Deregulation of broadcasting in New Zealand

Beverley Wakem examines the realities, myths and impact of deregulation on New Zealand's national broadcasters

In New Zealand, the past few years have been characterised by a deregulatory thrust in just about every sector of the economy. Broadcasting was certainly not immune from this tidal wave of free market theology, and the New Zealand government has gone, as the song says "about as far as you can go".

There is no longer a sanctified high priesthood with a monopoly to provide the traditional public broadcasting services. Now there is a mix of funding mechanisms and regulation to ensure contestability in the provision of those services and, it is hoped, with the consequential effect of economic, cost-efficient provision of a range of services at a diminishing cost in real terms to the tax-payer.

The basic principles

The basic principles which underlie the approach taken by the Government are:

- That economic licensing of broadcasters should be removed along with any special restrictions on the types of technology they use and services they provide.
- That there is a case for some restrictions on ownership mainly for social policy reasons. These include restrictions on foreign ownership, cross-media ownership and monopolisation of broadcasting markets through aggregation. The Government also decided to retain public ownership of two TV channels and at least two radio networks.
- That certain social objectives in broadcasting should be promoted. Giving effect to this requires government intervention, through the provision of financial assistance and regulation. Objectives to be assisted financially relate to such matters as community access to radio and TV signals, minority interests and New Zealand content. Regulation is required to maintain program standards.
- That greater competition should be permitted throughout the broadcasting sector and the adoption of the principle of removing the competitive privileges and disadvantages of the Broadcasting Corporation. That is, the competitive neutrality principle.

The government separated the public broadcasting fee from the state owned broadcaster thus achieving the neutrality required in a competitive commercial environment.

It established some objectives for the promotion of a New Zealand culture and identity and funding for those objectives from the public broadcasting fee through competitive bids for projects and services judged on the basis of whether they provide value for money.

The government went for direct funding assistance rather then a quota to meet its objectives because, it argued:

- it is neutral between broadcasters;
- its costs and benefits are identifiable;
- it keeps costs down because it is a top up; and
- it is consumer led.

What does it mean in practice?

In summary, the changes are -

1. The Broadcasting Tribunal was abolished. Its allocation (i.e. licensing) functions were replaced by the tendering out of new radio and television frequencies. All frequency owners will pay an annual resource rental. The Tribunal's media standards role was transferred to a Broadcasting Standards Authority. Explicit local content requirements were abolished.
2. The Broadcasting Corporation of New Zealand was abolished and Radio New Zealand and Television New Zealand (TVNZ) were set up as separate companies. The process of translating to a state owned enterprise means that the primary concern of each entity will be to generate a return upon its assets, which is paid to its shareholders - currently the Crown.
3. The Public Broadcasting Fee (PBF) was increased, and is now dispensed by a statutory (and independent) Broadcasting Commission with its main functions to reflect and develop New Zealand identity and culture by (i) promoting programs about New Zealand and New Zealand interests; and (ii) promoting Maori language and Maori culture and to ensure that a range of broadcasts is available to provide for the interests of women and children and persons with disabilities and minorities in the community including ethnic minorities.

Culture vs commercialism

It is clear from the New Zealand experience that the national broadcaster is no longer seen as having a role in maintaining the cultural continuum of the nation. Except insofar as that broadcaster is able to compete successfully for public funding to support programs which meet the Government's stated social and cultural objectives in broadcasting.

It is, essentially, a commercial view of broadcasting which says that unless specifically funded to do otherwise, the broadcaster has no other role then to maximise the return to the shareholder. The net social benefit is said to be a lowering of the resource cost to the consumer - I think.

Now, against that background how do the national radio and television broadcasters in New Zealand articulate their role?

It goes without saying that we continue to provide a range, depth and choice of programs in both our public fee funded services and in our commercial services. We believe that there is still a distinction between the quality of what we offer and the contribution it makes to national debate, the maintenance and strengthening of the New Zealand identity, the reflection of minority interests and aspirations.

In radio, Radio New Zealand (RNZ) has perhaps an easier task than its sister medium. We maintain two publicly funded national networks which exhibit, in every sense, in their programming what service to the public has traditionally been all about in broadcasting terms. In talks, features, drama, music, current affairs and continuing education we believe we give the nation a sense of itself, and draw it together.

I would also argue, very forcibly, that our commercial stations continue - at the local level to provide a forum for the community to talk to itself effectively, and through the provision of a first class national news service, give those same communities a window on the world. The fact that we lead audience ratings in every major market shows that it's possible to provide quality while earning a return on the assets. Indeed we would argue that unless you provide quality programming you will not attract a quality audience.

While TVNZ is a successful competitor in the commercial environment (winning better than 80 per cent of the audience against competition) TVNZ willingly accepts a special obligation to reflect New Zealand identity and culture. The majority of TVNZ's local programs are funded from its commercial revenue. This year 2,700 hours of New Zealand programming will be screened, representing an investment of approximately $150 million. Included within that is about $12 million worth of Maori language, children's and minority programming funded by the licence fee.

Independence

On the issue of independence, especially in news and current affairs, I think the two organisations would have a common view. There is no special guarantee of independence in any system of ownership or operation. Independence is a product of security and strength in a society which values freedom of speech.

A commercial broadcaster is said to be potentially in the thrall of advertisers; a state-owned operation is similarly said to be at risk from the politicians who ultimately hold the purse strings.

We have the apparent double disadvantage of being, on the one hand, owned by the state, and on the other dependent on commercial advertising for the bulk of our income. However, I believe, it is precisely this mixed form of funding that shields us from the excesses of government on the one hand, and of big business on the other. The relationship with the Broadcasting Commission is at arm's length, and it is, itself, statutorily independent. A good commercial income in fact ensures independence from political influence. The owners of the business, on the other hand, have no commercial motives for interfering with editorial processes. In New Zealand, the legislation expressly prohibits government interference in programming and news.

The existence and application of the PBF means programming is not driven solely by the rhetoric of the cash register. There have been suggestions that the PBF should be abolished. That would be a retrograde step. It puts public broadcasting directly under the influence of government - an influence not shown to be outstandingly beneficial where it occurs - and hostage to the exigencies of the government's budgeting.

Funding

For television in New Zealand the advertising industry will deliver approximately $300 million; public funding will supply about $32 million for television overall. The economic reality is that the market cannot be persuaded to deliver more advertising and viewers are unwilling to pay more than the existing $100 or so per year licence fee.

One solution is participation in wider markets: TVNZ has a 35 per cent shareholding in Sky Pay TV, which draws on a different income base from broadcast TV (it is a competitor for the $170 million or so a year New Zealanders spend on VCR rentals). A further alternative is to seek wider markets through export activity, and TVNZ has begun this expansion with satellite services to the Pacific region.

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Radio, in New Zealand, has traditionally enjoyed a higher share of the total advertising media spend than it has in other countries (UK 1-2 per cent, USA 7-8 per cent, Aust. 9-10 per cent, NZ 12.8 per cent). But, like TVNZ, RNZ will have to diversify into other areas of business allied to radio.

The pressure on commercial radio income is already intense. This is a very mature market nearly 60 stations on a population base roughly the same as Sydney's. You can imagine the effect of the latest announcement by the New Zealand Radio Frequency Service that it will be putting 38 AM and 110 FM frequencies up to tender in July.

Like RNZ, TVNZ is free to sell any form of sponsorship, but it still forms only about 3 per cent of total commercial revenue. Good popular local programming is the cornerstone of effective competitive performance. It will become the principle weapon of television operators against satellite delivered competition. In a competitive environment in New Zealand, local programs (including News) take nine out of the top ten and seventeen out of the top twenty-five ratings.

The Broadcasting Commission has formed the view that if sponsorship is allowable it ought to be encouraged, primarily as a way of limiting the dependence of its clients on the total funding from the PBF.

We have resisted this on two grounds - that, given the limited pool of available advertising, existing budgets will tend to be divided not extended, and that will have an impact on our commercial revenue streams; secondly, and more importantly, we believe that New Zealanders are entitled to have a choice of programming free of advertising.

National identity

In New Zealand, the mechanism for ensuring the continuation of minority programming is the Broadcasting Commission, the recipient and distributor of the licence fee. A lively debate has developed over the role of the Commission. Its managers see the Commission as an agent for investment in commercial prime time, increasing New Zealand content by supporting, for example, a local comedy show or soap opera. In the small New Zealand market, however, the Commission is the only source of funds for true minority broadcasting, and diversion of public funds to prime time soaps would mean the end for Maori language programming.

The mechanism seems to be effective in radio, but for television legislation may be needed to give clear directions to those appointed to administer public funds.

In radio, the National and Concert networks are fully funded by the Commission, and specific attention has been paid to developing Maori broadcasting initiatives. The latter are becoming established as stand alone local tribal stations, and the provision of specialised news and current affairs programs for use on both RNZ and local stations.

Community access stations are also springing up in main centres - democratising the medium, so to speak. Unlike their counterparts in Australia, these stations will also attract Commission funding.

Summary

Whether the deregulation of broadcasting and telecommunications in New Zealand will lead to a plurality of quality services to the public remains to be seen.

Initially, however, there is no doubt that the national broadcasters have greater freedom from bureaucratic restraints to take advantage of all the opportunities which the deregulated environment allows. That it has caused them to become more efficient and effective as service providers is beyond question.

But the public continues to debate whether more TV and more radio has yet led to a marked improvement in programming and only time will tell whether the cultural landscape will be enriched or become increasingly arid.

Personally, I'm optimistic.

Beverley Wakem is the Chief Executive of Radio New Zealand Limited. This article is an edited version of a paper presented to the conference "Australia's National Broadcasters in the 1990's" held in Sydney in June.