was launched in 2004/05 to provide predictability of funding to both broadcasters and producers. This funding is the CTF license top-up: a grant to the eligible production. The BPE is employed by the broadcaster to commit to eligible productions.

37% of the BPE is allocated to the national public broadcaster CBC/Radio Canada covering English and French production. Given the differences between those two language markets, this summary focuses on English language production.

The BPE calculation involves four performance factors, each provided with a percentage ‘weight’. In 2008/09 English production calculation weighting was:

- 40% Audience Success: this is based on ‘total hours tuned’ (THT) for each broadcaster by a broadcast year, measured across 24 hours, over the previous seven years and including all eligible CTF programming including acquisitions and ‘CTF-ables’ i.e. up to 10 titles in programming in eligible genres that the broadcaster was not involved initially. (Exception to 24 hours is children’s and youth programming which is measured by age group: 100% credit for 2 – 17 audience and 50% for 18+ audience.) Broadcasters submit their own THT measurement based on BBM Nielsen.
- 30% Historic Access: based on the amount of CTF funding accessed or triggered by the broadcaster’s licensing of projects over a three year period.
- 20% Regional Production Licenses: based on amounts of eligible licenses issued for regional productions.
- 10% Above-average License Fees: this is based on CTF data over a 3 year period on license fees paid. That average then becomes benchmark for next annual BPE.

Note: the above summary is very general; the actual formula employed in these calculations is complex.

Within the English envelope and reflected in the individual BPE, there is a further allocation by genre, plus a calculation of a ‘flexi’ amount available to broadcaster groups. The genres allocations are: 60% drama, 18% documentaries, 20% children’s & youth and 2% variety and performing arts.

CTF guidelines for threshold broadcaster license fees and funding available are detailed, so just a few examples:

- Drama 1-hour series: project eligible costs less than \$800K per hour, license fee threshold is 45% of eligible costs or \$315K per hour; license fee top-up maximum contribution is 20% of eligible costs or \$2.25 million, with CTF maximum of \$5.25m.
- Returning 1-hour series: \$800K or more, license fee @ \$315K; license fee top-up is 25% of eligible costs or \$5.8million, with CTF maximum at the lesser of \$507,692 per hour or \$9.1m.

In 2008–2009, the CTF supported 435 new productions through BPEs, which were allocated to 55 English and 19 French broadcasters. The BPE budget was almost completely disbursed, at 98%.

New Developments: Canada Media Fund (CMF)

In March 2009, the Canadian Government announced the formation of the Canada Media Fund effective 1 April 2010:

“The CMF will be created as the Canadian Television Fund and the Canada New Media Fund are combined, reformed and rebranded through a renewed partnership with the industry. Its mandate will be to ensure the production of quality content and to make it available on multiple platforms.”

The overarching policy directive from the Government is that the CMF will drive the creation of quality, innovative content that Canadians want to watch, for the platform on which they want to watch it. The CMF will maintain the English and French language allocations and genres along with funding for Aboriginal language, regional production and other components currently in the CTF.

The CMF’s funding program will initially be comprised of two key components:

- The first component will fund projects that will be made available across a minimum of two distribution platforms, including television (television need not be the first platform). This component will be referred to as the “convergent stream” and will be based on the current Broadcaster Performance Envelope system.
- The second smaller component will focus on the creation of cutting-edge, interactive content and applications, and will not require a link to television.

Funding allocations for each component will be determined by the Board of Directors.

Extensive consultations have been conducted over the course of the past year and guidelines are expected to be published in March 2010.

Telefilm Canada

Budget: 2008/09 C\$131.6 million from Government vote.

Decision-making: Board sets Policy guidelines; decisions made by management.

National funding agency in Canada: it administers on behalf of the CTF and has two other distinct funds – the Canada Feature Film Fund and the Canada New Media Fund (being merged with the CTF to form the Canada Media Fund).

It has three corporate goals on which it reports annually:

- *Building Audiences*: share of domestic box office; diversity noting move away from drama which is reported at 51% down from 80%; interactive with unique visitors, page view visits and average pages per visit (baseline measures still in development); festivals and awards.
- *Industry Capacity*: leveraging other financing and increasing foreign investment; level of sales achieved by producers via markets; satisfaction of industry on professional development/training; cultural diversity (Aboriginal).
- *Good Administration*: management expense ratio (% of funding spent of administration of each programme); client satisfaction (surveyed periodically).

Screen Australia

Budget: 2008/09 A\$120.4m from Commonwealth Government

Decision-making: Board is responsible for production financing decisions.

The new agency's Corporate Plan sets out the following goals:

- Foster sustainable industry (Australian screen content)
- Participation of filmmakers and programs in global marketplace
- Curated slate of documentaries within National Interest Program (formerly Film Australia)
- Australian history documentary slate (also from Film Australia)
- Audience

New Zealand Film Commission (NZFC)

Budget: 2009/20 SOI \$17.3m plus \$13.4m Screen Production Incentive Fund

Its SOI sets the following objectives, along with associated performance measures and targets:

- Support NZ stories and writers (script development)
- Build talent (professional development, short films and Independent Filmmakers Fund joint with Creative NZ)
- Invest in audience-focussed, well-budgeted feature films (at least 4 per year & audience targets by number of admissions)
- Maintain high international profile for NZ films and filmmakers (sales and marketing)
- Good stakeholder relationships (newsletters, seminars, joint initiatives)
- Effective administration of LBSP/PDV and SPIF grant schemes (target of 3 months processing from application)

Te Mangai Pāho (TMP)

Budget for television: 2009/10 SOI \$41.2m

Comparable range of funding to NZ On Air, with focus on Māori language and target audiences: fluent speakers of te reo Māori, second language learners, and receptive audiences.

SOI sets objectives relating to television:

- Direct funding of Māori Television (number of hours by target audiences & percentage of te reo)
- Contestable funding (same measures)
- Funding of Māori television industry coordination and development (funding for Ngā Aho Whakaari and annual survey of industry)
- Contract Management (overall funding administration) and Archiving

UK Film Council

Not relevant, as it does not invest at all in television production.

It does report on the number of feature films broadcast on UK network television by broadcaster: number in total and number of UK feature films.

Annex B: Public Service Broadcasters

Given the difference in core business, functions and services, these are of less direct relevance to NZ On Air performance measurements. The following are very brief summaries of primary goals as set out in annual reports or corporate plans.

Australian Broadcasting Corporation (ABC)

Australia's national public service broadcaster with both television and radio services delivering state-based local programming as well as national programming. Local content requirements to be delivered are determined by service agreement with Australian Government. It is funded by the Government.

Objectives and performance measurements focus on:

- *Good Governance*: editorial standards, corporate governance and corporate citizenship (e.g. good will in local and international communities; minimise impact on environment, biodiversity and heritage)
- *Content delivery & relationship with audience*: national identity (strengthen distinctiveness through TV, radio, multiplatform), attract maximum potential audience, multiplatform presence
- *Value for money*: asset management, commercial revenue, engage key stakeholders (e.g. states and public)
- *Learning & Growth*: internal employee development
- *Overall community satisfaction*: Newspoll and ABC audience surveys

SBS – Australia

Public service multicultural television and radio service also funded under service agreement with the Australian Government.

2007-2012 Corporate Plan sets out the following goals:

- Increase relevance to all Australians: provide unique and relevant service (including investing A\$100m over 5 years in Australian content), stimulate audience interest, SBS to be available to all Australians
- Grow resources available for content & services: Government and commercial revenue to grow, increase efficiencies, allocate and manage resources that support SBS goals
- Perform as agile and creative organisation: foster positive culture, be model modern public broadcaster, develop high standards in governance and performance management.
- Build and maintain valuable relationships and partnerships: raise awareness within all areas of Government, strengthen links with communities and other stakeholders, strengthen local and international partnerships.

SBS in its Annual Report measures in relationship to its 1st goal: number of hours, audience share and audience reach (including metro and region).

BBC

The UK public service television and radio broadcaster, funded through household license fee. It has six public purposes:

- Citizenship – worldwide reputation for reportage and analysis
- Learning – promotes & supports formal & informal education for children, teenagers and adults
- Creativity – unique & innovative content that entertains and engages audiences
- Community – UK is incredibly diverse and BBC aims to reflect this at national, regional & local levels
- Global - global news services provide independent and internationally respected news and analysis to audiences around the world
- Digital – digital switchover and BBC’s policy ‘Extending the benefits of digital to all’ supports the people who are last to adopt new technology, as well as the first.

Ofcom and BBC have an MOU that requires Ofcom agreement for quotas on independent programmes and regional programming, and any reduction in quotas for news/current affairs that are set by the BBC Trust. Performance is measured in number of hours and percentage of expenditures (e.g. 2008/09 independent production quota of 25% of all hours and regional production as 30% of spend and 25% of hours).

BBC also reports on ‘spend on the creative economy’: £1.1 billion representing 37% of total eligible hours.

Channel 4

Publicly-owned broadcaster that is reliant on commercial revenue. New and one-off programmes involving new formats and new talent: measures number of programmes compared to other broadcasters

Employs number of hours for each of: new talent strands, E 4 first run origination by new talent and original ideas, commitment to documentary films, programmes on diversity issues, programmes dealing with leisure, life skills and hobbies.

It reports on number of UK and foreign language feature films.

Measures audience reach; audience satisfaction in relation to news independence; channel reputation.

Expenditure on original content, including UK originations.

Canadian Broadcasting Corporation/Radio Canada (CBC)

Public service television and radio broadcaster with 2 television networks: CBC is the English language service (Radio Canada is the French service). Also has in (both official languages) Newsworld a 24 hour news service that licenses documentaries.

CBC is funded by Canadian Government and commercial advertising revenues. See also CTF for its BPE allocation.

It is regulated by the CRTC. CBC's audience share is 8.1% and Corporate Plan goal is to protect CBC share, as well as offer content on new platforms.

CBC has 7% local content overall and 80% in prime/peak time.

CBC has regional production goals: these are set by:

- Produced in the regions for the regions; and
- Produced in the regions for national network.

It also measures expenditures on Canadian local content programming as a percentage of its programming budget. It is the most significant beneficiary of the CTF.

Public Broadcasting Service – USA (PBS)

15% funding from USA Government; balance from donations, individuals, foundations etc.

PBS Foundation and its network of member stations have a protocol that sets out the respective responsibilities and services. The Foundation also publishes annual financial statements. However, there is no 'corporate plan' or annual report that describes any performance targets or measures results.

It commissions a public opinion survey on the 'trustworthiness' of PBS: the 2009 Roper Survey found:

- Trusted: PBS at 49%, commercial TV networks at 17%, cable at 12% and Congress at 8%
- Federally funded services of value: military defence at 23%, PBS at 18%, police/law enforcement at 14%, medical/technology research and space program at 9%.

80% positive that federal funding of PBS is well-spent.

Television Regulatory Agencies

Regulatory agencies established by government legislation license television services and set local content quotas and/or standards for television broadcast services in Canada (CRTC – Canadian Radio-Television & Telecommunications Commission), Australia (ACMA - Australian Communications & Media Authority, formerly the Australian Broadcasting Authority) and the UK (Ofcom – Office of Communications).

In broad terms, the content requirements for television broadcasters in each country are:

Canada: public and private broadcasters (free-to-air, pay, video-on-demand, etc) are licensed to operate with minimum percentage of Canadian content overall and in prime time (average for commercial networks is 50%) plus percentage of revenues to be spent on acquisition of 'CanCon' productions from independents.

Australia: similar to the CRTC in Canada, under ACMA the commercial television quota is 55% Australian content in prime time and minimum broadcast hours for children's; ACMA also sets license fee thresholds.

United Kingdom: Ofcom sets Broadcasting Code focussed on standards for content relating to protection of those under 18, protection from offensive and harmful content, and impartiality of news. It also ensures that a broad range of television programmes are made and by independent producers as well as by broadcasters, including those in countries and regions in the UK.

Essentially, these quotas could be seen as minimum performance measures for domestic television services in the respective countries.

At best, such regulation sets the environment in which relevant public funding agencies operate

Annex C: Notes on Report

This report is based on research and analysis conducted by Judith McCann of mPICS Group (NZ), following discussion with NZ On Air on the preferred scope of comparative New Zealand and overseas sources of public funding for local content television. The findings and analysis were presented to NZ On Air in draft and discussed prior to the report's completion.

The research drew from public information sources, such as the most recent statements of intent, corporate plans and annual reports. The information is presented in a very condensed form as completely as the circumstances permitted.

Bio for Judith McCann, mPICS Group (NZ)

Judith brings over 30 years' international experience in the film and television industries. Born in New Zealand and educated in Canada, she launched her professional career in film and television in 1980 with Telefilm Canada where she rose from Director of Planning to Deputy Director. In 1989, she returned to New Zealand as Executive Director of the New Zealand Film Commission, and in 1994 moved to Australia as CEO of the re-structured South Australian Film Corporation.

In 2000, she established her own consultancy business mPICS Group with its unique professional base spanning three countries, Canada, Australia and New Zealand. Judith and her team successfully built the Group's wide-ranging services to government, industry organizations, independent producers and distributors, and major international consulting firms including PricewaterhouseCoopers. In July 2004, she took a leave of absence from the Group to return to New Zealand as CEO of Film New Zealand, the industry-led national film office. Having secured long term operational funding from the Ministry of Economic Development and consolidation of international marketing responsibilities, she has returned to the Group now based in Wellington.

As a senior executive of public film agencies in three countries, Judith is well versed in public sector reporting standards. She has been involved in public funding for numerous independent productions including domestic and internationally acclaimed successes *Once Were Warriors*, *Heavenly Creatures*, *Shine* and the television series *McLeod's Daughters*. As a consultant, she has worked directly with television producers in New Zealand and with television industry representatives from Canada and Australia. Her international experience in supporting local content television and film is recognised through the invitations she has accepted to serve on juries for both the Banff Television Festival and Montreal's World Film Festival, and on the investment panel of the Melbourne International Film Festival's Premiere Fund.