



Review of NZ On Air’s Regional Funding Policies for Radio and Television

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Summary of Key Findings and Recommendations

NZ On Air's review of policy related to access radio and regional television has reached its second consultation stage. This paper seeks your feedback on the research undertaken to date and the policy recommendations that have arisen from the original consultation process. The key findings are summarised here.

Access Radio

1. Audience priorities derived from section 36(c) of the Broadcasting Act 1989 remain the basis for NZ On Air's funding of access radio stations, and will continue to underpin access radio funding policy.
2. There is no evidence to suggest that internet radio will replace conventional broadcast methods in the short term. In the absence of additional new funding, NZ On Air will not be in a position to support new stand-alone internet radio services.
3. NZ On Air's key performance measures for access radio will remain the quantity and diversity of the programmes broadcast and the programme makers contributing to the stations' outputs.
4. For access radio stations to effectively serve their communities, they must keep in touch with their communities, promote their services and encourage greater use of their facilities. Feedback from the community about the needs of programme makers and listeners should be sought regularly.
5. Existing radio stations are doing a good job but face real challenges in making ends meet. From 1 July 2009, NZ On Air will seek to adjust stations' funding levels for unavoidable cost increases – provided that they continue to provide adequate services.
6. NZ On Air will, however, have difficulty in supporting new access radio stations unless additional Government funding is made available.

Regional Television

7. NZ On Air is required to reflect New Zealand identity and culture and to provide a range of programming for specialist interests. NZ On Air funds regional television because it recognises that this can occur locally as well as at a national level.

8. From 1 July 2009 NZ On Air proposes that regional television funding will be applied annually to programme-based applications that meet NZ On Air's regional television priorities. Currently those are local news, current affairs and information, and coverage of local events, regional cultural activities and sporting events, and other special interest needs relevant to that region, such as ethnic, linguistic and other minorities.
9. Regional television programming supported by NZ On Air funding should be of a type that is not available on nationwide television networks.
10. When allocating funding, NZ On Air will consider both the potential size of the target audience and geographic spread in order to ensure as many communities as possible are receiving local regional television programming.
11. Regional television provides a valuable service to communities in many parts of New Zealand. For the financial year beginning 1 July 2009, NZ On Air proposes to increase its annual budget for regional television to \$1.5 million. This funding will only be available to regional broadcasters seeking regional programming. It will be allocated from within NZ On Air's existing funding budget.

Feedback

Organisations and individuals are invited to comment on this paper and provide feedback by 15 January 2009. NZ On Air hopes to be in a position to make final decisions by March 2009. Any changes will apply from 1 July 2009.

NZ On Air Consultation

Introduction

1. Recently NZ On Air issued a consultation paper inviting submissions from interested stakeholders about NZ On Air's funding policy for regionally based radio and television. The purpose of the review is to determine whether the NZ On Air funding policies remain appropriate and relevant, especially given the changes that are occurring in broadcasting as a result of the new digital and on-line technologies.
2. In total 19 submissions were received from access radio stations, regional television broadcasters, and interested individuals.
3. With respect to radio, apart from two submissions received from individuals all other submissions were received from access radio stations. The submissions from the stations had similar comments and the consensus sought NZ On Air funding to be adjusted annually for inflation and the funding being committed for a three year period. Otherwise the submissions called for no major changes to NZ On Air's current funding policy.
4. The submissions received from regional television were more varied and reflected the differences in the way the regional television broadcasters operate. While most had concerns about the level of funding, the major policy issue raised was whether NZ On Air funding should be for operational costs, or programme costs, or both.
5. This paper is in two sections. The first section covers radio and the second section covers television. Radio and television have been treated separately because the policy issues that arose from the submissions are somewhat different.
6. Each section discusses the public policy framework; the services provided by the broadcasters; the use of the services; a summary of the submissions; the key policy issues arising from the submissions; and concludes with the proposed amendments to NZ On Air funding policies.

Section 1

Regional radio

Introduction

1. This review has clarified that NZ On Air's funding policies should make a distinction between access radio and community radio services. The two services operate differently and provide different services.
2. In some cases the distinctions are easily made. The funding provided to the Pacific radio services of 531pi and Samoa Capital Radio, and the funding provided to Radio for the Print Disabled are for community radio services. The distinctions for access radio stations can be more difficult as some of the access radio stations offer only access based services while others are a mixture of both community and access services.
3. NZ On Air considers the differences between the access and community radio to be as follows:
 - *Access radio* primarily serves community programme makers who want to make programmes to communicate with specific listeners. The emphasis of the access radio station is to provide facilities to programme makers. The station allows the programme makers to choose and control the content of their programmes. Consequentially the programme maker has editorial control, although the broadcaster is still liable overall for any breaches of broadcasting standards, or to Court action as publisher of the broadcast. The Access radio station derives non government income from charging the programme maker a fee for the airtime used.
 - *Community radio* broadcasters usually maintain editorial control over what programmes are broadcast by deciding what programmes are acquired and produced for broadcast for a particular group within New Zealand, sometimes defined by region, but sometimes also defined by ethnicity and/or special interests. Not all community radio services receive NZ On Air funding. The community broadcaster derives non-government income from advertising and sponsorships.
4. Presently 80% of NZ On Air's regional radio funding goes to access radio stations. The remainder is for Pacific Island and Print Disabled radio. Both the access and community radio services funded by NZ On Air receive

funding on the basis that they provide programmes that align with the requirements of section 36(c)¹ of the Broadcasting Act (the Act).

Public Policy Framework

5. The provision of access radio services was an early part of Government broadcasting policy. In 1989 the Minister of Broadcasting issued a directive under the Broadcasting Act 1989 directing NZ On Air to support access radio.
6. Since then the Government has issued specific frequencies for use by access radio stations.
7. In 2006 the Government issued its 'Regional and Community Broadcasting Policy Framework'. The stated goal in this framework is:

To enable a range of broadcasting services, content and formats for regional, local and community and minority audiences including ethnic minorities, communities of interest and students.

The goal covers services and programmes, geographic spread and communities of interest, and it complements the nationwide and international focus of network broadcasting.

The objectives relate to the broadcasting environment for regional, local, community and minority audiences. The objectives are to:

- *Promote local broadcasting services (local broadcasting);*
- *Promote innovation and a diverse range of content and formats for different audience identities and interests (diversity);*
- *Facilitate wide technical, cultural and social access to broadcasting (accessibility); and*
- *Provide for long term developments affecting broadcasting (future-proofing).*

8. The framework does not specifically mention access broadcasting services; however, in the detail of the paper there is mention that suggests it is important to achieve objective A - "*broadcasting is used to enhance democratic and civic participation among regional and local populations*". This is a key role of access radio.

¹ Providing programmes for the interests of women, children, youth, minorities in the community (including ethnic minorities) and people with disabilities, and also those with diverse spiritual beliefs

9. Access radio is an effective way for NZ On Air to support a range of broadcasts for different specialist audiences. The advantage of access radio is that it is an open door to all beliefs, interest and opinions in the community. On average approximately 60% of access radio programming meets the requirements of Section 36(c) of the Act.

Current access radio services

10. Access radio first started in 1981 in Wellington as part of Radio New Zealand. NZ On Air now funds eleven access radio stations. The stations are in Auckland, Hamilton, Hawkes Bay, Wairarapa, Palmerston North, Kapiti/Horowhenua, Wellington, Nelson/Tasman Bays, Christchurch, Dunedin and Invercargill. All the stations operate on a not-for-profit basis.
11. The programming is varied and can cover all types including news and information, education, entertainment and music. The service is particularly useful for minority groups to broadcast in their own languages, and to present their own cultures and beliefs. All the stations provide 24 hour broadcasts. Not all of the programming is access based.
12. Parts of the schedules are made up of a mix of other radio such as community based radio, easy listening, the BBC World Service or programmes from other access radio stations. This mix of programming is more likely to occur outside of Auckland and Wellington where there is not the quantity or diversity of programme makers wanting to use the access radio stations' facilities.
13. The total cost of the services in 2008/2009 is over \$3.5 million, of which an average of 58% is funded by NZ On Air. The remainder is funded by programming charges – 22%, and other income such as grants, sponsorships and advertising – 20%.
14. In 2009 NZ On Air has provided annual funding of around \$1.7 million to support the operations of these eleven access radio stations. In addition to that, NZ On Air also provides an annual workshop for station managers in a central venue, and intends to continue to do this.
15. Under current policy an access radio station is eligible for NZ On Air support if it services a community of 50,000 or more people. No new stations have been established since 2000, although some new licences have been allocated in the last few months and it is likely that some of the new licensees will have the characteristics of access stations when they go to air.

Access radio transmission

16. All the stations use terrestrial analogue transmission. Five of the eleven stations use AM frequencies and the remainder use FM frequencies. Of the five AM users two have been assigned FM frequencies but have yet to convert. The combined population coverage of Access radio terrestrial transmission is 2.8 million.
17. Several of the eleven stations also provide internet streaming and programme downloads. Information from the stations indicates that a number of hits (including streaming and downloads) within New Zealand is still small. The majority of the hits originate from overseas, especially from the USA.

The users of the services

18. The measure of success of Access radio is the quantity and diversity of the programme makers that use the stations. Nationwide, 500 programme makers (groups or individuals) use access radio regularly. These programme makers have a diverse representation - 19% represent ethnic groups, 9% youth or children, 13% people with disabilities, 16% cover religious and ethical beliefs, and the rest are other programmes such as specialist music and community information².
19. Each access programme is normally targeted at specific listeners so the listeners are likely to change from programme to programme.

Responses to NZ On Air's review questions

20. Apart from two submissions from individuals all the other submissions received about radio were from access radio stations. The submissions from the stations had similar comments and the main call was for NZ On Air funding to be adjusted annually for inflation and the funding being committed for a three year period.
21. Otherwise the submissions did not call for any major changes to NZ On Air's current funding policy. The following is a summary of the main issues raised by the submissions in response to NZ On Air's questions in the recent consultation paper.

² Information sourced from access radio stations' reports to NZ On Air

Financial

- NZ On Air funding should be provided on a three-year cycle and linked to the consumer price index (CPI).
- There should be more funding to secure skilled people and better broadcasting resources.
- Access radio is under funded compared to Iwi radio and the pan-Pacific radio network Niu FM.
- NZ On Air's "contestable" pot is useful for specific projects as long as this funding does not deplete the funding for on-going operating costs.
- Revenue from charging programme makers and other sources of revenue are acknowledged as being part of the required funding mix. There are concerns about the extent that users can afford to pay for the charges. This can exclude some potential users from lower socio economic groups.
- There is a suggestion that the funding should be weighted towards programme production rather than replay programming which is less expensive.
- The 50,000 population cap is seen by some as being arbitrary.

Programming

- Most submissions were of the view that range of programming serving the interest groups mentioned in Section 36(c) of the Act is important for access radio. There was a qualification that Section 36(c) should be a priority rather than an absolute. Some also question the inclusion of women as a minority suggesting there should be an emphasis on gender roles instead.
- One station says that access radio has the opportunity to expand into community radio with the demise of the commercial community radio services.
- The internet is noted as providing opportunities to reach national and international listeners. The internet also offers a means to share programmes with other broadcasters using podcasting. Some pointed out that internet podcasting could also be a competitor to the access radio stations as it is universally available and not reliant on having a frequency. (In the past NZ On Air on has provided some financial

support to access stations to operate internet radio services in tandem to their conventional services.)

- It was mentioned that access radio programming best serves those in the local region.
- The priority for access radio should be for those types of programmes not provided by other broadcasters.
- There is a need for listener research, which is tailored for access radio use.
- Providing adequate support and training for programme makers is important. One respondent suggests that if access radio is to attract more listeners then the programmes need to be of a better quality.
- There is a need for better promotion to attract the makers of non-English programmes.

Organisational

- At times there can be governance and management problems which affect the way the stations operate.
- Training for both boards and management is required. There is debate about who should be responsible for this – the individual stations or NZ On Air. (It should be noted that under the Act, NZ On Air has no responsibility for training.)

Key issues arising from the submissions and the review

22. The following discusses the key issues arising from the submissions and the resulting policy considerations.

The emphasis between access or community services

23. In Auckland, Wellington and Christchurch space in the schedule for access broadcasting is in high demand. This reflects the cultural diversity in these cities. In the smaller communities the demand for access time is less and spare time in the schedule is more likely to be used for community broadcasting.

24. Where an access station is both an access and community radio operation this creates a challenge for NZ On Air to decide where the emphasis should be for funding purposes. This situation needs to be addressed and the funding implications are discussed below.

Relevance of Section 36(c)

25. Section 36c audience priorities remain relevant for NZ On Air as long as this section remains in the Act. The general consensus amongst the submissions is that the requirements of this section remain a useful priority. By its eclectic nature access radio can also help NZ On Air meet other statutory objectives such as broadcasting New Zealand music.

The pros and cons of conventional and internet radio

26. Conventional radio receivers have a number of obvious benefits. They are plentiful and cheap, the cost of the reception is free, and the receivers are portable. Internet radio comes with additional hardware cost, and being an ISP subscriber. The main benefits of internet radio are that the distribution is universal and can be received throughout the world, schedules and information about programmes can be put on the website, and downloading allows time shifting of programmes to suit the listener. The portability of internet radio is increasing, particularly for some mobile phone users, but the costs are still high.

27. There is one other important distinction. For conventional radio the station pays for the distribution of the programme. For internet radio that cost is shared between the station and the listener.

28. At this stage there is no evidence to suggest that internet radio is replacing conventional radio. For the time being the best policy approach is to see them both as complementary systems.

Transmission

29. Wellington, Hamilton and Palmerston North are confined to the AM band. There are no spare FM frequencies available for these three stations. The other eight stations are either using FM or have FM frequencies available for use.

30. FM is currently the favoured frequency platform to use for radio terrestrial transmission. It can provide stereo transmission, the transmission costs are less than AM, and it is less affected by some forms of interference. On the other hand AM can cover a wider area. The main concern about AM is that many new radio receivers are being built without an AM band.

31. A distant ray of hope for those stations confined to AM is the possible introduction of DAB, or other forms of digital radio transmission. Kordia is now testing DAB transmission in Auckland and Wellington. An initial obstruction for DAB listeners will be the cost of acquiring DAB radio receivers. Another will be the willingness of commercial broadcasters to use this platform. Without commercial radio it will be difficult to encourage listeners to make the change to DAB.
32. Another option which needs further investigation is the use of low powered FM within the guard bands. This may present some opportunities to those access stations that have not been allocated FM frequencies.

Validity of user pays for access radio

33. Currently access radio operates largely on a user-pays system, supplemented by a grant from NZ On Air plus other sources of income such as sponsorship. The “users” are the programme makers who buy time on the stations’ schedules for their programmes.
34. Access radio stations are fairly much in support of the user-pays model. To quote Wairarapa Access Radio – “*A programme maker tends to exhibit a stronger sense of ownership of a programme that s/he has had to find a sponsor for, or paid for personally.*” The challenge for access radio and NZ On Air is to ensure the charges are affordable by the users.

Assessing NZ On Air funding

35. NZ On Air funding for access radio needs to be primarily aimed at the quantity and diversity of programmes. A useful quality measure is to consider the programme in terms of “*by, for and about*” groups referred to in section 36(c) of the Broadcasting Act. This criterion puts the emphasis on programmes made by programme makers who are making programmes for particular listeners about particular subjects which are of interest to those listeners. The purpose of NZ On Air’s funding for access radio is to make these services affordable by those users who best meet these criteria.
36. NZ On Air could consider reviewing the way it allocates funding to each access radio station to put greater emphasis on access broadcasting. An hourly rate could be devised to subsidise access programme making. The difficulty with this approach is that all the stations have their own particular ways of operating which generally reflect their regional characteristics.
37. Some regions have less demand for access time which means the schedules have to be filled with other types of broadcasting, which is often more community based radio. The current funding levels for each of the

stations have evolved over time and are probably reasonable allocations given their individual circumstances. A formulaic approach runs the risk of being overly complex and raising uncertainties, at least in the short term.

38. The current subjective approach is probably the best way to continue as long as NZ On Air regularly reviews the programming of each of the stations and ensures that the funding is being used to primarily support access programming.

The need for more NZ On Air funding

39. There is a call in the submissions that the funding needs to be indexed for inflation, be provided on a three-year funding cycle, and be more in line with that received by the Iwi stations.
40. Subject to NZ On Air having adequate funds available, the question of indexing for unavoidable cost increases is not an unreasonable request given the long-term nature of these operations and their small size. Like anyone else in the economy the stations are subjected to price and labour cost increases. Unless NZ On Air funding provides for such increases the stations will have to find other sources of income to pay for these increasing costs. The stations have a concern about keeping programme charges affordable to all programme makers.
41. It is unknown whether new Government funds can be made available. Funding to meet any policy changes now needs to be sourced from within NZ On Air's existing funding levels.
42. A three-year funding commitment could be desirable in that it gives some certainty in the first two years of the cycle. But in practical terms the experience has been that the stations can fairly much assume ongoing funding as long as they comply with the requirements of the funding agreement. From NZ On Air's perspective annual funding is a useful accountability mechanism for the performance of the stations.
43. The request for funding at the same levels as for Iwi radio does not take into account the differences in the way Iwi and access radio operate. Iwi radio has to employ announcers, programme makers, and provide news and information services. These costs are not incurred by Access radio.

Governance and management

44. Some submissions called for NZ On Air to be more involved with ensuring good governance and management at the stations. Indirectly NZ On Air can provide this assistance if it judges that funded services may be at risk,

but the responsibility must first and foremost lie with those responsible for the governance of the stations.

Conclusions for access radio

45. The conclusion by NZ On Air from this review is that access radio continues to be a relevant way for NZ On Air to fund public broadcasting services, particularly in regard to section 36(c) of the Act. There are a number of specific matters arising from the review that need to be either noted as being important or will result in changes to NZ On Air's funding policies.

The main role of access radio

46. The provision of access radio services will continue to be the primary way that NZ On Air funds regional based radio both in terms of its own objectives, and also in terms of the Government's Regional and Community Broadcasting Policy Framework.

47. The main role of Access radio is to provide access to the public to make and broadcast their programmes. The provision of community radio services by access radio should be a secondary service and only occur to the extent that the stations have spare time in their schedules. The cost of the community programming should endeavour to be self-funded and not reliant on NZ On Air funding.

The significance of internet and digital radio

48. There is no evidence to suggest that internet radio is about to replace conventional radio in the short term. For the foreseeable future NZ On Air will consider both distribution systems as being complementary. In the absence of new funding, NZ On Air is unlikely to be in a position to support new stand-alone internet radio services.

Performance measures

49. The key performance measure for access radio must focus on the quantity and diversity of the programme makers using the particular station's facilities. The emphasis should be for programmes made by programme makers who are making programmes for particular listeners about particular subjects which are of interest to those listeners.

50. NZ On Air will continue to develop measurement systems to assess the extent to which the range of broadcasts provide for the interests of those

mentioned in section 36(c) of the Act and enable NZ On Air to deliver on other statutory objectives.

Community research and consultation

51. For Access radio stations to effectively serve their communities they must keep in touch with their communities, and in particular promote their services and encourage the use of their facilities. Each station should include in their annual application to NZ On Air information about their plans for community research and consultation. This does not necessarily imply that the stations should conduct quantitative listener surveys but more that they should seek and report feedback from their communities about the needs of the programme makers and their listeners,

Method of funding

52. The review indicates that the mixed funding model works for access radio. The financial contributions from programme makers are an important way to ensure the programme makers are committed, have ownership in their programmes and the support of their community.

53. NZ On Air will continue to provide annual funding based on the current allocations between the stations. Periodically this will be reviewed to ensure NZ On Air is getting value for its money from each of the stations – especially in terms of the quantity and diversity of the programme makers using the station.

54. From 1 July 2009 NZ On Air will seek to adjust stations' funding levels for unavoidable cost increases provided service delivery has been adequate and that funds are available. It may be necessary for NZ On Air to assign the small "contestable" fund for this purpose.

55. There is not much to be gained by NZ On Air changing to a three-year funding cycle. Annual funding provides NZ On Air with more control over the performance of the stations. However, unless NZ On Air's own revenue decreases or the role of NZ On Air changes, the access radio providers can assume funding will continue to be available for access radio into the future.

56. In making this assumption, access radio managers should think about developing a creative three-year business plan for their stations and submitting it to NZ On Air as part of their annual application if that is considered appropriate.

57. NZ On Air will have difficulty in supporting new access radio stations unless it has additional funds available over and above what is needed to

service its current commitments to access radio. At present this is not the case.

Conclusions for community radio

58. The main emphasis of this review has been on access radio funded by NZ On Air. However NZ On Air currently funds three non-access stations within its regional radio funding. They are Radio 531pi in Auckland, Samoa Capital Radio in Wellington, and Radio for the Print Disabled in Levin.
59. As with access radio, from 1 July 2009 NZ On Air will seek to adjust funding levels for unavoidable cost increases for Samoa Capital Radio and Radio for the Print Disabled, provided service delivery has been adequate and that funds are available.
60. Radio 531pi recently merged with the other radio operations of the National Pacific Radio Trust. The joint funding to Radio 531pi will continue unless the Ministry for Culture and Heritage and NZ On Air decide that it should change. Any decision by NZ On Air to increase funding for Radio 531pi will depend upon how the Ministry and NZ On Air jointly respond to any applications for increased funding from the National Pacific Radio Trust and on any changes to Pacific Island broadcasting policy,

Section 2

Regional Television

Public Policy Framework

1. Since the 2005 budget the Government has provided \$890,000 p.a. to NZ On Air for funding regional television. The funding allocation was a result of the Government's 'Regional and Community Broadcasting Policy Framework'.

2. The stated goal in this framework is:

To enable a range of broadcasting services, content and formats for regional, local and community and minority audiences including ethnic minorities, communities of interest and students.

The goal covers services and programmes, geographic spread and communities of interest, and it complements the nationwide and international focus of network broadcasting.

The objectives relate to the broadcasting environment for regional, local, community and minority audiences. The objectives are to:

- *Promote local broadcasting services (local broadcasting);*
- *Promote innovation and a diverse range of content and formats for different audience identities and interests (diversity);*
- *Facilitate wide technical, cultural and social access to broadcasting (accessibility); and*
- *Provide for long term developments affecting broadcasting (future-proofing).*

3. Over the years the Government has also allocated specific frequencies for regional television. The licences are either for commercial or non-commercial purposes. The Government has policy guidelines for the use of non-commercial licences which require that the programming of non-commercial licence holders is for the needs and interests of the communities they serve.
4. Currently both types of licence holders can apply for NZ On Air funding. NZ On Air has taken a similar approach to the one it has with nationwide television that the commercial status of the broadcaster is not a

consideration. Applications for funding are assessed in terms of the broadcaster's ability to provide programmes that reflect New Zealand identity and culture and provide a range of programming for specialist interests. NZ On Air funds regional television because it recognises that this can occur locally as well as at a nationwide level. Also, regional television broadcasters can provide regional based programming that is seldom provided by the nationwide free-to-air or pay broadcasters.

Regional television services

5. There are currently eleven NZ On Air funded regional television broadcasters. Ten of the broadcasters use UHF frequencies for terrestrial broadcasting and one (Cue in Southland) uses a VHF frequency. Their combined terrestrial transmission coverage is estimated at 2.1 million – a coverage of just under 50% of the national population. In addition, both Cue and Stratos (with a selection of regional programmes) are available on both Freeview and Sky's digital satellite platforms. This transmission has nationwide coverage. TVCentral is also available on the Freeview terrestrial service.
6. Regional television broadcasting style and format varies from station to station. All the broadcasters operate in different ways and with different scales of operations. The programming generally falls into three types –
 - Programming about the local community within the broadcaster's transmission coverage. This programming can include local news and events;
 - Programming either made by or for special interest audiences which in some cases may be of interest to audiences outside of the broadcaster's region; and
 - International programming which is mainly feeds from international news and information services, or other international television programming.
7. Local news and coverage of local happenings or events are the key programmes that differentiate the regional services from nationwide television services. Some local broadcasters also provide access services similar to access radio where programme makers buy time to broadcast their programmes. In such cases the editorial control is in the hands of the programme maker rather than the broadcaster, although the broadcaster is still liable overall for any breaches of broadcasting standards, or to

Court action as publisher of the broadcast. The programme makers usually pay the broadcaster for the use of the facilities.

8. The last comprehensive regional television audience research conducted by NZ On Air was in 2003. This research indicated that 17% of people within the coverage area for regional television watched regional television. The programmes watched were typically local news, documentaries and sport, or international programmes.

Responses to NZ On Air's review questions

9. The following is a summary of the main points raised in the submissions in response to NZ On Air's questions in the recent consultation paper. There is not necessarily an overall consensus amongst the respondents, which is not surprising given the differences in operations and locations of the various broadcasters. But one commonality appears to be the support for funding being more related directly to programmes. Also, news, current affairs and local events are generally rated the most important programmes for regional television.

Financial

- Most submissions point to what they consider are the inadequate levels of NZ On Air funding and the disparity between the current funding for regional television of around \$890,000 compared to the \$3 million available for access and community radio. The point is made that television programming is more expensive than that of radio so it should have more funding.
- A number of submissions call for more emphasis on funding specific programmes rather than funding general programming costs.
- The Regional Television Broadcasters' Association recommends that funding should not be applied to capital costs, nor to operational costs other than those directly incurred in producing local programmes. However, others disagree and say that there should be a separate fund to assist capital expenditure, especially for the transition to digital before analogue-switch off.
- There are concerns that the current allocation of NZ On Air funding does not take into account the different range of programming costs incurred by different regional television broadcasters. The

programme costs for some broadcasters are more than that of others because of the methods used for production.

- Some say that funding should be weighted towards local news and local events. Others are of the view that funding should be based on the quantity and diversity of the local audience, and restricted to terrestrial coverage and not satellite coverage.
- Most agree that regional television funding should remain specifically for regional broadcasters and not for nationwide broadcasters who sometimes broadcast programmes about regional topics.

Programming

- There appears to be a consensus that local news and current affairs, and coverage of local events are an essential part of the regional television programming. Special interest programming is also seen as relevant but should relate to uniqueness of the particular region.
- One submission ranks broadcasting (via traditional means as a one-to-many mechanism) as being more important for regional television than that of narrowcasting (targeting niche audiences or many-to-few delivery, e.g. via the internet). The submission suggests that the internet is a great place for like to find like, but it is not a place to mix, mingle and move in and out of one's own comfort zone. It is the latter that regional television can best provide through broadcasting.

Frequencies and licences

- There is a call to remove the Government policy distinction between commercial and non-commercial licences. One submission says that there should be a focus on the broadcaster's outputs, especially local content, rather than whether the broadcaster is operating on a commercial or non-commercial basis. Part of the argument for removing the distinction is that non-commercial broadcasters say they are disadvantaged because of the restriction on their ability to earn advertising revenue.
- Some submissions say that frequencies should be available to smaller communities. Others say no – licences should only be issued to coverage areas of a minimum of 75,000 potential viewers.

- Most submissions raise their concerns about the possible impact of analogue switch-off and the replacement of terrestrial regional transmission with digital transmission.

Key issues arising from the submissions and the review

10. The following discusses the key issues arising from the submissions and the resulting policy considerations.

Basis of NZ On Air funding

11. The current application of NZ On Air funding is not specifically related to programmes. The funding is allocated using a three-tiered funding formula which takes into account the location of the broadcaster, the population coverage of the terrestrial transmission, and a subjective weighting for the types of programmes the broadcaster provides. The total amount of funding available for all the broadcasters is limited so if additional broadcasters are funded then there is less for the other broadcasters (see appendix – Regional TV funding allocations).
12. One deficiency with the funding formula is that it is not related to specific types of programmes. Another deficiency is that there is not a linkage to the needs of the community. Funding regional television on a programme basis, as is the case with nationwide television broadcasters, is a way of addressing this.
13. If so then the first consideration is to define what type of regional programming is a priority for funding. This should be programming which complements the nationwide services. The obvious gap in the overall “public broadcasting schedule” is the provision of local news and information, and local activities and events. This could cover a range of programming including information about local happenings and endeavours; interviews and discussions about local issues; and local sports, leisure and cultural events.
14. The next consideration is determining if there is a “local” demand for the programmes by assessing the level of funding provided by the programme maker, broadcaster, or sourced from the community. This would indicate to NZ On Air that there is a demand for the programme.
15. When assessing applications and allocating funding NZ On Air would want to ensure the allocated funding served a range of regions and their particular interests.

Commercial and non-commercial licences

16. Currently regional television broadcasters use either commercial or non-commercial licences. NZ On Air funding is available to both. There can be an anomaly here in that commercial broadcasters have access to greater levels of advertising revenue, albeit difficult to secure for many. Non-commercial broadcasters have a restricted ability to earn advertising revenue (no more than 50% of their total revenue). On the other hand, commercial broadcasters are subject to income tax.
17. For NZ On Air it is difficult to have different funding criteria for different licence holders because NZ On Air is more concerned about the output rather than the type of licence the broadcaster holds. But practically, NZ On Air's funding objectives are likely to be more attractive to the holders of non-commercial licences. In addition NZ On Air may expect those holding commercial licences to contribute more to their programming costs because of their ability to attract more advertising revenue.

Transmission

18. The viewer's accessibility to regional television has never been easy. Analogue reception is dependent on a number of factors – being within the transmission coverage, having a UHF aerial, and tuning the TV set to receive the UHF service. Digital transmission adds to the problem because of the multiple transmission platforms that are now used. Reception for the different platforms requires different aerials or dishes, and different decoders or set-top-boxes.
19. Some regional programming is now available on both Freeview terrestrial and satellite, and the Sky satellite platforms. It could be said that the regional broadcasters who are using satellite transmission are now providing nationwide services, but given the fragmentation of delivery systems it makes sense for broadcasters to use as many systems as they possibly can so as to cover the different reception options.
20. Digital transmission options for regional television will continue to be an issue leading up to analogue switch-off. The earliest possible date is 2012. The current digital terrestrial transmission coverage does not cover all areas where there are regional television broadcasters. This applies to Cue TV in Southland, Mainland TV in Nelson, and East Coast Television in Gisborne. The issue here is the availability of frequencies in these areas for terrestrial digital transmission and the viability of establishing the transmission.
21. Another way of distributing programmes that has recently emerged is via the internet. As discussed in the radio section there is no indication at this

stage that this technology is about to replace conventional broadcasting in the near future. Internet services are likely to be a complementary way of accessing programmes.

Conclusions for regional television

22. The following are the overall conclusions made by NZ On Air from this review.

Transmission

23. Before analogue switch-off occurs regional television broadcasters will have to address their options for digital transmission. Some have already done this and are using both satellite and terrestrial digital transmission. There are some that are outside of the current digital terrestrial transmission coverage. If satellite is not an option then their access to terrestrial digital transmission will depend on the availability of frequencies and the viability of establishing terrestrial coverage in their regions. This is a matter for the broadcasters to address with the Government and providers of these transmission services.

Programming

24. To assist variety and diversity, NZ On Air funding policies should primarily support programming that is made locally to provide regional news and information, and coverage of local events, regional cultural activities and sporting events, and other community special interest needs relevant to their region, such as ethnic, linguistic and other minorities.

25. Regional programming supported by NZ On Air should be of a type that is not available on nationwide television networks.

Community support

26. When applying for NZ On Air funding regional television broadcasters should be able to demonstrate community support for their services. This may be demonstrated by sourcing local financial support for the programmes, or by evidence of community consultation and research.

NZ On Air funding

27. NZ On Air's basis of funding should change to target specific programming which is in line with the aims of the Government's regional and community

broadcasting policy framework and its own objectives. This would mean a change from the current way of allocating funding.

28. A consideration is that from 1 July 2009 NZ On Air's funding criteria and allocation of funding should change and be as follows -

- Broadcasters will apply annually for funding from NZ On Air's regional television budget. The applications will relate to specific programmes that meet NZ On Air's programming priorities. Applications should include budgets for individual programmes (or programme strands), the number of programming hours to be produced, and information about sources of other funding to complement NZ On Air's funding.
- The emphasis will be on funding programmes that provide regional news, current affairs and information; cover regional cultural, community and sporting events; and provide for special interest needs such as ethnic, linguistic and other minorities that are particular to the region. In all cases the programming should be of a type that is not available on the nationwide television networks.
- When allocating the funding NZ On Air will take into account both the potential size of the target audience and geographic spread to ensure that as many communities as possible are receiving local regional television programming. The allocation of funding will also take into account the ability of the broadcaster to generate other revenue from the community and from the broadcast of non-regional programming.
- For the financial year beginning 1 July 2009 NZ On Air proposes to increase its annual funding allocation for regional television to \$1.5 million. This funding will only be available to regional television broadcasters seeking funding for regional programming. Nationwide broadcasters producing programmes for regional or related special interest audiences would continue to apply for funding from NZ On Air's special interest television budget.

Stakeholder responses to this consultation paper are welcome, and should be addressed to Bernard Duncan at NZ On Air. Email Bernard@nzonair.govt.nz no later than 16 January 2009

Appendix One – Submission Providers

Submissions to this review were provided by the following:

45 South TV, Oamaru
Access Manawatu, Palmerston North
Arrow FM, Masterton
Ian Barker, Nelson
David Beatson, Matamata
Channel 9, Dunedin
Coast Access Radio, Waikanae
Community Radio Hamilton
Cue TV, Invercargill
East Coast Television, Gisborne
Eddie O'Strange, Lower Hutt
Plains FM, Christchurch
Planet FM, Auckland
Radio Kidnappers, Hawkes Bay
Daphne Stevens, Nelson
Television Media Group, Matamata (TVCentral and TVRotorua)
The Association of Community Access Broadcasters
Triangle Television, Auckland and Wellington
Wellington Access Radio

Appendix Two – Access Radio Funding Allocations

Station	Funding Level by Year (\$000)								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Planet FM	200	200	200	200	200	200	235	216	230
Community Radio Hamilton	144	144	144	144	150	150	176	180	210
Radio Kidnappers	110	110	110	110	110	110	136	138	155
Access Manawatu	85	85	85	90	100	100	120	120	150
Arrow FM	50	90	100	100	90	96	109	110	123
Coast Access Radio	99	99	99	98	99	99	116	126	130
Wellington Access Radio	200	200	200	200	200	200	223	234	230
Fresh FM	200	174	174	174	174	174	188	199	200
Plains FM	200	200	200	200	200	200	225	230	218.4
Toroa Radio (Hills AM)	134	134	135	135	135	138	168	165	160
Radio Southland	135	135	135	135	135	135	153	145	159.6

Appendix Three - Regional TV Funding Allocations

Channel	Funding Levels by Year (\$000)			
	2005	2006	2007	2008
Triangle TV	154.2	134.2	136.3	116.1
Family TV North	98.3	88.3	81	76.4
TV Central	99.8	92.7	84.7	73.8
Tararua TV	16.7	-	16.7	79.1
TV Hawkes Bay	18.4	91.5	86.2	77.5
Mainland TV	-	-	84.2	78.0
Canterbury TV	139.7	125.3	112.2	108.2
45 South TV	14.9	50.0	16.7	-
Channel 9	116.9	103.2	91.2	88.0
Cue TV	116.7	103.5	94.1	86.9
TV Rotorua	-	-	-	71.7