

REVIEW OF NZ ON AIR'S
DOMESTIC MUSIC
PROMOTION & FUNDING
SCHEMES

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1. EXECUTIVE SUMMARY

NZ On Air is a broadcast funding agency. All its funding schemes, including music, are focused on a variety of broadcast audiences whether on traditional analogue platforms or new digital ones. In the case of music NZ On Air concentrates on connecting a popular song with the broadest possible audience.

To date the NZ On Air music programme has demonstrably achieved its stated aim of increasing airplay for New Zealand music on commercial radio. This has played a significant role in the re-establishment of New Zealand music in the consciousness of the general public. NZ On Air funding has ensured that New Zealanders continue to hear and see significant amounts of New Zealand music on a daily basis on radio and music television networks.

While industry or artist support is not a primary goal, the stability inherent in NZ On Air's music programme has nonetheless provided strong support for the New Zealand music industry. As a consequence an industry infrastructure has been strengthened and an ever-increasing pool of new artists aspires to create music and have it heard by their fellow countrymen.

NZ On Air commissioned this research to assess the changing music and broadcasting environment, to consult widely, and to advise on useful changes that could be made to its policies and funding schemes. As part of this research I interviewed 100 music and broadcast professionals and assessed a further 655 responses from an online public survey.

The music industry has come to associate NZ On Air's music programme almost solely with funding music creation. It not only takes this funding for granted but tends to overlook broadcast programme funding and the promotional work, all of which is intended to deliver the broadcast outcomes required of NZ On Air by the Broadcasting Act 1989.

In the minds of the greater industry, confusion has been created by the perception of a gradual detachment of the music programme from its broadcasting roots. This has been partly due to NZ On Air's default position as the government's funder of popular music. It is interesting to note that 'NZ Music' operates as a separate work division within NZ On Air, and has been separately managed from radio funding since 2000. This may have

compounded this confusion.

There is a high level of appreciation for the successes to date. There is now also frustration within the greater music industry with aspects of NZ On Air's music programme. Misgivings are reasonably widespread throughout the industry, but vary significantly depending on the vested interest of the respondent.

In summary, the main concerns expressed to me were:

- NZ On Air's music programme is not keeping pace with changes in the industry.
- The single-minded focus of supporting music for commercial radio audiences is crowding out some more cutting-edge and potentially popular music.
- The various schemes are not giving sufficient recognition to modern methods of interacting with music, specifically the use of the Internet and mobile devices in discovering, consuming and sharing music.
- Artists are allowed to access funds either when those funds should not be necessary; or the artists are past their perceived 'use-by date'; or have not achieved satisfactory outcomes (both broadcast and commercial) from their preceding project.
- Assistance to some artists was deemed excessive.
- The application procedure and follow-up for the funding grants should be more rigorous.

Other general observations that I would make as a result of considering all the feedback are:

- The music industry tends to have a patchy knowledge of the various music schemes and initiatives. Few are aware of the range and rationale for all the schemes.
- There is a general dislike for commercial radio in the greater music industry, yet an inherent understanding of its power and influence.

- There is a clear wish to see assistance weighted towards artists at the beginning of their careers.
- Although NZ On Air funding schemes have assumed greater importance as industry revenues have plummeted, it is not NZ On Air's job to be the default funder of recordings for the local music industry. Nor is it its job to prop up industry infrastructure.
- Rather, NZ On Air should be a valuable partner to the industry, as it undertakes its primary purpose of providing and promoting music programming content for broadcast media. This provides a key cultural contribution to New Zealand society.
- At least as much value should be placed on its promotional programmes as its funding schemes: 'getting noticed' among the plethora of available music is harder than it has ever been. Unlike television funding, broadcast outcomes are not guaranteed at the point of funding approval.
- There is a strong desire for the industry to be seen as acting responsibly with taxpayers' money.
- There is some sense of wanting change for change's sake to the music programme, possibly related to the long tenure of the NZ Music Manager.

In light of the above, and with the means of delivering and enjoying music changing at a rapid pace, NZ On Air should consider changes both to its music funding and promotional schemes.

A summary of all recommendations is set out at the conclusion of this report. The recommendations are structured around three over-arching goals. NZ On Air should:

1. Create a new funding scheme to promote diversity and encourage new artists:

- Pool funding from the three existing funding schemes (albums, singles, videos) into one new track-based scheme.
- Establish a selection process that caters to a broader spectrum of broadcast media.
- Provide greater assistance for newer artists compared to established artists within the scheme.

- Limit the amount of funding available to individual artists on an annual basis.
- Require a funding contribution and recoupment from repeat applicants.

2. Initiate new promotional programmes and modify existing ones to provide better connection with audiences:

- Establish a new media role and online/mobile promotional programme.
- Move to digital delivery of tracks whilst retaining the option of a physical Kiwi Hit Disc.
- Use funding for longer form radio and television programming more efficiently.
- Set goals for continuous improvement in broadcast percentages and improve monitoring of outcomes.
- Encourage mainstream television networks to provide better exposure for New Zealand music.

3. Promote professionalism in the greater industry with both internal and external initiatives:

- Improve application and audit procedures for funding.
- Improve communication with stakeholders.
- Strengthen interaction with other Government agencies.
- Establish a regular programme for future reviews.
- Encourage industry action to quantify value of music to New Zealand economy.

2. INTRODUCTION

2.1 METHODOLOGY

I was commissioned by NZ On Air in April 2010 to undertake a thorough appraisal of its domestic music programme, which comprises a number of interventions aimed at securing broadcast outcomes for New Zealand music within New Zealand. This follows an appraisal undertaken by me in 2009 of NZ On Air's Phase Five activities in international markets. The Terms of Reference for this report are attached as [Appendix 1](#).

This included a qualitative research project involving 100 interviews of a wide range of music industry personnel. Accompanying this, the views of the interested public were also sought - 655 people responded to an online questionnaire.

The collective views of both groups, referred to in this report as Interview Panel and Public Respondents, are reflected throughout the report, but the quotes are all from the Interview Panel.

I was also supplied with data by APRA, PPNZ, RIANZ, IMNZ, Media Sauce, MediaWorks and of course NZ On Air, and I thank them for their kind assistance. Tim Thorpe Consulting Ltd provided invaluable assistance in analysing responses to the Public Survey and in peer reviewing my work.

Wherever possible I have also tried to include information from 2008 and 2009 as this helps to give a clearer indication of where things stand today.

2.2 DISCLOSURE

I am currently a music business consultant with 30 years background of working in the music industry including tour management, music retailing, music merchandise selling, and working for a major music label, EMI, where I was Managing Director for 8 years. I served on the Boards of RIANZ for 8 years and the New Zealand Music Commission for 3 years.

I am not currently undertaking any work for clients that involves NZ On Air funding.

3. MARKET ENVIRONMENT

3.1 OVERVIEW

It was commonly acknowledged by the Interview Panel that the mana of New Zealand music had reached a low ebb by 1989. Radio stations showed indifference at best, with airplay for New Zealand music under 2% of the total music played. Outside of critically lauded music on a few independent labels, there was limited interest in New Zealand music and there was a general reluctance to invest in it. Few young New Zealanders aspired to be musicians or singers.

Today the situation is very different indeed. New Zealand music is now a highly valued and widely recognised part of our identity as a nation. New Zealand music makes up around 20% of the total music aired on commercial radio networks. There are regularly half a dozen or more New Zealand albums and singles appearing in their respective Top 40 sales charts and a similar number in the airplay charts. Sales of compilations of New Zealand popular music such as *Nature's Best* and *The Great New Zealand Songbook* are massive.

The MySpace social networking site claims to have 35,000 New Zealand subscribers who describe themselves as bands or music artists, and while the majority of these can be discounted as serious contenders, the difference in attitude to 21 years ago could not be more pronounced. New Zealand Music Month attracts massive media attention every year, with sales of the easily identifiable target logo t-shirts this year in the tens of thousands.

The recent Band Together concert in Christchurch, which attracted 160,000 fans, was testament to the pulling power of today's top New Zealand artists. Most if not all are household names, a category previously more the domain of top rugby players.

The Vodafone New Zealand Music Awards are now commercially sponsored and feature world-class production values and outstanding live performances from the cream of New Zealand talent. New Zealand artists such as Shihad and The Black Seeds share headline status with high profile overseas artists at New Zealand music festivals such as Rhythm & Vines and the Big Day Out. Wellington's Homegrown festival is a phenomenally popular festival featuring *only* New Zealand artists.

The reasons for this renaissance of New Zealand music are many: the lowering of technological barriers to entry in the creation of music, a swing towards local music in many countries in the world as a reaction to globalisation, greater focus from major labels, and the huge growth in local independent music labels investing in New Zealand music.

It's also no coincidence that a key part of this revival of the fortunes of New Zealand music involves NZ On Air. Since 1989, NZ On Air has been engaged in activities to increase the amount of New Zealand music heard on our airwaves, with particular emphasis on commercial radio, the area with the greatest shortfall at the time of the commencement of the programme.

Throughout most of the life of the NZ On Air music programme, airplay percentages for New Zealand music on commercial radio networks have been on an upward trajectory, starting from a base of less than 2% to an average over the last five years of just under 20%.

The success of the schemes can be attributed both to the risk reduction for producers of music provided by the generous funding options, and the well-targeted promotional efforts undertaken by the NZ On Air team.

On commercial radio networks New Zealand tracks compete head on with tracks from overseas and more than hold their own in finding favour with New Zealand audiences. New Zealanders are proud that their tracks sound as good as those from bigger markets.

While almost impossible to measure, the cultural impact arising from the renaissance of New Zealand music over the last 21 years should not be underestimated.

It was widely acknowledged by the Interview Panel that New Zealand music had come from an all time low in recognition and acceptance in the late eighties to an all time high in the present. Many commented on the 'cringe' factor that was associated with New Zealand music 20 years ago and contrasted it with the pride and acceptance throughout society today.

There was general agreement that NZ On Air's music programme has played a significant role in raising the profile of New Zealand music to a level not appreciated arguably since the 1960s, when less rigidly controlled radio playlist regimes treated New Zealand music on a par with international music. NZ On Air's music programme has become a highly visible and vital part of the New Zealand music industry.

“It has helped us to identify and embrace our own unique voice, and define ourselves as a music nation”

“You no longer hear ‘it sounds great – for a New Zealand song”

“They (radio) can no longer say they don’t have enough to play”

“The average Joe Public is absolutely stoked to hear New Zealand music and that the artists are doing well”

“Helps alleviate pressure on young artists and allows them to be creative”

“Culturally it’s now part of the fabric of New Zealand society – part of our soul”

“The huge debate over the rugby song proves how important it is now”

NZ On Air’s own annual public research sheds a little more light on the cultural connection with our music in particular comparing it with television:

“Respondents perceived that locally made television represented New Zealand culturally, socially and geographically. It was all about connection to ‘us’ as a nation. Music emerged as having an even stronger connection to the respondents, but the nature of the connection was different. The connection that emerged was an individual one, a connection to ‘me’. Respondents linked New Zealand music with their personality, the memories and their sense of self. The music I like makes a strong statement of who I am.

This deep personal connection means that music can elicit a strong emotional response. Connection to New Zealand music seems therefore to be even more powerful than the connection to New Zealand television programming.”¹

A by-product of the huge increase in airtime for New Zealand music has been the establishment of a New Zealand music industry infrastructure that barely existed in the late 1980s when the schemes began.

This infrastructure has been created to some degree by the trickle down effect from the consistent NZ On Air funding of the last 21 years. There is a proliferation of music studios, music video makers, and record labels. Trade

¹ *Public Perceptions Research 2010*. Premium Research. See <http://www.nzonair.govt.nz/publications/pbcurrent.aspx>

bodies such as IMNZ (Independent Music New Zealand) and the MMF (Music Managers Forum) have formed and in 2000 the Government established the New Zealand Music Commission, to help further foster the business.

“Has stimulated the entire music economy to an extent”

“Far more commercially saleable New Zealand music than ever before”

“Given confidence to labels to invest in New Zealand acts – more opportunity to take a punt due to risk reduction”

“As the ability of labels and artists to fund themselves has dissipated it has guaranteed a flow of technically suitable music for radio”

“NZ On Air has totally driven the touring business – a massive roll on effect”

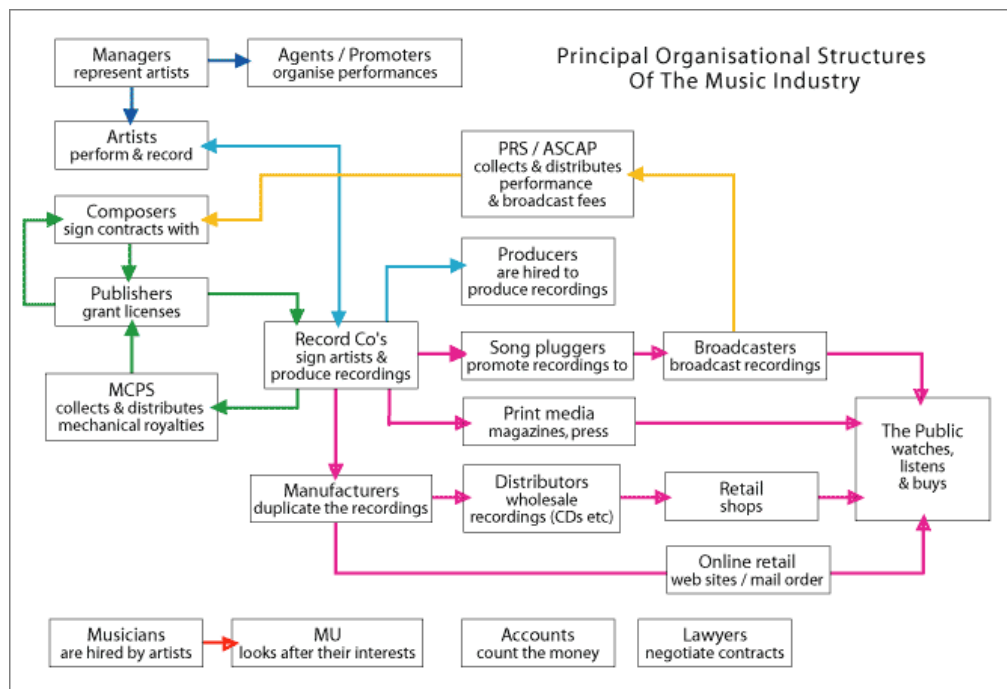
“Newer musicians overlook that this success allowed an infrastructure to be built – everyone has benefited”

Many of the commercial arms of this infrastructure are however under considerable strain at present due to a relentless decline in revenues for recorded music. Conversely, revenues from live music are growing annually, a pattern repeated throughout the world.

3.2 NEW ZEALAND MUSIC MARKET

The New Zealand music industry is structured on similar lines to the international industry. There are multiple agencies and roles, well summarised in the American diagram below (Fig 1):

Fig 1 – Organisational Structure of the Global Music Industry



Source: http://www.planetofunes.com/industry/industry_structure.htm

Today this formal music industry model works alongside a whole new music economy where many of the traditional relationships have been eroded or even dispensed with entirely. A new generation of artists is retaining ownership of copyrights. They then hire specialists or even undertake themselves some or all of the functions of the music creation-to-consumer process. These can include management, recording, distribution, promotion and marketing.

There does not appear to be a regular statistical framework in existence that analyses the value and impact of music to the New Zealand economy. This includes Statistics NZ where data is spread across a range of ANZSIC codes, mixed in with other sectors and not always publicly available for confidentiality reasons.

This is clearly a problem and something that industry and government should work to resolve (and I have recommended accordingly later in this report). This issue was also noted by the February 2010 New Zealand Music Commission

think tanks. I have been provided with several industry data sources but am not permitted to publish some of the data as it is deemed commercially confidential.

Many of the figures in this report are therefore headline numbers based on the best available sources at the time of writing.

This also means that the comments of the Interview Panel can shed some valuable light where hard data is either not collected or not able to be released.

The music marketplace in New Zealand generates annual revenues of around NZ\$250 million, roughly broken down as follows:

- Music Wholesale: \$ 60 million
- Live Music: \$136 million
- Public Performance, Licensing and Publishing: \$ 54 million

These are total revenues, namely revenues generated by both international and New Zealand music.

A study undertaken in 2002 ² by the NZ Institute of Economic Research (NZIER) estimated the size of the sector at \$160 million in 2000/01 using modified data from a NZ Music Industry Commission survey. Extrapolating from the 5 years of data in that survey (1996/97 – 2000/01) until 2010 would suggest the sector was now around \$205 million, in the same ballpark as my estimate above.

In simple terms, therefore, it could be said that at \$5.4 million NZ On Air's music programme is contributing a little over 2% to the sector.

The total size of the music industry is not large in comparison with other sectors that NZ On Air is associated with such as television broadcasting (\$1,144 million gross revenue in 2008/09) and television production (\$468 million in 2008/09) ³.

Content that has been assisted by NZ On Air, either through funding or promotion, can directly generate income for performers, songwriters and their respective commercial representatives such as labels and publishers, in many ways including:

- Physical and digital sales of albums and singles

² *Creative Industries in New Zealand, Economic Contribution*. Report to Industry New Zealand, March 2002

³ *Screen Industry Survey: 2008/09*, Statistics New Zealand 2010

- Public Performance Income (radio, television)
- Synchronisation Income (advertising, films, television)
- Licensing Income (shops, bars, clubs etc)

Further income can be generated indirectly by creating demand for live performances and merchandise etc.

Despite the dramatic upturn in the profile of New Zealand music some areas of the New Zealand music business are struggling financially.

This is especially true in relation to recording and promoting New Zealand music. For major labels the decision to invest in local music has always been hard to justify when a ready supply of repertoire is delivered on a weekly basis from overseas affiliates with no origination cost to the local company. For independent labels, with little or no cash flow from back catalogues and often little operating capital, the risk is enormous.

While it is true that production costs have reduced, in some cases dramatically, very few artists or their labels are able to operate to an acceptable profit level, particularly as income from traditional sources has shrunk dramatically in recent years. Only a handful of New Zealand artists live an above average lifestyle and the Interview Panel felt many in the community would be surprised to learn of the modest income levels of some of our highest profile artists.

Economies of scale available in bigger markets do not apply in New Zealand. Overseas-owned major labels have an advantage in that they generate income from sizeable back catalogues. Against this, they must operate to strict profit expectations from their head offices, and there is an expectation that they will spend money converting overseas hits to hits in New Zealand as a priority over investment in local music. Independent labels can struggle to attract capital investment when returns are modest at best.

Recording and promoting music is an expensive and highly risky business. There are absolutely no guarantees of outcomes whatsoever. The highest profile, most successful artists can have failures, public tastes can change unpredictably, radio programmers can overlook tracks unexpectedly, and the economic climate or music retail environment can negatively impact sales.

Consistent funding from NZ On Air has allowed both major and independent music companies to lay off some of this risk and engage in recording far more repertoire than would otherwise have been made. With revenues from sales of recorded music in seemingly relentless decline at present, NZ On Air's contribution has assumed an ever-increasing importance, to the extent that

some people on the Interview Panel claimed a 'dependency' culture had been created.

It was also perceived by the Interview Panel that a side effect of the schemes has been the creation of a 'sense of entitlement' to funding grants, particularly amongst younger artists.

"Changes in the landscape have created a dependency on NZ On Air funding to sustain the industry at its current level"

"If it was gone less music of a commercial nature would be made – NZ industry is now dependent on the funding"

"Takes away the responsibility of the artists to get up and make things happen – should have been doing things themselves"

"Created an expectation that funding is a right"

This is not to imply that no New Zealand music would be made without NZ On Air interventions. Indeed *New Zealand Musician* magazine reports that 35-40 new New Zealand albums are submitted for review every two months. Rather, too few albums featuring tracks of sufficient technical quality, backed with effective promotional activity, would be made to fill the available channels.

Others felt that the relentless focusing on repertoire for commercial radio had to some degree distorted the marketplace.

"It has distorted the industry. Funding support goes to artists and music that fits commercial radio giving a competitive advantage to this music over other music that may be just as successful if given a chance"

"Has made the gap between the haves and the have-nots wider"

"Has changed the way contracts work"

"Has created shoddy underfunded companies"

This increase in the amount of music broadcast on commercial radio networks from 2% to 20% of airtime has been accompanied by a rise in sales of New Zealand music. This has averaged just under 10% of total dollar sales over the last 10 years.

Other economic benefits from increased exposure include higher payouts for public performance, and increased demand for live performances and ancillary products such as artist merchandise.

Public performance revenue for music recordings has also increased due to rapidly improving efficiencies by the respective collection societies. For master copyright holders it will soon increase further following a successful application by PPNZ (Public Performances New Zealand Ltd) to the Copyright Tribunal for a substantial increase in the rate for performance on radio (calculated as a percentage of advertising revenue and divided pro rata based on number of spins for each song). Conversely this will negatively impact on the profitability of radio stations.

3.3 RADIO

The Broadcasting Act 1989 and the Radiocommunications Act of 1989 are the genesis of the current day New Zealand radio market. Both saw New Zealand go from one of the most controlled to one of the most deregulated markets in the world.

This deregulation precipitated an explosion in the number of radio frequencies being used for transmission that has continued to grow to over 700 today, one of the highest ratios of frequencies to population in the world.

The Government itself owned a large number of commercial frequencies that it sold to private interests in 1996. This became what is today known as TRN (The Radio Network). A series of consolidations of various smaller groups eventually resulted in the formation of rival operator MediaWorks in 2000. These two companies continued buying up smaller regional frequencies until between them they owned or controlled 350 frequencies nationwide.

Having created a duopoly, the companies quickly strove for efficiencies in the marketplace through the creation and consolidation of network brands. This meant that city or regional stations were gradually replaced with nationwide brands, most towns and cities having a mixture of several or all of the major brands.

Separate from the two big commercial radio companies, other radio outlets in New Zealand include:

- Government-owned radio stations (Radio New Zealand National and Radio New Zealand Concert), which are funded through NZ On Air.
- 12 Access stations, primarily funded by NZ On Air
- Pacific Island radio (Niu FM and 531PI, funded by NZ On Air and the Ministry for Culture and Heritage)
- 21 iwi stations established for the fostering of Maori language and culture, originally funded by NZ On Air but since 1994 funded by Te Māngai Pāho.
- A loose network of 5 'student' radio stations known as the 'b-net', some of which are owned privately and some by student bodies. This group receives some music programme funding from NZ On Air.
- Kiwi FM, operated by MediaWorks, playing 100% New Zealand music and receiving music programme funding from NZ On Air.
- A small number of other groups including Rhema Broadcasting group (Christian music), Radio Bay Of Plenty, and the Port FM network (Asburton, Timaru, Oamaru) which do not receive direct public funding.

3.3.1 The Commercial Radio Code

The Radio Code is an agreement for New Zealand music airplay targets made between the Radio Broadcasters' Association, which represents commercial radio stations, and the Government. It binds RBA member radio stations that programme new music.⁴ The Code came into effect on 1 January 2002 and aims to achieve a 20% share of New Zealand music across the six main formats of music on commercial networks.

The system works as follows:

- Stations submit their logs each week to RadioScope, the independent airplay monitor. A percentage for each station is registered based on the number of spins of New Zealand songs amongst the total spins of all music that week.
- Depending on their format (Pop, Rock, Urban, AC, Hot AC or Easy) each station is set a target to achieve. Some stations may fail to achieve their target; others will exceed theirs. The central commitment, however, is that when all stations' contributions are combined, the membership as a whole is achieving an average of 20% New Zealand content.
- Results are then reported every quarter, covering the overall result for the period and also broken down into the six radio formats so it is possible to see where strengths or weaknesses may lie amongst stations playing particular genres of music.
- At the end of the year, the final collated result is published.

In any given week around 6,700 different songs are featured on New Zealand radio stations, of which 1,800 are New Zealand music⁵.

3.3.2 Commercial Radio Operating Environment

MediaWorks (home of such brands as The Edge, The Rock and More FM) has about a 43% market share. TRN (ZM, Classic Hits, Hauraki) has a market share of 45%. These two companies are fierce competitors and have several brands that compete head-on for similar audiences: ZM vs. The Edge, Mai vs. Flava, More FM vs. Classic Hits, etc.

⁴ Gold or Nostalgia formats such as Solid Gold and Coast are not bound by the Code. Neither are the b-Net stations which are not RBA members

⁵ 20% of these tracks are played on Kiwi FM only

Network branding enables significant savings in fixed costs including engineering and personnel. On-air hosts, in conjunction with clearly defined music (or other) formats, give the brands their character.

Programming is generally undertaken from a central base in Auckland for each network, meaning the decisions on what tracks get added to playlists are concentrated in the hands of a few key programmers.

Playlists are tightly controlled, and backed by significant amounts of research, primarily from the United States, the major repertoire source, and research undertaken locally. Playlists are updated either weekly or fortnightly. This involves the removal and addition of as few as 2 or 3 songs at a time. This means that competition to get a track added to a network playlist is extremely fierce.

It's fair to say that, with this intense competition, programmers are reasonably risk averse and primarily choose songs that have already been tried and tested in major overseas markets. Adding a song to a playlist by a New Zealand artist, especially one with no prior track record on radio, presents one of the higher risk decisions for programmers.

Regardless of overseas success or local quota requirements, all songs only survive on the playlist if local research stacks up. Songs that do not find favour with audiences after a reasonable 'testing' period are quickly removed from playlists. This means that for a New Zealand song to become a hit it has competed directly with the best the rest of the world has to offer and has been given the 'thumbs up' by listeners.

Most music companies and artists intrinsically understand the benefits of having their song regularly exposed to a significant audience. Airplay charts that record the most played songs on New Zealand radio very closely resemble the sales chart for single tracks – on any given week there are usually 7 or 8 songs common to the Top 10 charts for both airplay and sales.

Other music stations, such as the b-net stations, have less rigidly controlled playlists, play a larger number of songs, and sometimes allow the DJs themselves to make programming decisions.

In common with newspaper and television, radio stations have suffered from the recent recession. Advertising revenue for radio was down 12% in 2009. Nonetheless, radio continues to attract a huge listenership in New Zealand.

According to Research International figures from October 2010, 2.7 million New Zealanders in the 10+ age bracket listen to commercial radio networks every

week. The radio network with the biggest 'cume' (number of listeners) is The Edge (423,000), followed by the ZM network (381,000). These are both stations that specifically target listeners in the 10-29 age group.

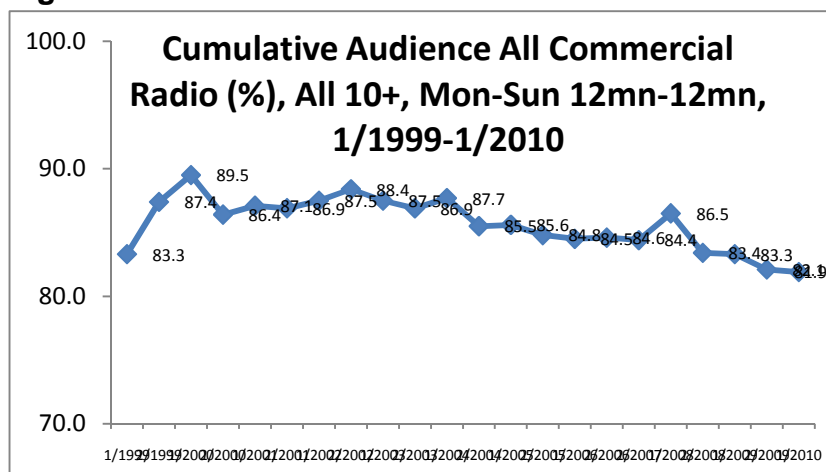
Eight of the top ten stations are music stations. The following chart (Fig 2) represents audience share, calculated by multiplying the number of listeners with time spent listening.⁶

Fig 2 – Network Commercial Radio Audience Shares: October 2010

	All 10+			
	2/2010	1/2010	change	Rank
Network Breeze	6.2	6.4	-0.2	8
Network Classic Hits	7.7	8.1	-0.4	3
Network Coast	7.4	7.3	0.1	5
Network Easy Mix	1.5	1.6	-0.1	15
Network Edge	7.6	7.5	0.1	4
Network Flava	1.7	2.0	-0.3	13
Network George	0.8	0.8	0.0	16
Network Kiwi	0.2	0.2	0.0	18
Network LiveSport Trackside	0.4	0.5	-0.1	17
Network Mai	1.9	1.7	0.2	14
Network More FM	5.8	6.5	-0.7	7
Network Newstalk ZB	11.6	11.6	0.0	1
Network Radio Hauraki	5.8	5.8	0.0	9
Network Radio Live	4.3	3.7	0.6	10
Network Radio Sport	2.3	2.6	-0.3	12
Network Rock	11.3	11.3	0.0	2
Network Solid Gold	3.6	3.6	0.0	11
Network ZM	6.6	6.7	-0.1	6
Network Mediaworks Radio	42.7	42.8	-0.1	
Network TRN	44.8	45.8	-1.0	
Potential (000)	2703.4	2703.0	0.4	
Sample	15282	15169	113	
Error Margin +/-	0.8%	0.8%	0.00%	

In absolute radio listenership there is a slow but steady erosion of audience size over the last 10 years as shown in Fig 3:

Fig 3 – Cumulative Audience All Commercial Radio



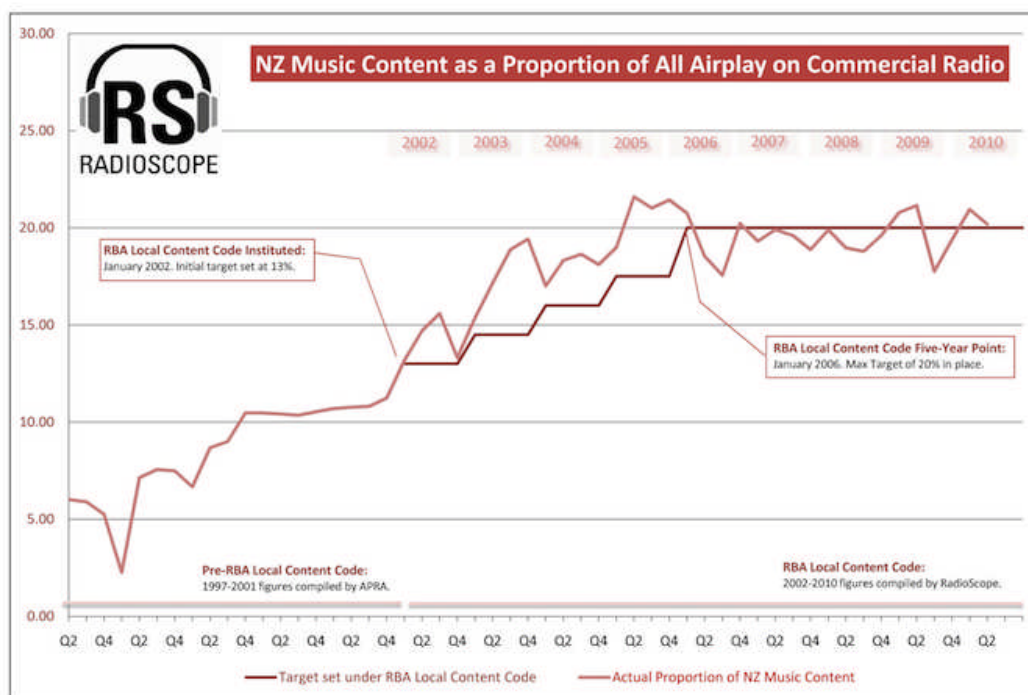
⁶ Research International: 2-2010 Radio Audience Measurement Survey: October 2010

Research International also reports there has been a steady reduction over the last decade in TSL (time spent listening). For all commercial radio listeners aged 10+, this figure has reduced from nearly 23 hours per week in 1999 to 17 hours 19 minutes per week in 2010.

By way of comparison Bridge Ratings LLC reported on 1 April 2010 that radio TSL in the USA has dropped from 22 hours per week in 2005 to 18 hours per week in 2010. They noted however that as much as 37% of this time may have been replaced by listening to radio through Internet streams.

As a percentage of music played on commercial radio, the amount of New Zealand music played has increased dramatically as shown in Fig 4:

Fig 4 – Proportion of New Zealand Music Content on Commercial Radio



Source: Media Sauce

In discussions with the Interview Panel I found a lot of misinformation regarding the general health and listenership of commercial radio. Many opined that radio was dead and that nobody listened to it anymore, that everybody, especially teenagers, got their music fix these days from the Internet.

These impressions are somewhat erroneous, in part because respondents tended to believe their own behaviour was indicative of the population at large. While it's probably true that a reasonable percentage of industry insiders eschew radio listening for their own collections and playlists, for the majority of

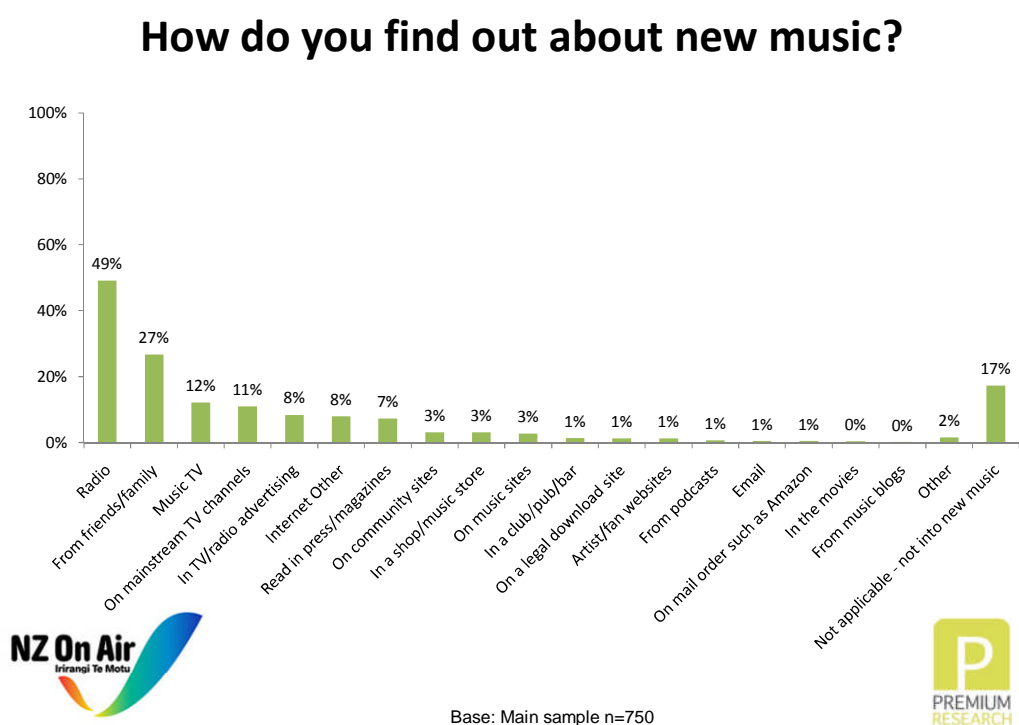
New Zealanders radio still plays an important role in their discovery and consumption of music. This includes young listeners, a group commonly cited by the Interview Panel to have 'given up' on radio.

I spoke to most of the major network programmers in the course of this review. Perhaps unsurprisingly they firmly believe that their medium continues to adapt to a changing market and will continue successfully to do so.

The programmers were uniformly proud of the role they feel they have played in the renaissance of New Zealand music over the last 20 years. They noted that their listeners demand to hear New Zealand music and that stations enjoy the easier access they have to New Zealand artists compared to simply playing overseas music.

Despite some feedback from the Interview Panel to the contrary, NZ On Air's public research (op cit), comprising a nationwide survey of 750 members of the general population in late 2009, shows that radio is still important as a source of discovery for new music - see Fig 5.

Fig 5 – Sources of Discovery of New Music for the General Population



3.4 MUSIC TELEVISION

The concept of music television, made possible by the advent of music videos in the early 1980s and pioneered in America with MTV, reached New Zealand in late 1993 with the launch of Max Television in Auckland and Cry TV in Christchurch. These channels featured adventurous mixes of contemporary music.

Both stations struggled with advertising revenues and were eventually replaced by the UK version of MTV, which aired from mid 1997 to mid 1998. That channel too fell victim to poor revenues.

In mid 2006 SKY TV reintroduced a 'New Zealand' version of MTV, which as I write this report is being replaced with an Australian feed, and its New Zealand staff laid off. Despite its name only 30% of MTV's programming is specifically music programming and most of this falls outside of primetime hours. In primetime 8 minutes of programming is reserved for music, usually in the form of a music video being played half hourly in-between long form programming. The modest amounts of New Zealand music exposed on this channel will very likely reduce with little or no opportunity for labels to pitch their videos to Australian based programmers.

Juice TV commenced in 1995, broadcasting free-to-air in Auckland and nationally on the pay television SKY platform. It has broadcast continuously but has had several frequency changes and updates. In 2000 a second channel J2 – now called 63 – aimed at a more adult audience was launched.

MediaWorks free-to-air music television channel C4 was launched in 2003 and operated as a music channel for five years. Latterly it replaced its prime time viewing hours (6pm to 10pm) with standard programming content but continued with off-peak music videos and programming. In May 2010 MediaWorks launched C42, a music video-only channel on the new Freeview digital platform. MediaWorks announced in October 2010 that C4 will be rebranded Four and will be programmed as a general entertainment channel from early 2011.

As with radio, music television programmers are very enthusiastic about playing their part in creating exposure for New Zealand music. This was backed up by comments from the Interview Panel.

Moving into 2011 the result of the recently announced changes to C4 and MTV is that New Zealand will have three minority channels dedicated to music: Juice, Channel 63 and C42; and an Australian feed of MTV.

The mainstream channels screen virtually no New Zealand music videos and very little New Zealand music outside talent shows or popular factual formats.

3.5 INTERNET

The internet's real impact in New Zealand (and in most other countries) in relation to music has been seen once broadband became generally available in homes. Telecom first introduced broadband to New Zealand in 1999 with its Jetstream service. This enabled consumers to quickly download music both legally through licensed retailers and illegally through peer-to-peer software and to stream music files and videos. Today broadband is in just over 60% of New Zealand homes with urban locations receiving the best service. The Government is currently evaluating ultra-fast broadband options that, in part, aim to assist the problem of getting adequate broadband service to rural areas.

Although radio continues to play a significant role in the way most New Zealanders discover and access music on a regular basis, the internet is one of an array of technological developments that is having a major impact on radio's traditional dominance in this area. MP3 players, mobile phones, and internet social media sites all offer audio alternatives to radio.

This is predictably most notable in younger demographics. The Bridge LLC report of 20/10/2010 entitled "Terrestrial Radio's run through the New Media gauntlet" (referring to the American market) shows clearly that those in the age group 12-21 gradually reduce their reliance on radio as each new alternative method of consumption reaches critical mass. Today's music consumption is from a mix of sources; this mix is contributing to short attention span syndrome, which in part accounts for a reduction in TSL at radio.

Interaction with music through digital channels continues to develop apace, although confident predictions for the future are regularly wide of the mark. Less than five years ago social networking application MySpace was held to be a cornerstone of the future music business. Today it has been overtaken by Facebook as the new social media favourite.

One of the biggest impacts in relation to music consumption has been in the field of music videos. Consumers extensively access music videos through sites such as YouTube and Vimeo. Play numbers can be impressive for the most successful artists. The complementary relationship of the different methods of accessing music can be seen where heavily played radio tracks often garner huge levels of video play on YouTube. Conversely momentum gained initially online can often lead to radio play.

The main difference between consumption of music through the internet and radio is that internet consumption tends to be on-demand (although many radio stations are available through streaming or podcasting, including most

networked New Zealand stations). This active listening, in the view of many of the Interview Panel, gives this type of 'broadcast outcome' heavier weighting compared to the passive nature of radio listenership.

The internet is of course also a perpetually available source of music as opposed to radio, which offers a filtered choice for consumption. 'Getting noticed' in the crowded internet space is one of the biggest challenges for artists.

The AC Nielsen *Social Media Report* of June 2010, which reported on Social media usage of internet users aged 18+ in New Zealand shows that social media plays a significant role in sharing and 'following' music online.

Highlights of this report in relation to music show that:

- In terms of content, downloading or streaming music videos is the most popular content area in overall social media.
- The number one activity reported on Twitter is 'following' a performer, i.e. an artist or band, an activity undertaken by 46% of users. Posting links to videos and songs are listed as the 7th and 8th most common activities respectively.
- On blogging sites 30% of readers read about CDs/albums/music.

In overall social media activity Facebook dominates for New Zealanders, with 79% of Social Networkers naming Facebook as their main social networking site.

3.6 MUSIC RETAIL

3.6.1 Bricks and Mortar Stores

Despite the growth of the industry throughout the 1990s, physical music retailing in New Zealand has traditionally been a difficult arena in which to operate profitably. Even during the period of turnover growth due to the introduction of compact discs (CDs) several high profile music chains went under in the subsequent decade, including The Record Warehouse, Sounds Unlimited, Truetone and, more recently, Real Groovy Records and the large chain of Sounds stores.

Overseas players who attempted to bring 'expertise' to these shores also failed, with both HMV (U.K.) and Brashes (Australia) withdrawing from the market following unfavourable trading results. The last two decades have seen the growth of The Warehouse as a serious player in music, mirroring a global trend for general merchandise chains such as Wal-Mart in the USA and Tesco in the UK to use music as a loss leader. The Warehouse's mantra has always been to be the cheapest source of retail product. The rise of discounted music retailing and large chains, with the attendant economies of scale, has contributed to the elimination of many independent music stores in New Zealand.

Trading conditions have worsened in the last decade with even The Warehouse unable to avoid the effect of illegal downloading of music files, the introduction of legal digital alternatives, and recent difficult trading conditions due to the global economic crisis. Physical CDs continue to experience a perilous downturn in demand, calling into question the future of bricks-and-mortar music stores.

Today three main competitors - The Warehouse, Marbecks, and JB Hi-Fi - dominate the landscape. The Warehouse has experienced a steady decline in its music turnover in line with the market, but still commands a massive 50%+ market share. This culminated in their high profile blaming of weak sales of CDs (and DVDs) for a drop in overall profitability for the 52 weeks to August 2010.⁷

Marbecks (formerly The CD and DVD store) underwent a rebranding exercise in the last 12 months and is now aiming at the higher end market, including cafes and books in some locations. It has closed 12 stores this year and has a market share of roughly 10%.

⁷ New Zealand Herald Business News 10 September 2010

JB Hi-Fi, a Melbourne-based retailer of entertainment hardware and software, has so far proved to one of the most successful overseas operators trading in recorded music to enter the New Zealand market. It has posted steady growth in turnover since opening its first store in 2007, currently sitting at around 13% market share. Despite this, it reported losses for its New Zealand operations in its last reporting period. Its stores feature deep music back catalogue, and very competitive pricing for current chart titles and new releases, providing for the first time direct competition to The Warehouse on its main selling point of price.

Music retailers in New Zealand over the last 20 years have generally shown extra commitment to supporting New Zealand music, from The Warehouse featuring the most commercial albums on the front of their household mailer to Real Groovy being champions of independent label music. Thus, any further decline in brick-and-mortar retailing can only have an adverse affect on the promotion of New Zealand music.

3.6.2 Digital Music Retailers

Music has been sold in digital form in New Zealand since the launch of fixed-line New Zealand music-only digital store Amplifier in 1999. Mobile operators Telecom and Vodafone commenced retailing music in 2005 and immediately dominated the digital segment of the market, with 97% of all digital sales in 2005.⁸ However this still represented only 1.6% of total music sales. Revenues generated in the mobile space for music were predicted to become huge. In reality these soared in the short term, then plummeted, at least in New Zealand.

In December 2006 Apple's iTunes belatedly entered the New Zealand market place and immediately began an impressive growth curve (at the expense of mobile sales). This continues unabated. It has become the dominant player as fixed-line sales have grown to be more than 80% of the digital music market as at July 2010.⁹

iTunes does not have direct representation for music in New Zealand but rather operates a combined Australia/New Zealand store. Nonetheless it has generally been supportive in featuring New Zealand music on its landing page.

Although legal music downloads are dominated by Apple's iTunes, other models such as BandCamp are providing innovative alternatives for artists. There are signs that, in the digital world, monetising access to music files through 'cloud' applications such as Spotify (paid for either by subscription or

⁸ Recording Industry Association of New Zealand

⁹ Recording Industry Association of New Zealand

advertising) may supplement or replace the outright ownership of files that retailers like iTunes currently offer. To date services such as these have not reached critical mass in any country. Apple itself has recently bought a cloud technology company and predictions are that they may introduce a service of this nature in the future.

Digital sales have increased year-on-year to be 23% of total music sales. This increase does not compensate for the corresponding drop in physical sales.

Within these digital sales the split between revenue generated from individual tracks and albums has seen album revenue increase year-on-year as older demographics become more comfortable with purchasing music as digital files. Today the revenue split is 55% tracks to 45% albums.

3.7 MUSIC COMPANIES

When NZ On Air conceived its music programme in 1989 the New Zealand music business was dominated by seven music companies: the five so-called major labels Polygram, WEA, EMI, RCA and CBS, plus two large independents Festival and Virgin. There was relatively little investment in New Zealand music outside of a few high profile acts on major labels (mostly CBS) and a small number of independent labels such as Flying Nun, Jayrem, and Pagan Records.

The major label landscape in the last 20 years has seen a combination of buyouts, name changes and consolidations (e.g. EMI bought Virgin, CBS merged with RCA and became Sony, Warner bought Festival), that have left the number today at just four: Universal, Warner, Sony and EMI. All now report to their Australian affiliates and have a significantly reduced direct presence in New Zealand.

Investment in local recordings by majors grew steadily in the 1990s. The first signs of an upswing came from recordings by artists such as Supergroove, Che Fu, Bic Runga and the feelers, all of which attracted significant airplay and impressive sales. This investment increased again in the new decade with the introduction of the NZ On Air Phase Four album-funding scheme.

During this time a large number of independent labels have set up business in New Zealand. In 2002 IMNZ (Independent Music New Zealand) was established, a not-for-profit trade body that today represents 84 labels. These labels represent 320 different artists, all of whom have released music recordings commercially. IMNZ advises that the number of labels has grown on a yearly basis –

- in response to a perceived decrease in investment in local music by major labels
- following the demise of Festival Records which previously acted as a distributor for many artists
- due to the ability to access funding for artists from NZ On Air and Creative New Zealand.

These independent labels record and release almost exclusively New Zealand music. They have gradually increased their share of the market to be running today at an estimated 20%. The exact figure is hard to isolate due to the varying links between majors and indies: the New Zealand music marketplace is distinguished by a high degree of interaction between independent and major labels, with a myriad of different relationships having been formed over the years.

Additionally independent distributors of both physical and digital recordings have entered the marketplace. These include Rhythmethod, Border and Southbound for physical recordings and Amplifier for digital recordings.

All types of labels have been hit hard by the dramatic downturn in total recorded music sales in the last 8 years – see Figs 6(a) & (b). For major labels this has meant continual cost cutting, usually including reductions in staffing levels, marketing and investment in local recordings. For indie labels, as with all small enterprises, market conditions often mean a precarious existence with creativity and ingenuity as important as investment in the struggle to survive.

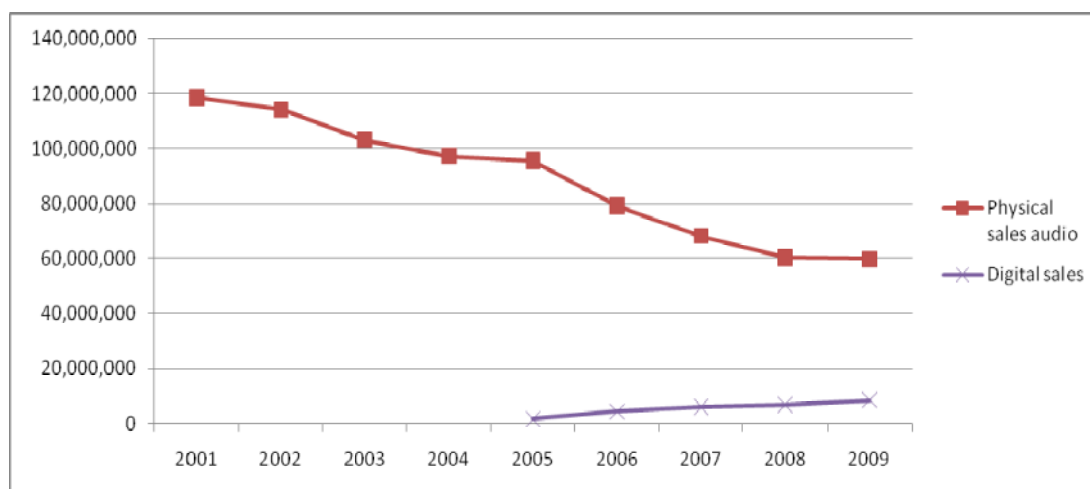
Projections are that turnover from recorded music sales will continue to decrease in the immediate future. Some in the industry are optimistic that proposed legislation aiming to curb illegal downloading, which is due to be introduced to Parliament later this year, plus the introduction of attractive legal services such as Spotify and Bandit FM, may help the businesses to grow again.

Sales figures for 2009 showed some stability but these were heavily influenced by the phenomenal sales of Michael Jackson albums following his death in June that year and Susan Boyle after the publicity avalanche following her victory in a British television talent show. Even the New Zealand market share figures were distorted to some extent by the high ticket-price success of the retrospective *Great New Zealand Songbook* package.

Fig 6(a) – Recording Industry Sales: New Zealand - Data (includes singles and albums)

	Physical sales audio	% of total market	Digital sales	% of total market	Total sales audio	% change	NZ sales audio	% change
2001	118,750,198	100.00			118,750,198		7,351,321	
2002	114,254,640	100.00			114,254,640	-3.79	10,656,759	44.96
2003	103,210,607	100.00			103,210,607	-9.67	10,186,327	-4.41
2004	97,360,383	100.00			97,360,383	-5.67	10,715,198	5.19
2005	95,674,811	98.39	1,566,819	1.61	97,241,630	-0.12	9,302,885	-13.18
2006	79,330,281	94.84	4,319,740	5.16	83,650,021	-13.98	6,022,305	-35.26
2007	68,122,088	91.88	6,016,762	8.12	74,138,850	-11.37	5,647,458	-6.22
2008	60,161,111	89.86	6,785,650	10.14	66,946,761	-9.70	5,829,393	3.22
2009	59,691,417	87.56	8,483,736	12.44	68,175,153	1.83	6,680,184	14.59
2010 to July	20,703,791	77.23	6,105,462	22.77	26,809,253	-60.68	1,924,580	-71.19

Fig 6(b) – Recording Industry Sales: New Zealand - Graph



Source: Recording Industry Association of New Zealand (RIANZ) ¹⁰

Overall New Zealand music sales are expected to be down around 15% for the calendar year of 2010, a drop of 51% in total market size from the highpoint of 2001. With digital retailers enabling the purchase of individual tracks from albums there is a steady trend in the market to cherry-pick tracks for purchase (although the overall New Zealand music market for physical and digital music

¹⁰ RIANZ represents approx 95% of the total market

sales combined is still 87% albums and 13% singles by dollar value). Most industry commentators expect this trend to grow.

Perhaps the dominating factor that has influenced nearly all aspects of the industry has been the phenomenal amount of music 'stolen' through peer-to-peer networks on the Internet. Piracy continues to be a global issue for music companies. According to the International Federation of the Phonographic Industry (IFPI), while the music industry has increased its digital revenues by 940% since 2004, piracy has been the major factor behind the overall global market decline of around 30% in the same period. Overall, global music sales in the first half of 2009 were down by 12% (physical and digital sales) and full year figures are likely to see a similar trend.¹¹

¹¹ http://www.ifpi.org/content/section_resources/dmr2010.html

3.8 SUMMARY

NZ On Air is operating in a rapidly changing New Zealand music marketplace. While not totally predictable, New Zealand tends to mirror quite closely trends in other similar markets overseas such as Australia, the United States and England, but generally running some years behind.

Unprecedented online and mobile access means that music is in the hands of more consumers than ever before and has probably helped create a boom in demand for live music. This demand has further been boosted by legacy acts from the sixties and seventies touring globally in a way not seen by previous generations.

For music companies and physical music retailers the downward slide in overall turnover continues, while digital sales are steadily increasing. As with most other overseas markets the increase in digital sales has not made up for the decline in physical sales. In a chicken-and-egg situation, the decline in physical sales is linked to the rapidly shrinking number of outlets selling music.

Ancillary services such as music studios and music video makers have also been under pressure as recording budgets shrink. The ability for artists to undertake some or all of the recording and video making themselves due to technology changes has reduced demand for these traditional services.

Radio stations are slowly losing audience and that audience is listening less. However the decline is relatively small and some way behind other western markets. Radio continues to be a major player in the discovery and consumption of music for New Zealanders.

Music television is less stable than radio. With recent changes at MTV and C4 choices will be considerably limited. Juice could reasonably be expected to increase its viewership.

The Internet is now a major source for music discovery and consumption, particularly with younger audiences, providing serious and increasing competition for radio. Broadband is now in approximately 60% of New Zealand homes. YouTube plays a significant role in the consumption of music on the Internet, elevating the importance of the music video. The Internet has created many new opportunities for music exposure, but no dominant 'business model' has emerged either for music companies or individual artists. Mobile Internet usage is growing fast as a result of the appeal of hardware such as the iPhone and a more competitive marketplace.

4. QUALITATIVE RESEARCH

I was asked to consult with a wide variety of stakeholders involved in the greater New Zealand music industry. I conducted face to face interviews with 94 people, phone interviews with 3 people and received written submissions from a further 4 people. These included –

- recording artists, both those receiving funding and others that applied and did not receive funding
- artist managers
- the managing directors of major and independent labels
- music publishers
- music lawyers
- radio programmers
- music journalists
- media commentators
- music retailers (both physical and online)
- music distributors
- touring agents
- representatives of other government agencies involved in the promotion of music
- the heads of industry trade bodies
- music collection societies
- managers of recording studios
- music video makers
- music television staff
- music educators
- online social media representatives and
- the staff of NZ On Air's music programme.

This group is referred to in this document as the **Interview Panel**.

With only one exception everyone I approached agreed to take part and gave generously of their time and expertise. There was a high degree of engagement and a very broad range of opinions was expressed.

I was also asked to sample public opinion and did this through an online questionnaire which was available on the NZ On Air website and promoted through its newsletter over a three month period from June to September 2010. This attracted 655 self-selected responses (of which 650 completed the full

survey.) This group is referred to in this document as the **Public Respondents**. The online survey questionnaire is attached as [Appendix 2](#).

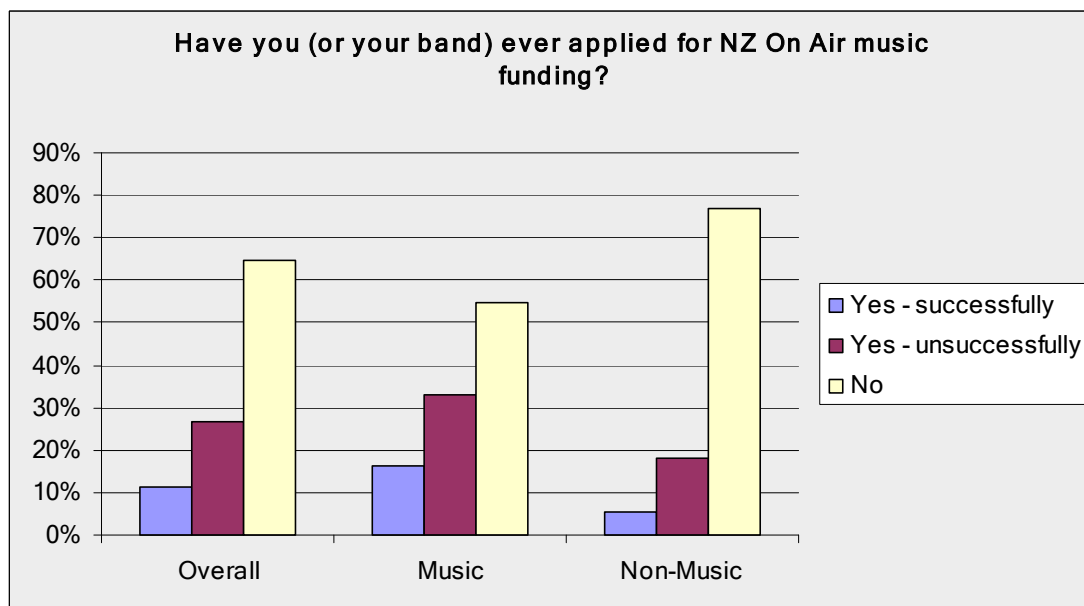
- 366 (55%) work in the greater music industry (including broadcasting)
- 289 (45%) do not.

The following graphs show responses from the Public Respondents overall broken down into those working in the greater music industry (music) and elsewhere (non-music). Appendix 3 breaks down these responses further into those working in broadcasting; as artists/musicians/songwriters; and in the music business, from which comments are also drawn below.

Appendices 4-6 also contain graphs of the online data broken down by age, geographical location and whether or not a respondent has applied for NZ On Air funding. Comments on these graphs are also included in the text below.

A very high 35% of Public Respondents had applied for NZ On Air funding in the past, although only 11% had been successful (see Fig 7 below):

Fig 7 – Applications by Public Respondents for NZ On Air Funding



These respondents were predominantly weighted in the 20-39 year old age bracket. Forty percent of those aged 20-29 years applied for funding of whom 9% were successful (22% success rate), compared with 44% applying aged 30-39 and 16% being successful (36% success rate) and 32% applying aged 40-49 with 14% being successful (43% success rate).

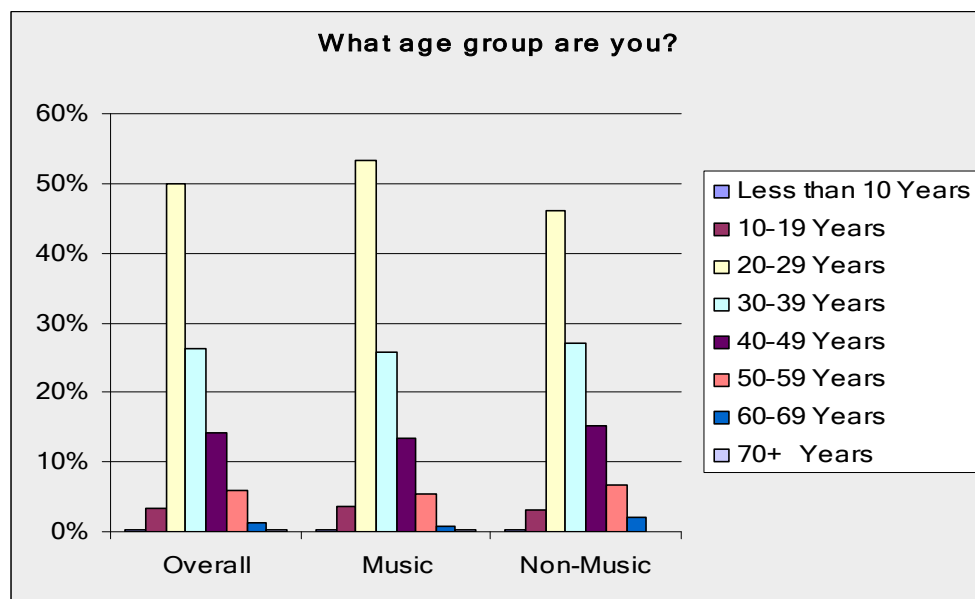
Geographically, Auckland had the highest number of respondents who had successfully applied for funding, 16% of 42% who applied (a success rate of

38%), followed by Otago 7% of 22% applied (success rate of 32%), then Wellington 12% of 43% applied (success rate of 28%) and Canterbury 9% of 34% applied (success rate of 27%).

Unsurprisingly the occupation with the greatest application rate was artists/musicians/songwriters (59%, with 17% being successful), but 23% of people who didn't work in the industry had also applied with 5% being successful.

Unsurprisingly, there is a higher number of younger respondents (aged under 30) in the music industry (57%) than non-music (47%) (see Fig 8).

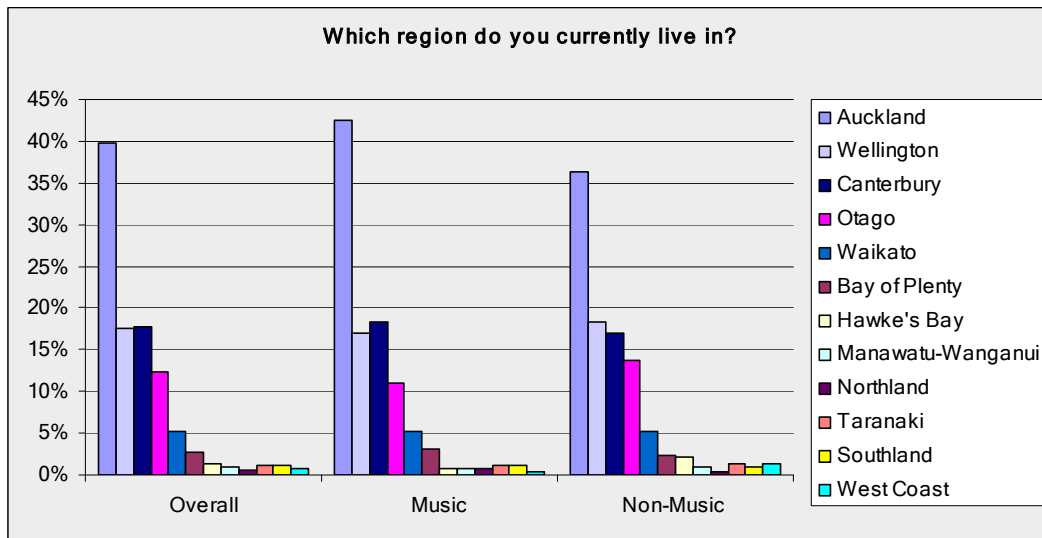
Fig 8 – Public Respondents



Interestingly, respondents to the survey aged from north to south. 61% of respondents in Auckland were aged less than 30; 57% in Wellington; 48% in Christchurch and 45% in Otago.

Most of the Public Respondents lived in Auckland (40%) with some variation between those involved in music (42%) and non-music (36%) – see Fig 9. Wellington and Christchurch were next overall at 18%, Otago (12%), Waikato (5%) and Bay of Plenty (3%).

Fig 9 – Location of Public Respondents



Comments from the Interview Panel are quoted throughout this report. Comments from Public Respondents are summarised in each section.

5. GOVERNMENT INTERVENTION IN MUSIC

I was asked to review the conceptual and policy basis for NZ On Air's New Zealand music work and consider whether the assumptions upon which this work was based are still relevant. NZ On Air's work should also be compared to other agencies working in this space. I have cited feedback from Interview Panel and Public Respondents to provide texture to a broad assessment of efficiency, effectiveness and relevance.

5.1 NZ ON AIR

NZ On Air's music funding schemes are based on provisions in the Broadcasting Act 1989 ("the Act"). The Act established a Broadcasting Commission (NZ On Air's legal name), which was charged with ensuring that New Zealand identity and culture were reflected and developed in broadcast media, making funds available for the production and promotion of content for those media. This was intended to provide a safety net for New Zealand content following the deregulation of the broadcasting industry in 1989.

Section 37(d) of the Act states that –

"The Commission shall, in the exercise of its functions...ensure that in its funding of sound radio broadcasting, reasonable provision is made to assist... in the broadcasting of New Zealand music".

The Broadcasting Commission chose the name NZ On Air as its public face because of public confusion with various former broadcasting entities. Until 1999 it was funded by the Broadcasting Fee and since the Fee's abolition, from Crown Revenue through the Ministry for Culture and Heritage (MCH). Today NZ On Air describes itself and its aims thus –

*"NZ On Air is a government broadcast funding agency. We invest in a colourful range of local television, radio, music and new media content to extend choices for New Zealand audiences."*¹²

5.2 NZ ON AIR'S MUSIC PROGRAMME

NZ On Air devised a music programme to create and promote New Zealand music content on commercial radio in 1991. It's fair to say that the wording of the Act is broad and nowhere does it specifically say commercial radio should

¹² <http://www.nzonair.govt.nz/home.aspx>

be targeted. Investigations by NZ On Air into where public funding might have most impact in “the broadcasting of New Zealand music” revealed that by far the biggest shortfall in New Zealand music airplay was in commercial radio. This is also the sector with by far the biggest audience.

New Zealand music broadcast on commercial radio in 1991 was estimated to be as low as 1% of overall airtime. NZ On Air made an early strategic decision to target commercial radio to address that shortfall of New Zealand music airplay.

The music programme adopted by NZ On Air set its targets specifically at increasing the amount of music broadcast on commercial radio. In 1991 the initial aim was to reach ‘double digits’ i.e. 10%.

As Fig 10 below shows there are no direct public funding interventions to commercial radio that could act as levers to encourage New Zealand content. As the funder of a service like Radio New Zealand ¹³ or Access radio NZ On Air can use the funding contract and the targets in that contract to address any content improvements it deems appropriate. It does not have such a mechanism with commercial radio.

Fig 10 – Public Funding for Radio in New Zealand

Type of radio	Radio New Zealand	Access radio	Iwi radio	Student radio	Pacific Island radio	Christian radio	Commercial radio
Public funding source	NZ On Air	NZ On Air	Te Māngai Pāho	NZ On Air	NZ On Air MCH	-	-

In establishing its programme NZ On Air was guided by Section 39 of the Act that requires the agency to assess funding proposals in light of –

- The extent of external funding provided by the applicant
- The potential size of the audience likely to benefit from the project
- The extent to which the proposal contributes to the Commission’s core aims in relation to culture and identity
- The likely benefit to consumers in relation to cost
- The likelihood of broadcast (and added in 2008: or transmission on demand).

¹³ It should be noted that Radio New Zealand was not in the terms of reference for this review

More detail and analysis of on the specific funding schemes is in section 7 of this paper.

Once in place, slow but steady progress was made with percentages inching up year-on-year with the double-digit target being reached in the year 2000.

In that same year the Government introduced an ‘arts recovery package’ that provided additional funding for stimulus of local cultural initiatives. Despite the improvement in airplay percentages for New Zealand music, as a manifesto plank quotas were being discussed aimed at increasing the percentages still further. The Minister of Broadcasting and the RBA (Radio Broadcasters Association) eventually agreed a voluntary code which commenced in 2002 and aimed to increase New Zealand music content on commercial radio networks from 10% to 20% by 2006.

NZ On Air’s music programme aligned itself with this new target which was duly reached a year ahead of schedule in 2005 and has mostly been maintained each year since then. The percentage target has never been materially exceeded.

Currently around \$5.4 million is allocated for NZ domestic music initiatives. Two full-time staff are based in Wellington and two contractors in Auckland. There are five funding rounds each year.

Industry views

Commenting in the editorial of the 100th edition of *New Zealand Musician* magazine in May 2005, editor Richard Thorne wrote:

“Time has proven that the creative talent was always present, it had simply gone into hiding. Commercial radio play was the lost key to unlocking the potential of our music. Few pieces of non-legislation can have been as successful as radio’s New Zealand music code which, in just a few short years has driven play across all commercial radio formats close to the 2006 target of 20%”

The great majority of the Interview Panel felt that NZ On Air’s strategic approach of targeting commercial radio was the right one.

“Commercial outlets have the highest audience so absolutely imperative”

“They made a bold decision to be populist as opposed to creatively excellent”

“No better answer in light of the desired outcome – being measurable is a huge plus”

Opinion was clear on the very significant impact that the NZ On Air music programme has had in the arena of New Zealand music. This was perhaps somewhat surprising considering the lively debate this sector is known for.

“The most successful measurable intervention of all time in the cultural sector – there’s nowhere near an as identifiable shift in any other cultural sector.”

“It has enabled the level to be raised – suddenly it’s not weird to hear a New Zealand song on the radio”.

“An immense improvement in production qualities”

“Massive, it helped create the music and brought it to a wide audience”

“Our country is highly spoken of due to this Government support of music”

“I can recall what it was like before – a step worse than amateur – in all respects it has improved the industry”

Views are less consistent when considering viable future options.

5.3 IS NZ ON AIR STILL NEEDED?

Despite the high profile success in improving airplay percentages at commercial radio the message is clear from both the Interview Panel and the Public Respondents that it remains vitally important for both cultural and commercial reasons to ‘keep the foot down’. Government intervention is considered essential to ensure these gains are not lost.

The primary reasons given are the financial fragility of the greater music industry, the lack of economies of scale in the New Zealand market, and the perception that airplay percentages would fall back without the combination of NZ On Air’s actions and the Radio Code.

From the Interview Panel’s point of view 96% felt it was important that New Zealanders continued to hear New Zealand music on our radio and television networks.

“Absolutely – it’s where the majority of people are absorbing their cultural content – government intervention is essential in its ongoing viability”

“Yes it gives radio a local level connection with people”

“Yes for a mix of economic and cultural reasons – economically it’s a seedbed and sustenance for the local industry”

“Absolutely, it’s helping to shape our cultural identity”

“Yes because otherwise we would hear only overseas music, and our creative output would be trampled on”

A cross-section of the Interview Panel was asked to conjecture on what would happen without NZ On Air interventions and the Radio Code, specifically how much New Zealand music they felt would be played on commercial networks without assistance. Opinions ranged from ‘the same’ through to ‘virtually nil’.

“The same – the job has been done – a singles based approach would take over”

“In the present environment about 15% - an environment has been created that has its own momentum – the audience is ravenous”

“Record companies are not in a position to invest heavily – NZ On Air keeps the pipeline flowing”

“Quality and quantity issues would re-emerge”

“We’d be lucky to get 5% - the desirability of New Zealand music has now been established but it wouldn’t take long for the situation to revert”

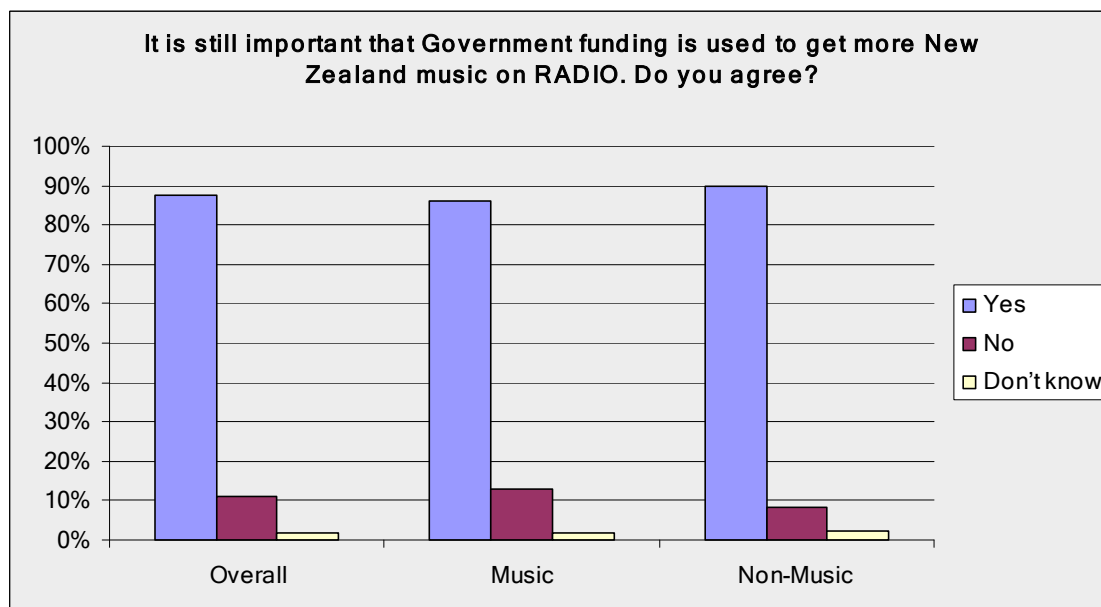
“Very low amount – the industry would be decimated”

Although not scientific, collective opinion seems to be that a removal of funding and the Code would likely trigger a serious reduction in the amount of New Zealand music heard on commercial airwaves. The average across the Interview Panel was that the total might drop to somewhere around 8%. It was felt this would have a negative economic impact on an industry already experiencing financial difficulty.

The Public Respondents were specifically asked if Government funding should continue to be used to support New Zealand music on radio (see Fig 11). 88% overall felt it was important. There was little variation between those that worked

in the industry (90%) to those who did not (86%); in geographic location and in age. Interestingly, 91% of those who had applied unsuccessfully for funds felt that it was important, much higher than those who had been successful for funding (80%) or never applied (86%).

Fig 11 – Public Responses to NZ On Air Funding Music On Radio



179 of the 655 Public Respondents made further comment on this topic. In general respondents took this question to mean funding of the creation of content rather than promotional programmes.

The main messages in the commentary were as follows:

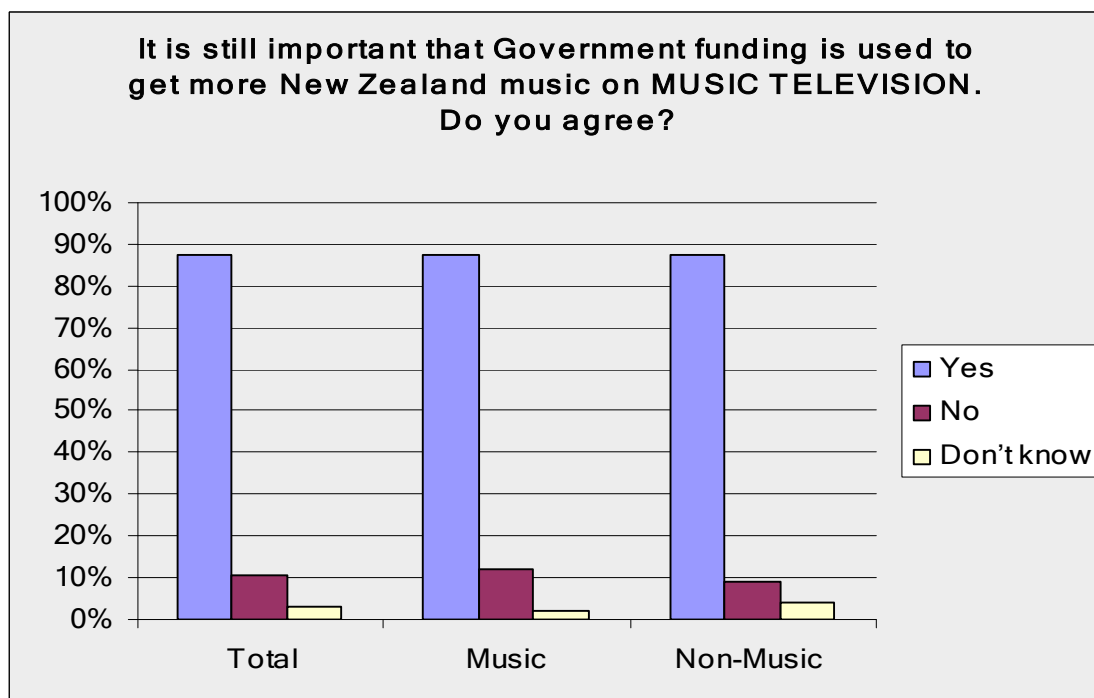
- 27% expressed a strong desire to see a much broader range of music supported than just that aimed at commercial radio stations.
- 16% felt it was important for a mix of cultural and commercial reasons.
- 9% felt it was important to counter volumes of overseas music.
- 9% commented that radio was losing its importance to other means of music discovery, specifically the Internet.

There were several references to preferring quality over quantity, and several indicating they felt that support was going to 'soundalikes' of overseas songs, rather than music with a New Zealand identity.

Public Respondents also expressed strong support (87%) for government funding to get more New Zealand music on music television, whether or not

respondents worked in the industry (see Fig 12). There was also little variation in support based on geographical location or whether a respondent had applied for funding. However, variation did occur by age. The 40-49 age bracket showed much higher levels of support (94%) compared with those aged 30-39 (85%) or 20-29 (86%).

Fig 12 – Public Responses to NZ On Air Funding Music On Music Television



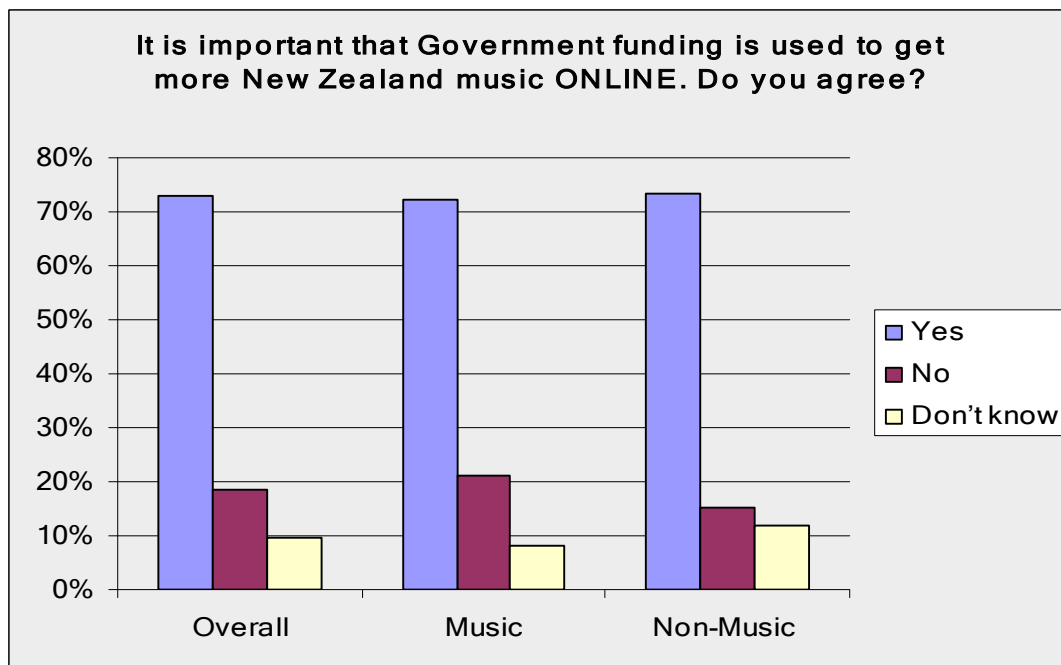
Only 151 respondents made further comments on the need for Government assistance in getting more New Zealand music on music television.

- 30% felt it was important in a general sense, particularly as music television supported a broader range of music than commercial radio.
- 19% nonetheless stated they wanted to see an even broader range of music assisted.
- 10% commented that the Internet was at least if not more important than music television in terms of public access to music videos.

Some concerns were shown for the viewership numbers, which were perceived to be small, and access via free-to-air channels, which only applied to C4 of the 3 music television channels as the other two are broadcast on SKY.

In view of the changes to the Broadcasting Act in 2008 the Public Respondents were asked if it was important that Government funding was used to get more New Zealand music online (see Fig 11).

Fig 13 – Public Responses to NZ On Air Funding Music Online



Nearly three quarters of respondents (both industry and non industry) agreed that online music funding is important, although unsurprisingly broadcasters were less supportive (67%). However the number of people disagreeing with this statement nearly doubled compared with radio and music television.

Respondents who had been successful for NZ On Air funding tended to be less supportive of online funding (67%) compared with those who had not been successful (78%) or who had never applied (71%). There is also some variation in support between regions with Otago (67%) and Auckland (70%) being less supportive compared with Wellington (75%) and Canterbury (78%). Support is uniformly consistent across age brackets.

24% of respondents left comments on this subject. Of these 28% pointed out that it was well within reach of artists and labels to upload their own songs and videos to Internet sites and government funding should not be needed for this purpose.

However 15% pointed out that due to the sheer volume of content now available online valuable assistance could be provided in helping to draw attention to New Zealand music.

Other themes included (once again) the desire to see a broader range of music styles assisted in this space; and the fact that if government assistance was used smartly the internet offered global potential for exposure.

Some specifically pointed out that interventions in new media need not be expensive; others that these could potentially lead to good commercial outcomes for artists.

In summary it seems clear that both the public and the greater music industry wants and expects the government to continue its invaluable assistance to New Zealand music for both cultural and economic reasons.

6. OTHER AGENCIES

In the course of this review I was asked to establish an understanding of what other Government funded agencies are doing in the funding and promotion of New Zealand music and consider whether there is complementarity or duplication of effort between agencies. The Ministry for Culture and Heritage (MCH) is also investigating this issue.

There are several Government funded agencies involved in music in one form or another, but only three besides NZ On Air that have any form of funding for the creation and/or promotion of popular music: Creative NZ, the New Zealand Music Commission and Te Māngai Pāho.

6.1 CREATIVE NEW ZEALAND

According to its website Creative New Zealand is the national agency for the development of the arts in New Zealand. It invests resources in New Zealand arts for the long-term benefit of New Zealanders. Its mandate is to support community and professional arts. The key drivers are: participation, access, excellence and innovation, professionalism and advocacy.

Creative New Zealand is primarily a funding body for artistic endeavours that include dance, film, literature, visual arts, craft/object art and music amongst others.¹⁴

Creative New Zealand has a limited number of new recording grants. It gives preference to established artists, but new artists are also considered, with particular emphasis on creativity, cultural diversity and community participation. It seeks projects that demonstrate innovation and a 'distinctive voice'. Music created under these funding schemes could be described as adventurous and eclectic (e.g. World music). Certainly it is music that is highly unlikely to receive commercial airplay.

For debut recordings Creative New Zealand's contribution is a maximum of \$10,000 and for other new recordings \$25,000. Applicants need to provide proof of financial or in-kind support, though this varies in each case and is not specifically required to be 'matching'. There is no requirement to pay back any of the funding at any stage as with NZ On Air's Album investments.

¹⁴ The New Zealand Symphony Orchestra is directly funded by MCH

Creative New Zealand's 2010 Contestable Funding Guide specifically states that its Contestable Funding is not available for –

“projects that have received funding from, or that meet the criteria of another government organisation – for example, the New Zealand Music Commission's Outward Sound scheme or NZ On Air”.

Creative NZ's application procedure is thorough and detailed. Grant amounts are less uniform than those of NZ On Air. Creative NZ advised that they looked 'suspiciously' at each application, requested very detailed knowledge of projected budgets and require that these be backed up by quotes. They request a lot of information to accompany each application in addition to budgets, including presentation of concepts, projected income, timelines, biographical information and three letters of support.

Decisions are made through internal assessment and these decisions are reviewed by external and strategic assessors to ensure the grants match the mandates and goals of the organisation. Applications can be rejected if, in the opinion of Creative NZ or its assessors, the budgets or timelines are not realistic. Other factors taken into consideration include the management and infrastructure surrounding the artist, and the artist's financial health. In the case of larger grants Creative NZ will request copies of the applicant's bank account statements for proof of funds where financial input to the project by the applicant is required.

The follow-up procedure after the grants are spent is equally thorough.

All successful applicants have to submit a project completion report, provide reviews and demographic information where available, and provide sales figures.

As with NZ On Air, there is enormous pressure on available funds, with many more applications received than available grants. In overall terms grants are made totalling in value around one quarter of the value of the requests.

In the grants listed on Creative NZ's website for the period March – May 2010 there are two specific music recording grants:

- \$6,752. Henry Wong Doe: towards recording the complete piano music of Gareth Farr (contemporary classical music).
- \$24,811. Caroline Lynn–Bayne: towards recording and producing “Mother Tongue” CD (World/Folk music).

These form part of the 15 music grants that include other activities such as overseas tour support grants, opera development programmes, writing books about New Zealand music etc.

Those who are unsuccessful in their applications are notified in writing, with information explaining the pressure on the funding (total \$ requested vs. total \$ granted), and advice on how their application could have been improved, e.g. timelines or budgets not realistic etc. Creative NZ advises that the week following the posting of the letters is often very trying for staff as many unsuccessful applicants query and contest the decisions.

Creative NZ has just one dedicated music staff person (with one assistant) dealing with applications for music project grants. Creative NZ has six funding rounds a year – three “quick response” funding rounds, two “arts grants” funding rounds and one “investment round” for bigger, longer-term projects. In addition, Te Waka Toi and the Pacific Arts Committee make music grants

6.2 NEW ZEALAND MUSIC COMMISSION

The New Zealand Music Commission was established in 2000. It is an independent charitable trust funded by MCH. It has a staff of five full-time and three part-time staff and answers to a seven-person board.

Its mission is to grow the New Zealand music industry both culturally and economically at home and abroad.

Its primary activities include co-ordinating the highly successful New Zealand Music Month every May, which it took over in 2000, running an education programme in schools that includes mentoring from musicians, and the Outward Sound international funding programme. Its website provides in-depth resources and industry information for musicians.

In terms of activities within New Zealand, most interaction with NZ On Air’s music programme is as the lead partner alongside APRA, RIANZ, IMNZ, and the RBA in running New Zealand Music Month.

The Music Commission does not provide funding for the creation or promotion of music content within New Zealand.

It does provide contestable funding in the form of grants to industry practitioners looking to enter international markets. Its interaction with NZ On Air in this activity was covered in last year's NZ On Air Phase Five report.¹⁵

The Music Commission's annual budget is \$1.4 million. In the opinion of many within the industry the Outward Sound programme is underfunded given the scope of its mission. Funding grants total \$400,000 per annum.

6.3 TE MĀNGAI PĀHO

Te Māngai Pāho was established in 1993 by an amendment to the Broadcasting Act to promote and support Māori language and culture in broadcasting. The new agency took over functions previously undertaken by NZ On Air, and was provided with 12% of NZ On Air's revenue, to ensure that Māori broadcasting received special attention. It is now funded through Te Puni Kokiri.

In common with NZ On Air it has developed a music policy that includes funding for the recording of albums as part of its radio programme.

Around \$450,000 is allocated annually for the recording of music in the Māori language - around nine albums funded at \$50,000 each. This is taken from a greater pool of radio funding of \$11 million.

There is no duplication of function with NZ On Air. None of the albums funded by Te Māngai Pāho would qualify for NZ On Air funding as commercial radio plays little or no Māori language music.

However two artists have received funding from both agencies:

- Upper Hutt Posse, which received a grant for video funding from NZ On Air and album funding from Te Māngai Pāho.
- Chong Nee, who has received album funding from both agencies (for different albums) and video funding from NZ On Air.

6.4 INDUSTRY VIEWS

Overall there was little or no feeling that these agencies were duplicating functions. However at least 20% of the Interview Panel had insufficient knowledge of the actions of the bodies outside of NZ On Air to be able to

¹⁵ See *Review of NZ On Air's International Music Support Programme ('Phase 5')* 2009 at <http://www.nzonair.govt.nz/publications/pbcurrent.aspx>

comment. This was primarily from people in the ancillary areas of the industry but, in the greater industry, it is notable that full knowledge of the aims and functions of the agencies is generally poor.

There were few perceived problems concerning interaction between the agencies, but obviously many felt there could be no harm in increased communication.

Around 20% of the Interview Panel felt that there might be benefits for the artistic community in having a 'one stop shop'.

"Whoever it is would need a broad mandate and be flexible and quick"

However the general consensus was that each agency provided specialist expertise that would be potentially lost and that combining agencies would put too much power in the hands of too few.

"A very emotive art form that requires specialisation"

"Unless major savings were to be had it's not worth the risk"

"I doubt anything would get done"

One agency representative suggested the need for a website that provided a point of entry for the public for all agencies.

6.5 SUMMARY

While there is a cordial relationship between Creative NZ and NZ On Air there is little formal interaction or communication between the organizations in relation to their music programmes. It's clear that the respective organisational goals are markedly different and Creative NZ's application guide specifically rules out any chance of duplication of activities or funding in this area.

Nevertheless I believe there would be benefits from more formal and deliberate communication. Given that both organisations are dealing with large numbers of applications for contestable funding in the arts field, there is doubtless some best-practice learning potential for each organisation in terms of communication with stakeholders, administration of applications and funds, and follow up procedures.

NZ On Air enjoys a strong relationship and communicates regularly with the New Zealand Music Commission.

Given their differing mandates, and the care taken by each agency to cooperate, there seems to be little or no duplication of functions between NZ On Air's music programme and the New Zealand Music Commission's activities.

There appears to be little or no interaction with Te Māngai Pāho. Consideration could be given to clearer guidelines being available from both agencies to avoid any potential crossover of funding activities.

Overall there appears to be little duplication amongst Government agencies involved in the creation and promotion of music. There seems to be little appetite in the greater industry for significant institutional change, other than of course a desire to see more funding made available, particularly for Creative NZ's music programme and Outward Sound.

There is a clear need for all agencies involved in music to improve their communication with stakeholders.

7. EVALUATION OF FUNDING SCHEMES

I was asked to assess the effectiveness of each type of NZ On Air's intervention; what might happen without such intervention; to see if trends had changed over time; and if these interventions adequately balanced quality and quantity.

Today, NZ On Air's music programme describes its function thus:¹⁶

NZ On Air's main mission is to get more NZ music played on NZ radio. We spend \$5.4 million per year on a mix of funding schemes and promotional strategies to help achieve this.

Music Promotion

We promote NZ Music to radio and television broadcasters so their audiences get a chance to hear a wider range of music. We produce the renowned Kiwi Hit Disc series, hold music showcases to introduce industry tastemakers to new artists, and play a role in NZ Music Month.

Music Funding

We support songs by New Recording Artists, Albums from established artists, and Music Videos to help promote the music widely on every platform. We also invest in NZ music programmes for TV and radio.

The 2010/11 budget for New Zealand domestic music activities is broken down as outlined in Fig 14.¹⁷

Fig 14 – NZ On Air Domestic Music Funding (excluding International Promotion)

DOMESTIC MUSIC FUNDING	2010/2011	2009/2010	2008/2009
Albums	\$1.500m	\$1.550m	\$1.599m
New Recordings	\$0.235m	\$0.220m	\$0.230m
Music Videos	\$0.850m	\$0.850m	\$0.850m
Music television programmes	\$0.480m	\$0.480m	\$0.540m
Music radio programmes	\$0.700m	\$0.650m	\$0.810m
b.net programmes	\$0.500m	\$0.500m	\$0.500m
Kiwi (& Iwi) Hit Discs	\$0.049m	\$0.064m	\$0.069m
Promotions	\$0.431m	\$0.509m	\$0.581m
Resound	\$0.100m	-	\$0.100m

¹⁶ See www.kiwihits.co.nz

¹⁷ NZ On Air Statement Of Intent 2010 – 2013 p21 at <http://www.nzonair.govt.nz/publications/pbcurrent.aspx>

7.1 MUSIC FUNDING

NZ On Air has three funding schemes that enable the creation (and marketing) of New Zealand music to provide programming content for broadcasters.

They are:

- New Recording Artists
- Music Videos
- Albums recording and marketing

I have reviewed each of the three NZ On Air music-funding interventions below and I offer one set of recommendations for changes to the funding schemes at the end of this section of the report.

7.1.1 MUSIC VIDEOS

NZ On Air's music programme funds up to 170 music videos per annum. Each receives a standard grant of \$5,000 with no matching requirement from the applicant. There is no limit to the number of grants an artist can receive.

This takes \$850,000 or 15% of NZ On Air's music expenditure.

HOW IT WORKS

An external assessment panel is used. The airplay merit of the song rather than the potential artistic merit of the video is the main consideration.

All tracks applying for video funding are forwarded to C4, Juice and (in its day) MTV and the channel programmers are asked for feedback on the likelihood of playing a video. They are asked to rate each song a "1" if they *will* play the video, a "2" if they *may* play the video, and a "3" if they deem it *unlikely* they will play the video.

At least one of the music television broadcasters must give a song a "1" for the song to be shortlisted. The more "1" votes a song gets, the more likely it will be funded. These days, about 34-35 projects are funded in each of five rounds.

FEEDBACK

This scheme provided the highest degree of satisfaction from both the Interview Panel and the Public Respondents.

Of all the initiatives undertaken by NZ On Air's music programme the Interview Panel rated the Music Video scheme the most effective at getting broadcast outcomes. Only 4% felt that the scheme was either ineffective or a waste of time.

The Interview Panel noted that although not impossible, it was now almost essential to have a video with a song in order to achieve a hit in 2010.

One person commented that 30 seconds of a video clip was going to tell the audience more about the artist than the entire song being played on the radio.

Many people commented that the music market today is as much about visuals as the music itself. It was generally held that prior to the advent of YouTube the music video may have been losing its power and lustre, but now ranked at the very top in importance in contributing to achieving broadcast outcomes.

"Essential – YouTube is the new way forward – we're (operating) now in a visual world"

"Has been very good – for a long time the quickest way of getting music in front of people"

"Videos can be the spark that ignites sales after airplay"

"They do a remarkable job – you often hear 'what a great video'"

"Has enabled many people to participate"

In some cases radio programmers acknowledged that their exposure to a music video had influenced their decision to playlist a song on their network. Most also stressed that a video was pretty much essential before a song would be considered for inclusion on a commercial network playlist.

"They introduce an act visually, entertain and get the attention of radio programmers"

"A song can be ignored on the Hit Disc but the video can get them on radio"

Many felt that to attract the attention of the target audience, a high degree of creativity was required. Certainly, 'standout' videos have been credited with having a huge impact on the fate of the song. The video 'Young Blood' by The Naked & Famous, for example, was felt to have had a fundamental impact on that track's huge success.

From a video maker's point of view, many were frustrated by continually being asked to make videos for \$5,000, and consequently some respect for the scheme had been lost.

It was commonly acknowledged by a wide selection of the Interview Panel that to make a video for \$5,000 that involved professional elements (the DIY handycam video is obviously within the reach of any artist) required a considerable amount of favour-pulling and "freebies" and little if any financial reward for the video maker. One video company commented that the marketplace was saturated with people prepared to make a video for \$5,000 but that there was a very high turnover of players due to the lack of financial reward. The world of the \$5,000 video was not felt to be attracting and rewarding our best video makers.

It should be noted that the NZ On Air \$5,000 grant does not preclude producers or labels putting in additional monies to the video budget. It was not possible for me to ascertain just how many of the 170 videos in a year were made for the grant value alone but I would estimate at least 120 of the 170 would not have additional funding from the repertoire-owner.

"Quality is compromised at that level – audience expectation is now much higher"

"The reality is that you can't make a video for \$5,000"

"Cannot afford to be seen as the poor relation"

While acknowledging that making videos on such tight budgets 'forced' creativity and ingenuity, video makers felt the 'number 8 wire' aspect of many videos was a little too pronounced and affected overall quality. The video makers felt strongly that either the grant should be increased or the requirement of the applicant to contribute to the cost of the video was essential for two reasons: to provide better assurance of quality for videos that were, due to YouTube, 'on show to the world' and also to provide a greater sense of ownership and incentive to promote the video. Their preference was of course that the applicant should provide funds over and above the \$5,000 grant, not just contribute some of the \$5,000.

"You need a quality video to go into battle"

"People's expectations are very high – high degree of gratification required instantly"

"We'd get better videos if we spent more and made fewer"

“Market saturated with young video makers who will make videos for \$5,000 – young, hungry, soon jaded”

“Not matching is not kosher from a taxpayer’s point of view”

“Party receiving the money should put money in – would improve respect for the scheme, and (the video) would be promoted more”

Artists that I spoke to however mostly expressed satisfaction with the scheme saying that professional pride in their output provided a certain guarantee of quality in the finished product. Many advised that either they or their label put in funds of their own, particularly major labels that often put in considerably more money than the grant amount, sometimes with overseas markets in mind.

“Most artists are dedicated – best possible outcome is desired by bands”

“Overseas (people) marvel at our \$10,000 videos – the quality is amazing”

Several people commented that an unexpected by-product of the scheme had been to uncover a significant number of skilled professionals who ‘got their start’ in making music videos but had since moved on to more lucrative endeavors such as advert making or even feature films.

“Roll on effect – music video directors go on to become movie directors and TV commercial directors”

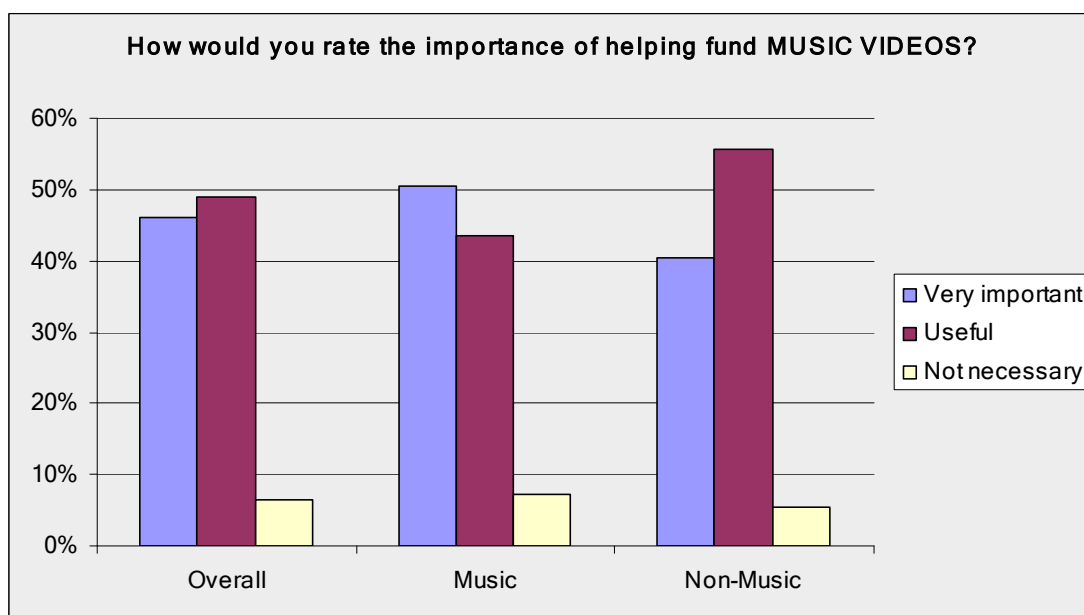
“Built a fantastic pool of filmmakers – an amazing, unintended consequence”

“Incredible value – a great opportunity for young filmmakers”

“Providing work for film study students”

A combined total of 95% of the Public Respondents felt that funding for music videos was either very important or useful (see Fig 15).

However, support varied markedly between those in the industry and outside. More music respondents thought it very important (50%) than useful (44%). Non-music respondents thought it more useful (56%) than very important (41%).

Fig 15 – Public Responses to NZ On Air Funding Music Videos

It's likely that those in the industry are more keenly aware of the impact a video can make in achieving public recognition for a song. Having said that more artists/musicians/songwriters (54%) and broadcasters (54%) thought it very important than those in the industry generally (44%). Older age brackets thought it less important with 42% of those aged 40-49 regarding it as very important compared with 48% of those aged 20-29.

Location had a huge impact. Fifty-two percent in Wellington thought music videos very important and 49% in Auckland, compared with Canterbury (37%) and Otago (33%). Only 40% of respondents who had never applied for funds thought it very important compared with 59% of those who had been successful and 52% of those who were unsuccessful.

Public Respondents agreed that videos are important in the contemporary music market, and like the Interview Panel, NZ On Air's efforts in this area were highly valued.

Only 29% of respondents to the public survey left comments on the importance of helping fund music videos.

Of these 38% were general comments about the usefulness of music videos, a few mentioning their expanded usability due to YouTube and other Internet video tools.

Around 6% commented that \$5,000 was too much money, 2% commented that it wasn't enough.

It was noted that despite the modest amount for each grant video funding is greatly appreciated by the musicians themselves, as the cost in making a video can often be the straw that breaks the camel's back in terms of recording budgets.

ASSESSMENT

The Music Video funding scheme is one of the longest standing NZ On Air music programme initiatives, having first been introduced in 1991. It supports the greatest diversity of musical styles and numerically the greatest number of applicants.

When first introduced the grant had a matching requirement, i.e. the applicant was required to also contribute \$5,000 to the budget. This requirement was dropped soon after the scheme started because the small indie labels argued that they could not match NZ On Air's \$5,000.

Given that the amount of the grant from NZ On Air's point of view has not changed in 19 years this would be equivalent to \$7,500 today allowing for inflation.

Demand for grants under this scheme far outweighs the supply – 950 applications are received each year, resulting in a rejection rate of 82%.

A music video is an important tool in helping a song to connect with an audience. It also projects the image of a band. It can have many side benefits beyond the specific exposure for that song including stimulating demand for live appearances, the generation of performance income for labels and artists, and in the case of YouTube, global exposure.

The rapidly growing influence of the Internet for music discovery, consumption and sharing, in particular the phenomenal popularity of YouTube (which although seemingly ubiquitous has only been in existence since February 2005) has elevated the power and impact of the music video.

For many artists the music video is their first chance of broadcast to a wide audience. The likelihood of television exposure is far greater than the chances of radio play due to the more adventurous playlist selections of music television.

Labels pitch their music videos to programmers in a similar way to pitching songs to radio programmers. Weekly meetings are held between label representatives and music video programmers. The NZ On Air plugger also provides back up with regular meetings with programmers.

The playlists for music television channels tend to be a lot broader than those of commercial radio networks, which all focus on narrow ranges of music types, depending on the network's format.

Juice TV in particular is renowned for screening a very wide range of videos in any given week, and is generally regarded as likely to play most NZ On Air funded videos. However, it should be noted that Juice TV has recently moved to a more structured playlist with a specific programmer now employed to select videos for play on the channel, and this may have an effect on the strike rate at this channel.

Often these channels will programme blocks of genre videos together e.g. The *Metal Bar* on Juice TV features heavy metal music and C4 features the Official New Zealand Top 40.

The music video market does however tail off quickly with age and was seen as being primarily aimed at a youth market, notwithstanding Channel 63's specific targeting of an older demographic. This young audience was however deemed to be short on attention span and it was felt essential that the best possible videos be made to gain traction with the audience.

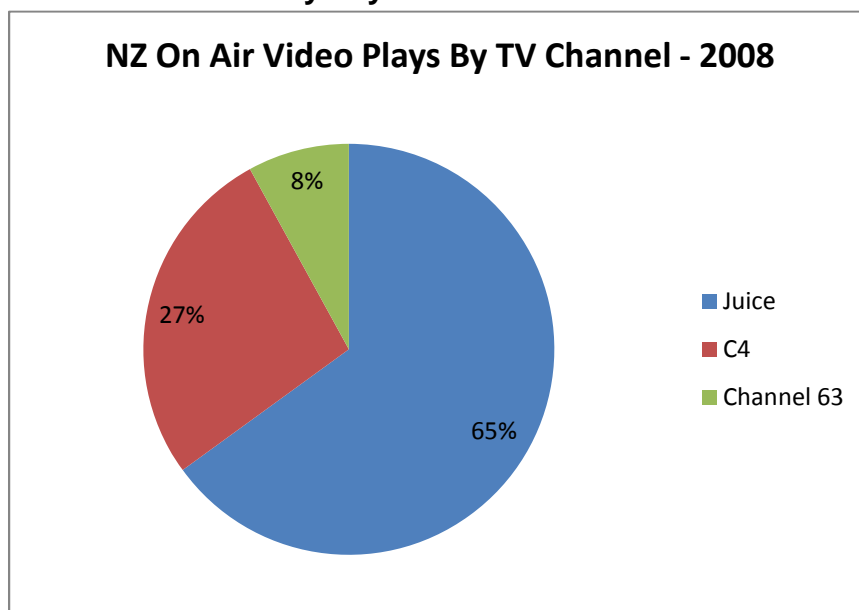
The 170 video grants per annum allows for a large number of different artists to participate in the scheme covering a wide range of genres. All decisions on funding are based on probability of achieving a broadcast outcome.

Until recently, measuring broadcast outcomes for music videos in a similar way to radio play was not undertaken. NZ On Air now has new reporting procedures in place to improve monitoring of airplay.

Juice TV plays the most New Zealand music videos, both numerically and as a percentage of airtime (at 26%), in a reasonably open programming format. It attracts a weekly cume audience of 117,000 (Channel 63 has a cume of 84,000). Juice TV claims to play every New Zealand music video that is funded by NZ On Air.

C4 plays 24% New Zealand music videos and attracts a weekly cume audience of 633,000. C4 also plays a wide range of music video genres, including around 80% of those funded by NZ On Air.

I have looked at all videos approved in the 2008 calendar year and assessed their play on the three main channels C4, Juice and 63 for the calendar years 2008 and 2009 combined to cover their effective 'shelf life' (see Fig 16 below).

Fig 16 – NZ On Air Video Plays by Music Television Channel - 2008

In terms of effect both Juice and C4 could be said to have a similar impact as C4 has a higher audience but Juice plays each video more often.

The majority of music videos screen up to 300 times as shown in Fig 17:

Fig 17 – Music Videos – Number of Plays

Number of Plays	Percentage of Videos
0 – 99	39%
100 – 199	17%
200 – 299	21%
300 – 399	9%
400 – 999+	14%

7.1.2 NEW RECORDING ARTIST SCHEME

The New Recording Artist scheme was introduced in 2000. Twenty new artists per annum receive a grant of \$10,000 to record a single and a video for that single. Artists can receive a maximum of two grants under this scheme. There is no requirement to match funds or to pay back the grant from revenues generated from sales.

The scheme costs \$200,000 or 4% of NZ On Air's music programme budget.

The number of grants per annum was reduced from 40 to 20 in 2006, on the basis that the number of new artists likely to breakthrough at commercial radio in any one year was nearer 20 than 40. The grants were doubled from \$5,000 to \$10,000 to include a music video.

HOW IT WORKS

NZ On Air currently receives in excess of 300 applications and demo recordings in each of four funding rounds in a year, namely over 1,000 applications for 20 slots. The NZ On Air music team will listen to every demo over two days. Around 60 of the songs are shortlisted based on potential to achieve airplay. On the third day, the 60 tracks are listened to again (sometimes with an outside panelist involved to provide fresh perspective) and the list further reduced to 25-30 songs.

These songs are then grouped by format and taken personally to radio programmers in those formats for prioritising in terms of radio play potential. Programmers included in this process are from The Rock, The Edge, ZM, More FM, 95bfm, Flava and Mai. From this process a top 10 is selected. Those 10 artists are then contacted and asked to provide further information about themselves and their recording and release plans. Five tracks are finally chosen based on the best combination of the airplay potential of the song and the business case put forward by the artist.

FEEDBACK

This scheme was widely praised by the Interview Panel. It assisted new artists to get a significant start to their recording careers and recognised the need of broadcasters for a continual supply of new talent. For many people this initiative was right at the heart of what they felt NZ On Air should be doing and many wanted to see this scheme extended to take in more artists.

“Principle absolutely superb – should be double the number”

“Imperative – about 25% cross over to being genuine hits”

“Great in terms of its aim but just listening to demos may not be enough”

“Great that it covers both song and video”

“Money should be taken from album funding to allow more artists to participate”

“Covers a reasonable range of artists – suffers from bad press – maybe

broader than people realise”

“Brilliant value for money – finding tomorrow’s stars”

“Can draw the attention of labels to artists”

“We need more new bands every year – burnout is faster than ever”

There was a significant amount of negative comment from the Interview Panel about NZ On Air’s commercial radio focus and specifically, that commercial network programmers were involved in the selection process.

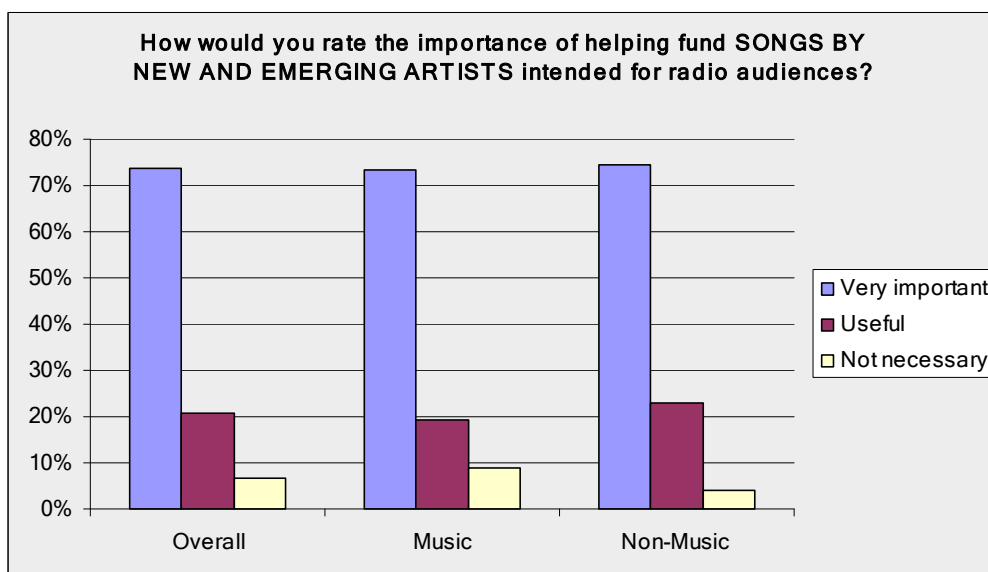
Common criticisms include that network programmers are narrow in their focus, risk averse and tend to favour songs that mimic overseas styles, and that songs with better production values at the demo stage will get preference over ‘rougher’ recordings.

“Narrow focus on commercial radio a negative”

“Demos can be turned down – then recorded better and accepted”

Public Respondents also almost universally supported this initiative with 74% saying it was very important and a further 21% saying it was useful (see Fig 18 below). Similar levels of support were evident from both music and non-music respondents and across age brackets. Having said that, within music respondents broadcasters thought it more important (78%), than either artists/musicians/songwriters (73%) and those in the general music business (70%); and those who had not-succeeded in applying for NZ On Air funding more important (76%) compared with those who had (71%). Wellington (66%) and Otago (75%) are some distance apart in regarding this as very important whereas Auckland and Canterbury were consistent, both leaning towards Otago on 72%.

Fig 18 – Public Responses to NZ On Air Funding Songs By New and Emerging Artists



219, or 34% of Public Respondents left comments on this subject.

60% of these were broad statements of support reinforcing that this was one of the most important aspects of NZ On Air's funding schemes. It was felt that this was where funding was most needed and would help artists on the road to self-sustainability.

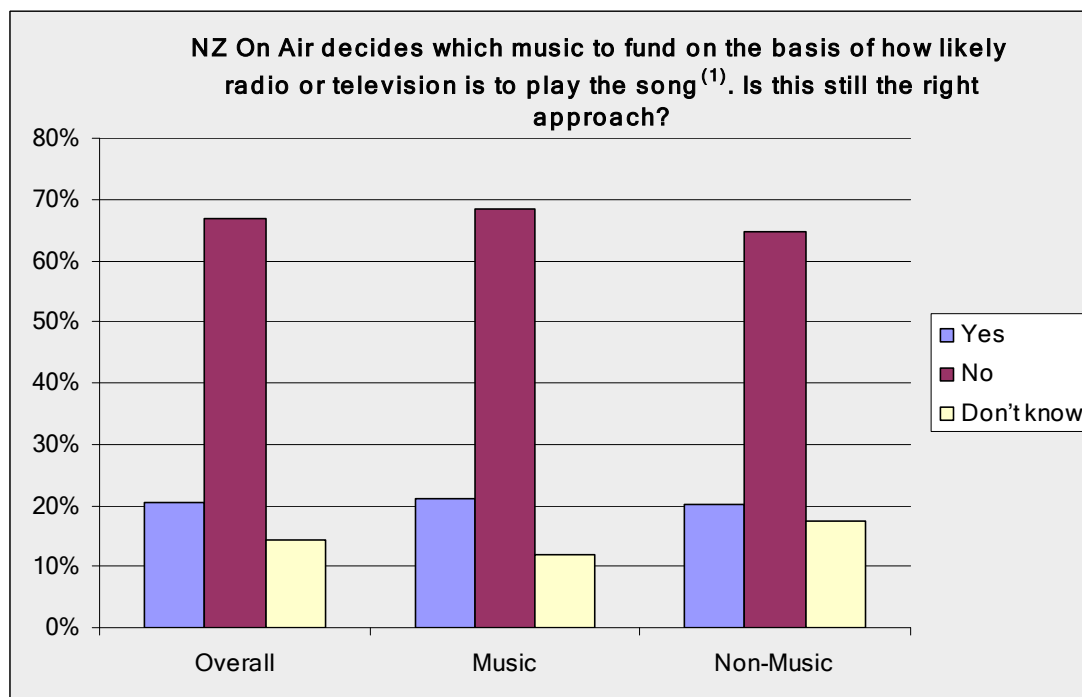
It was felt that relatively small amounts can make a big difference and that there was a lot of talent in New Zealand that could potentially reach bigger audiences with assistance. 6% noted that artists should have demonstrated an ability to attract an audience under their own steam before qualifying for a grant.

8% felt that the potential for radio play should be ignored and artists applying for funding judged solely on creativity and originality.

This dissatisfaction shown by the Interview Panel with the inclusion of broadcasters in the selection process was echoed by a good two thirds of Public Respondents (see Fig 19). Even 53% of broadcasters did not support it. Older age brackets were more supportive – 27% of those aged 40-49 thought it was OK compared with 18% of those aged 20-29 and Auckland (25%) was clearly more supportive than Wellington (14%), Canterbury (18%) or Otago (12%). Unsurprisingly those who were successful with a funding application to NZ On Air were more supportive (27%) than those who were not (22%).

This opinion was consistent across both music and non-music respondents.

Fig 19 - Public Responses to NZ On Air Using Commercial Broadcasters Help With Music Funding Decisions



(1) For length reasons this heading was shortened in this report. The full heading in the online survey includes the sentence "This means that we consult professional broadcasters to help us make decisions (radio broadcasters for songs: music television broadcasters for music videos".)

Commentary was almost exclusively aimed at radio rather than television. There was a strong desire expressed to see a wider range of industry people and/or some public consultation (via for example online voting) involved in making the choice of tracks.

According to NZ On Air it engages the assistance of network programmers in making its choices because it has a statutory obligation to "have regard for" broadcast outcomes in all its decision-making. Whilst programmers cannot guarantee airplay once the songs have been properly recorded, their involvement at an early stage ensures their awareness of the song and theoretically improves its chance of being added to playlists. (In NZ On Air's TV funding decisions a guaranteed broadcast commitment is required before funding is approved).

At 70% of respondents this question garnered the highest number (451) of comments of all questions in the Public Survey. Responses largely reflected frustrations with commercial radio networks and the relatively narrow range of styles of New Zealand music they support. The comments were almost exclusively about radio (as opposed to television):

- Nearly 25% of comments favoured some sort of public involvement in the selection process – many saying this could be achieved online.
- Around 12% favoured input from a broad range of industry participants but excluding broadcasters themselves.
- A further 10% felt that consulting broadcasters made sense but that they would like to see others from the greater industry involved as well.

In general terms, comments about lack of diversity and copycat artists were again common. There was a reasonable amount of misunderstanding that decisions were made on 'commercial viability'.

Both Interview Panel and Public Respondents indicated clearly that the artists themselves should have reached a certain impetus in the marketplace from their own initiatives before being eligible for funding.

“A lot of artists are not ready – need to have an infrastructure around them”

“Takes away the responsibility of artists to get up and make things happen”

ASSESSMENT

NZ On Air targets 80% of these tracks to achieve a Top 40 placing on the RadioScope NZ Airplay Chart. This figure has been achieved in the last two financial years although only 7 of the 20 approved for funding in the most recent financial year had been released to radio at year's end.

With radio stations having a steady need for new artists and the marketplace a huge potential pool of future hit makers, the general essence of this scheme is right on the money. Particularly smart is the combining of the recording and video budget into one grant. In funding individual tracks this scheme reflects the way music is broadcast, and increasingly consumed.

The burgeoning New Zealand music scene, coupled with NZ On Air's new easy online application facility, has resulted in a substantial increase in the number of artists applying for this kind of funding – over 1,000 in 2009 alone – and the number is rising each year.

Changes in technology have brought the creation of music within reach of a huge number of people compared with 20 years ago when the barriers to entry were significant.

The ability to record music to a reasonably high technical standard does not however guarantee that the singing, playing and songwriting is great. “What it can do is make pretty bad songs sound good, for a while” (Robin Gibb interviewed in the *New Zealand Herald*, 25 September 2010). This means literally hundreds of would-be artists in New Zealand are now recording demos and with little objective assessment or filtering, believe their songs are worthy of airplay.

It is apparent that many artists, particularly at the younger end of the spectrum, do not understand or accept NZ On Air’s goal of achieving broadcast outcomes for New Zealand music. Many artists simply ignore the message from NZ On Air that at present it is primarily focused on gaining airplay on commercial networks and submit their music anyway. They do not read the introductory sections of the website nor the FAQs and go straight to the ‘Apply for Funding’ link on the NZ On Air website because they had heard from others that “you get money from them”.

Whilst heroic in its scope and intentions, the methodology used in selecting the 20 tracks is creating more problems that it is solving.

For NZ On Air staff, the process of listening to more than 250 applications each round was described by participants as tough going.

From the artist community point of view, 98% of applications to this scheme are rejected. Every year a very large number of artists are having their expectations dashed, creating an unnecessary and unhealthy pool of negativity.

7.1.3 ALBUM FUNDING

The Album funding scheme was introduced in 2000. Up to 30 albums per year are funded with a contribution from NZ On Air of 50% of eligible costs for recording and marketing up to a maximum of \$50,000 per album. There is no limit to the number of grants an artist can receive.

This takes \$1.5 million or 30% of NZ On Air’s music expenditure.

HOW IT WORKS

Album funding is based on prior success in achieving radio play on the RadioScope NZ Airplay chart. To qualify for funding the artist must have placed

at least two songs in the Top 40 of this chart within the previous two years (or in the case of artists returning for a second or subsequent album, two Top 40 hits from the previous album). Artists must have a release deal in place and present a marketing plan. Expectations are that any given album will deliver “four more hits” (NZ On Air website).

NZ On Air requires a share of revenue from domestic sales of the album on the basis of one dollar per CD album sold and/or 80 cents per digital album sold and/or 8 cents per digital single sold from a funded album.

Some administrative changes were made to the scheme in July 2010 to improve accountability. These included the introduction of new application and budget reporting templates, the clarification of ‘eligible costs’, and a fundamental change to the funding drawdown arrangements based on a 50% reimbursement of actual and eligible costs incurred on presentation of paid invoices.

Funding is evenly allocated over five rounds per annum.

FEEDBACK

The majority of the Interview Panel recognised the Album funding scheme as an effective way to secure broadcast outcomes, but had reservations. I sensed they were torn between the historical role of the album in the hit creation business, and the stark realities of the marketplace today. Other issues are noted below.

“The whole industry is geared around albums – it’s a hard cycle to break”

“It’s hard to create forward momentum without one”

“They’re a focal point for the industry – even radio”

Around 12% of the Interview Panel felt there was no justification for the continued funding of albums:

“Radio doesn’t play albums so why are you funding them?”

“Globally success happens on a song level”

“A commercial entity designed to capitalise on singles success”

Some felt that there was a bigger picture to be taken into consideration when considering the album funding schemes future:

“Financial stability of the industry is a factor”

“(The grants) help make albums viable, and allows reinvestment”

Amongst the Interview Panel there was widespread support for a significant reduction in the maximum amount that NZ On Air should be prepared to contribute to any one project if the Album funding scheme is to continue.

There were numerous reasons but some common themes emerged, namely:

- The costs of recording albums have come down significantly in the last 20 years, mostly due to improvements in technology and the factoring in of recordings partly or wholly made at home.
- The requirement to match the funding meant a considerable strain on the resources of small labels, increasingly the main recipients of the grants.
- Artists receiving such grants were likely to be wasteful in their use of the grants.
- Diminishing album sales meant that returns under the payback section of the scheme were steadily reducing.
- A limited number of artists had access to the scheme in any one year and that reducing the amount for any one album would potentially allow more artists to participate in the scheme.
- Albums were not often delivering the large number of hits anticipated.

There was little support for a reduction in the album grant from representatives of major recording studios, one of the sectors hit particularly hard by both the tightening of recording budgets by labels and more recently the global recession. One record producer suggested that as recorded music became less profitable, the government should consider funding recordings of music through direct payments to recording studios as a cultural imperative. Record producers stated that the superior quality of recordings achievable in these studios enhanced the likelihood of broadcast outcomes.

There was considerable comment about artists coming back for album grants well into the lifecycle of their career, sometimes for their fourth or fifth album. It was commonly stated that if they were this far into their career they shouldn't

need help anymore, and were taking the place of a younger band in greater need of assistance.¹⁸

There was strong support for the principle of the applying party matching the funds as it was felt that this showed commitment on the part of the applying party, and was responsible, given this was taxpayers' money.

There was strong support for the repayment clause, although those in the industry not directly involved in the application process did not commonly know about this clause. Of those unaware of it most were pleasantly surprised by its existence and generally supportive of the principle.

Many felt that qualifying for album funding grants based on sometimes quite historical data was flawed, and only the most recent past performance should be taken into consideration. [This issue was addressed in the July 2010 changes].

Reimbursement on presentation of paid invoices was also seen to be beneficial in ensuring businesses that received grants were properly funded and not dependent on NZ On Air grants for cash flow.

The public survey suffered from a slightly clumsily worded question that focussed on the principle of supporting 'proven' musicians rather than the principle of funding albums.

This was meant to mean that artists needed to have proven their ability to achieve airplay before receiving funding, i.e. that artists could just as easily be receiving a grant for their first album as one further into their career. However, Public Respondents tended to interpret this as meaning well established artists.

One third of Public Respondents from the music sector did not support funding for proven musicians, higher than non-music respondents (26%) (see Fig 20). However, 34% of the music industry also thought it was very important versus 27% in non-music. Overall, 71% of respondents thought it was either very important or useful. Support within the industry was highest amongst artists/musicians/songwriters (39% thought it very important), compared with those in the industry generally (30%) and broadcasters (29%). Surprisingly, 32% of those aged 20-29 thought it very important compared with 24% of those aged 40-49.

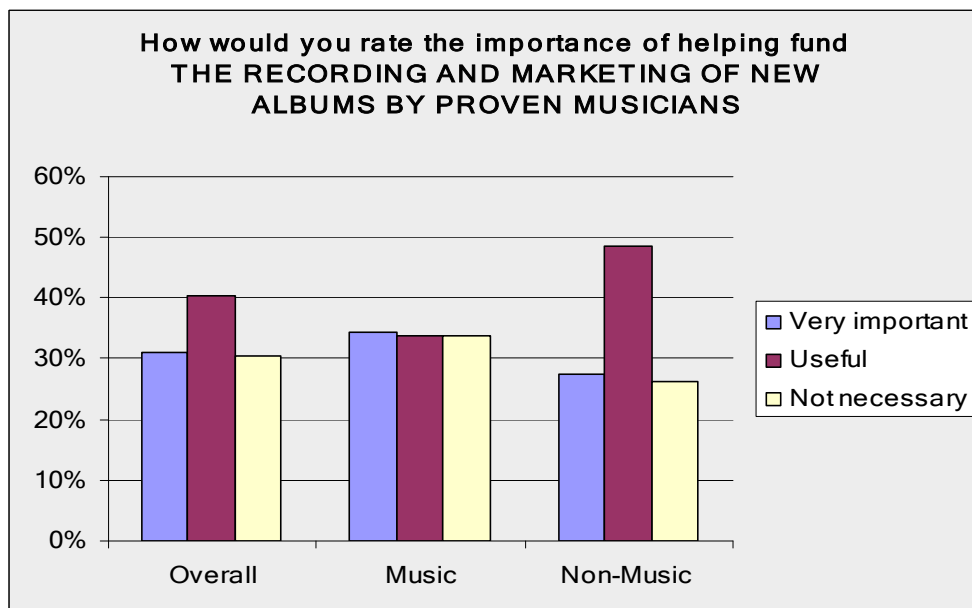
There was a noticeable decline in levels of support from Auckland south, with 34% of respondents in Auckland thinking it was very important compared with

¹⁸ NZ On Air notes they are mandated to generate broadcast outcomes and they judge all applications on their likelihood to produce these.

Wellington (29%), Canterbury (28%) and Otago (25%). Those respondents who were successful with an application to NZ On Air were hugely more likely to think this type of funding very important (45%) compared with those who were unsuccessful (22%) and had never applied (32%).

Yet again this served to reinforce that support for new artists was where a significant percentage of people want to see NZ On Air place more emphasis.

Fig 20 - Public Responses to NZ On Air Assisting Proven Musicians



281 or 43% of Public Respondents made comments on this subject.

The strongest message in the commentary was that 'proven' musicians should be able to fund their own albums using either their own or their label funding; 40% having this view. Artists such as The Finns, Dave Dobbyn and Bic Runga among others were specifically mentioned:

- 17% stated that album funding should be reserved for new and emerging artists only.
- However a further 17% noted that it was costly for all musicians to record, and was justified for more established artists just as much as new artists.
- 11% felt either that album funding should be reduced in value or that the number of grants that one artist could apply for should be limited.

ASSESSMENT

Given that this funding makes up about a third of NZ On Air's total music programme it is first worth looking at the overall role of the album in the greater music arena.

In the late 1960s the album became firmly established in the global music industry as the basic hub around which most activities took place.

Artists aspired to make albums as a matter of course and the infrastructure of the industry evolved with albums at its core.

By the start of the 1970s albums had become the main income generator for music companies and artists. Two types of albums emerged, those primarily driven by hit singles, by artists such as, say, Abba and those that deliberately eschewed them, more than likely creating demand for those albums from live performances. Artists such as Led Zeppelin are a good example of this type. Albums came to be looked upon in two ways: either as a vehicle to capitalise on singles' success or as an artistic statement in their own right.

A natural life cycle developed where in the case of the singles-driven album, expectation would be that as many as 4 or 5 singles would be taken off the most successful albums, spaced over a period of up to two years depending on the success of each one.

Radio would have confidence in scheduling singles of a similar stylistic nature and could build promotional strategies around the lifecycle of an album. Artists would then traditionally "support" that album by undertaking promotional activity and touring to maximise sales. Following the completion of this cycle there would be a gap (which became increasingly longer each decade) and then the cycle would be reactivated with the release of the artist's next album.

This model characterised the music industry for nearly thirty years right through to the early 2000s when digital delivery enabling consumers to purchase tracks from those albums individually started to dilute album sales.

To some extent most music companies both globally and in New Zealand are still geared around this template, which is to deal and deliver in albums.

The album was seen as a cost effective way of recording a series of tracks, creating a stylistically coherent snapshot of an artist's music at a specific point in time. This model fitted the needs of the music industry business channels. This was even true for radio stations as it meant they had a potential ready

supply of hits for a given artist that they could preview then build promotional plans around.

Depending on where and how the albums were recorded this was likely to be a more efficient recording process than recording potential singles one by one. Specialist participants in the recording process, such as engineers and producers, could more likely make themselves available for a specific period of time, rather than needing to be available at widely spaced intervals.

Massive developments in technology in the last 20 years have enabled many artists to undertake some or all of the recording process at home, significantly reducing the cost, and allowing a more flexible approach to the recording process. Commonly artists are now using a mixture of home and traditional studio in recording their albums.

In the case of recording albums in professional 'traditional' studios the time limitations often put artists under pressure, frequently producing unpredictably good results. Tracks not considered prior to recording would emerge after the recording process as prime candidates for release as singles. In some cases the artists themselves would be too close to the tracks to see their potential in isolation from the album, in others the recording process itself would shape the track unexpectedly.

The rapid changes in the music industry of the last 10 years have seen a steady erosion of the power of the album. As the economic powerhouse of the greater music industry it has seen its monetary contribution diminish as physical albums lose favour with the public, a seven-year global decline in their sales continuing in 2010. In the legal digital download world the ability to cherry pick tracks from albums has meant that the shortfall in the decline of physical albums has nowhere near been compensated for in dollar terms. This has had a massive effect on the industry as a whole, from the decimation of bricks and mortar record shops to financial pressure on artists, labels, recording studios and the many other ancillary businesses associated with the industry.

With diminishing returns, investment in albums is becoming riskier and riskier from a purely economic point of view, yet the industry is still somewhat geared around their release and most artists aspire to record them. There are signs that a new generation of artists is emerging that may be content to see their recorded music released as a series of singles or EPs only, but at present these are very much in the minority. As a sign of just how entrenched the album culture is, one interviewee went as far as to suggest that an artist not aspiring to make an album might not be taken seriously by the industry.

As mentioned elsewhere in this report, the trickle-down effect of the Album funding scheme has played a significant role in the development of an industry infrastructure that largely did not exist in 1990.

Whilst album sales have roughly halved in the last 10 years they are nonetheless not dead and still make up one of the biggest sectors of the industry. In the wildly unpredictable world that is the current global music industry there may even be signs that album sales are levelling out, with sales in both the United Kingdom and New Zealand flat and slightly up respectively last year.

By comparison with the other two funding schemes, the Album scheme has a high “satisfaction” rate in that only around 40 applications are received each year. Given that there is at least this many New Zealand music albums recorded every month, there is obviously a better filtering mechanism at work in the application process.

It should not be overlooked that some of the money in these grants may be spent on marketing costs. According to figures provided by NZ On Air for a sample 30 albums funded in 2008-2009 and 2009-2010, about 54% of the funding was spent on recording and 46% on marketing and promotion.

In looking at actual sales figures for funded albums in the 2008 calendar year, it is clear that very few will have turned a profit for the label. Average unit sales across these albums were 2,998. This calls into question the wisdom of continuing to fund projects at such a high level that do not make commercial sense in the marketplace.

From an airplay perspective, I have looked at albums funded under this scheme to see what has happened in the period 2005 to 2008 inclusive (see Fig 21). A “radio hit” is defined as a RadioScope NZ Airplay Chart Top 40 track and the cost per radio hit is worked out on the basis of each album costing NZ On Air \$50,000 plus \$5,000 per hit for a video.

Fig 21 – Number of Radio Hits from NZ On Air Funded Albums

Year	No of Albums	No of Radio Hits	Cost per Hit
2005	13	44	\$19,800
2006	23	63	\$23,300
2007	18	44	\$25,500
2008	26	61	\$26,300
Total	80	212	

The wording on the NZ On Air website is ambiguous in that it states that expectations are that albums will deliver 'four more radio hits'. For artists delivering their first album, and having had to achieve two Top 40 NZ Airplay hits this means that an album would be expected to feature six hits. Artists on second or subsequent albums are presumably meant to deliver four hits. Of the 92 albums delivered, 31 delivered four or more hits.

On average, these albums produced 2.65 hits each. Only 18 songs in this entire period were released, worked as singles at radio yet failed to make the NZ Airplay Chart Top 40. Perhaps expectations are set too low, and a Top 20 placing would be a better measure of success.

Further difficulties arise when we consider that, for many debut albums, qualification for funding may have come about through achieving two Top 40 NZ Airplay tracks that may have already had funding under the New Recording Artist scheme, meaning for some projects the cost per hit may in fact be even higher.

Under the payback requirements (\$1 per album for physical sales and 80 cents per digital album), three albums repaid NZ On Air's investment (Brooke Fraser, Opshop and Bic Runga) during this period. On average, NZ On Air's yearly income from the scheme has been \$173,000.

FUTURE CHANGES TO NZ ON AIR'S PROGRAMME

The public survey asked specifically 'What would you change about NZ On Air's music initiatives?'

The responses followed 8 main themes that I have listed in order of volume of response, highest first. The majority of the suggestions referred to funding schemes rather than promotional activities, though the common theme of 'support' for artists could be interpreted to fit either category.

- There is a very strong desire to see a much wider range of music genres receive assistance under the NZ On Air music programme. It was felt that there are many capable artists creating music in a wide variety of styles that are unlikely to gain recognition on commercial airwaves. Wider audiences could potentially hear these artists with assistance from NZ On Air, either from funding or promotional backup. Diversity is valued and the feeling is that too much emphasis has been placed on the relatively narrow band of artists that appeal to commercial radio audiences. Several respondents noted that live and online followings should be taken into consideration when assessing applicants. Others

suggested that a certain percentage of funding should be allocated to genres other than 'commercial radio music'.

- It was felt that the most benefit from the initiatives could be gained from assisting 'new artists'. There is perceived to be a wide range of promising artists making music in New Zealand at present, and supporting a larger number would likely result in some exciting new discoveries.
- There was a desire to see funding to more established artists capped or even eliminated, on the basis that they have had their "leg-up" and should stand aside to allow newer artists an opportunity to have their music recorded and promoted.
- In tandem with the above general themes was a desire to see funding spread more evenly, with smaller grants going to greater numbers of artists. In particular the Album funding grant was felt to be far too generous.
- There were a number of respondents who felt that funding grants should not go to major labels but only to independent labels or artists. This response should perhaps be seen against a background of their being only 4 major labels and 100 or more independent labels, meaning respondents were more likely to have an indie label background. My own observation would be that the close relationship between many independent and major labels was not well understood by many respondents. In several instances artists that were singled out by name as being major label artists were in fact signed to indie labels that had hired major labels for distribution or other functions.
- A number of respondents felt there was a regional bias in funding decisions and that specifically artists from the South Island were being excluded. Their suggestions included allocating some guaranteed funding on a regional basis.
- Several respondents mentioned that administration issues needed addressing including application and follow up, particularly in the funding part of the programme.
- A variety of other suggestions were received, perhaps the most notable being that NZ On Air should provide assistance with artists live performances. These may have been from people not fully conversant with NZ On Air's overarching broadcast function.

7.1.4 FUNDING SCHEMES ASSESSMENT SUMMARY

NZ On Air's music funding schemes were originally intended to ensure that radio stations had a wider choice of material of a sufficient technical standard to enable more New Zealand music to be broadcast.

Changes in the industry environment have caused the funding schemes to have more prominence than they should. You could say they have become 'overheated'.

In drawing an analogy with the television funding arm of NZ On Air, the music programme needs to focus primarily on providing diverse programming content for broadcast media.

Broadcast channels (both old and new) almost exclusively deliver programming on a track-by-track basis.

Although artists still aspire to record in album 'blocks' and the industry is to some degree still geared around albums, internationally artist contracts are now based around the delivery of a number of tracks rather than albums.

It is the success of individual tracks that most often leads on to further success in the music industry: album sales, demand for live shows, etc.

With attention spans shorter, appetites voracious for all kinds of music and modern consumption of music increasingly based around tracks, it's time for NZ On Air to reflect this new reality in its funding schemes.

At present the funding schemes for the creation of content consist of three main strands: New Recording Artist funding, Music Video funding, and Album funding. New Recording Artist and Album funding schemes are predominantly aimed at music for commercial radio networks while Music Video funding is more diverse in the styles of music it supports.

It's fair to say that the focus on commercial networks has been both a strength (it has helped to reconnect huge numbers of New Zealanders with New Zealand music) and a weakness (it has meant that styles of music outside this target market have been restricted to receiving support in the video scheme only).

Many of the problems created by these schemes can, I believe, be solved by rolling all three schemes into one, creating a single track-based scheme.

OPERATIONAL PROCEDURE FOR POTENTIAL NEW SCHEME

The selection process should reduce its dependency on programmers having the final say in selection (as currently happens with the New Artist and Video grant schemes). The selection panel could include a representative from a commercial radio network but should be broadened to include regular guest panelists from other facets of the greater music industry.

Rather than filling a quota as the New Recording Artist scheme does at present, I recommend the scheme stay true to the tenet of judging songs on their likelihood of achieving broadcast outcomes within the particular target market they are initially aimed at, and successful candidates selected on this basis. There will inevitably be new artists that by their own endeavours reach a point where they present an irresistible song to the panel. Nonetheless consideration should be given to setting a target for continuous improvement in the number of new artists gaining broadcast exposure each year.

Care should be taken to ensure that hard fought gains made at commercial radio over the last 20 years are not lost but the aim should be to ensure a diverse range of music is supported each funding round, in line with NZ On Air's statutory obligations.

- Funding rounds should be monthly, and should choose up to 20 songs per month.
- Applications should be detailed and independently checked by someone versed in recording and video costs. (AMP, the Association of Music Producers has offered to assist in this process).
- Application forms should provide clear qualification criteria to applicants. Criteria should include creative excellence, a strong support network for promotion and distribution (this should be given particular emphasis) and clear evidence of an existing groundswell of support from the public. Consideration should be given to getting assistance from third party experts in the development of the new application form.
- Grants should be at a contribution of *up to* \$10,000 per song with a matching contribution from the applying party. This will allow studio quality recordings and more generous video budgets than are currently catered for. There should be a very clear expectation that each grant will be tailor made to the production needs of the applicant, and that each will be to a different dollar value.

- First grants for new artists should not require a contribution from the applying party, and second grants a 25% contribution only. (This may require setting a higher contribution from NZ On Air for first and second grants)
- Applications can be for video funding only, in the instance that a track is already recorded as part of an album and is being targeted as a single release.
- Artists should not be eligible for more than 3 grants in any one calendar year, or 3 video grants off one album.
- With the exception of the first two grants to new recording artists, applying parties should be required to pay back the amount advanced from NZ On Air based on a percentage (to be determined) of all earnings directly attributable to the master sound recording and video including sales, income from play-on-demand sites, public performance, synch and other income. There should be no requirement to pay back the balance in the event that repayments on this basis do not reach the full amount of the grant.
- Grants for artists applying for a third or more grant will have the broadcast outcome of at least one of their immediately previous two songs receiving a grant taken into consideration (minimum performance requirements to be set).

From a strictly economic point of view, providing financial assistance in the recording and video making process will allow labels to put their resources into the core function of gaining exposure for their artists that will lead to broadcast outcomes and financial reward.

From an administrative point of view for NZ On Air an application form that focuses on the creation of songs and videos only (and not marketing) will streamline checking and audit functions.

These changes will also:

- Provide assistance to new artists.
- Recognise the financial difficulties but not replace the responsibility of the private sector to fund and run their businesses efficiently.
- Have a levelling effect in terms of amounts available to individual artists.
- Allow for the support of a more diverse range of music.

- Potentially create more hits and broadcast outcomes for artists.
- Provide for more efficient use of the funds and potentially reduce the cost per hit to NZ On Air.

There is certainly one issue that this proposal does not in itself address, and that is the problem of dealing with overwhelming numbers of applicants. It is imperative that a system is found to do so. The administration involved in processing hundreds of applications and the disappointment of failing to secure a grant for hundreds of artists is particularly unproductive. A manageable amount of applications may then allow the opportunity for communication with unsuccessful applicants.

RECOMMENDATIONS

- **Replace the three existing funding schemes with one new scheme that provides assistance in the creation of songs and their accompanying videos.**
- **Move to monthly funding rounds of up to 20 tracks per month.**
- **Include a variety of guest panelists in the monthly selection meetings.**
- **Broaden the diversity of track choices.**
- **Establish qualification criteria that reduce the number of applicants.**

7.2 MUSIC PROMOTION

NZ On Air has four major strategies to promote New Zealand music to New Zealand broadcasters. These are:

- Funding for radio programmes that feature New Zealand artists and music;
- Funding for music television programmes that feature New Zealand artists and music;
- Engaging pluggers (or promotions people) to work New Zealand music at radio and music television;
- Producing and distributing the Kiwi Hit Disc.

I discuss each of these interventions below.

7.2.1 PRODUCTION OF RADIO SHOWS

NZ On Air funds the production of radio programmes for major radio networks aimed primarily at introducing new artists to the market place. These programmes cost \$650,000 in 2009-2010, or 12% of NZ On Air's Music expenditure.

The \$650,000 includes \$300,000 for New Zealand music shows on Kiwi FM. The total available for shows on other radio (predominantly, commercial radio) is \$350,000. The funding for these commercial radio shows ranges from \$36,000 per annum at the low end to \$50,000 per annum at the top end.

On top of this, a further \$500,000 is distributed as programming support to the five b-net student stations, pro-rated on a listenership basis. This is 9% of NZ On Air's music expenditure.

HOW IT WORKS

NZ On Air receives proposals for shows in the form of detailed budgets and descriptions of intent that are then contracted on an annual basis. The contracts contain performance clauses that bind the networks to delivering the contracted number of programmes and specify the number of times the programmes need to be aired.

On commercial networks, the 2010 slate is as follows:

- ZM Network: *The Word*
- The Edge Network: *The Slab*
- The Rock: *Off The Record*
- More FM Network: *Wired*
- Classic Hits Network: *As Kiwi As*
- Flava: *Fresh Produce*
- Mai FM: *Backyard Beatz*

and on Kiwi FM:

- *Down The Back Of The Couch*
- *Get Up*
- *High Noon*
- *Kiwi House*

- *Sidestreets*
- *Voice From The Wilderness*
- *Independent Alternative New*

and on Radio Rhema and Life FM:

- *Homegrown*

Most of these programmes take the form of biographical information about the artist voiced by station personnel wrapped around a playing of the entire song. This is sometimes supplemented with an interview with the artist. The programmes on Kiwi FM are long-form programmes, featuring multiple tracks. Networks feature these programmes on a daily basis, except where otherwise noted.

The radio networks formerly outsourced the production of the programmes but over the last 2 years they have all moved production in-house.

These programmes are aired on different schedules for each network. For instance The Edge features one song per week and plays its programme an average of 17 times per week. Other networks feature a selection of songs (all with individual wraparounds) spread over a 1 or 2 month period. The longer-form Kiwi FM programmes are scheduled for play during the week (with repeats).

The networks select the songs with little input from NZ On Air staff.

The programmes on the student radio stations are also long-form.

FEEDBACK

The Interview Panel voiced strong opinions on the mainstream radio programmes.

Overall about 30% were in favour, 30% opposed and a surprisingly high 40% unfamiliar enough to be able to comment. These were mostly those who do not listen to commercial radio networks, but also included some who did listen to these networks but were still unaware of them.

Those in favour felt the programmes were well made and featured interesting information and interviews in line with their primary purpose. They felt the major benefits were:

- Leads directly to a broadcast outcome.

“Overall outcome is more songs on the radio”

“Creates an environment where radio is forced to test new music and radio is comfortable with it”

“Important for programmers to hear in the mix”

- The scheme provided exposure for artists that may otherwise not have been ‘tested’ leading to the possibility of being added to the main playlist.

“A number of artists get exposure that would otherwise not have had the opportunity”

“Really important – breaks the ice when there is no overseas story”

“Absolutely – creating a way for a person to understand and learn more about unknown artists”

- The scheme creates hits

“A paid for advert that can lead to a chart result”

“About a quarter go on to be chart hits”

The most common criticisms were as follows:

- The price is too high. Many, particularly those with direct experience of working in radio, felt the price paid for the production of these programmes was excessive. Even those in favour felt the price was far too high in relation to the benefits; particularly as the programmes were made in-house. Several contrasted this expenditure with the total amount spent by NZ On Air on music videos, saying that the value for money was far greater from the videos.

“Way less should be spent here – part of the bargain of the quota should be to do it for free”

“Insanely overpriced as these are being done in-house”

“For this much money you would expect much more exposure”

- It's a way for radio stations to avoid taking a risk. Getting songs added to network playlists is an extremely tough and frustrating process. Many felt that radio stations should be less risk averse and test more songs as a matter of course, and that this specific scheme provided an easy way of claiming airplay without serious commitment from the radio station.

"Radio station 'excuse' – a palm off – often never progress further"

"If you can't get a song on the main playlist then it's not worth it"

- It's just paying for airtime. About 15% felt NZ On Air was just paying for what radio stations should be doing anyway.¹⁹

"Often play songs they would have played anyway"

- It ghettoises New Zealand music. About 5% felt that this drew unnecessary attention to the fact that New Zealand music needed extra help to get noticed, thereby devaluing it.

"Pigeonholes New Zealand music"

- "Double dipping". Two people commented that this programming, having been paid for NZ On Air, contributed to airplay results that can then lead directly to qualification for album funding.

"A joke – an abuse by NZ On Air because counted in the airplay statistics"

"Bands know that it helps to get other grants"

- Not effective. About 15% felt these programmes had no effect whatsoever and if removed from NZ On Air's schemes little difference would be detected.

"It reeks of 'something we have to do'"

"A complete waste of time – just an income line for radio"

"Radio stations mix it up to be less intrusive"

¹⁹ It should be noted that radio stations do not usually wrap biographical and interview material around international releases and air these regularly in the manner undertaken with the songs selected for these programmes.

Some representatives of music labels were somewhat frustrated by the scheme, feeling that placing a song in one of these programmes marginalised New Zealand music, or at least provided a convenient excuse not to take a risk and add a song to the playlist.

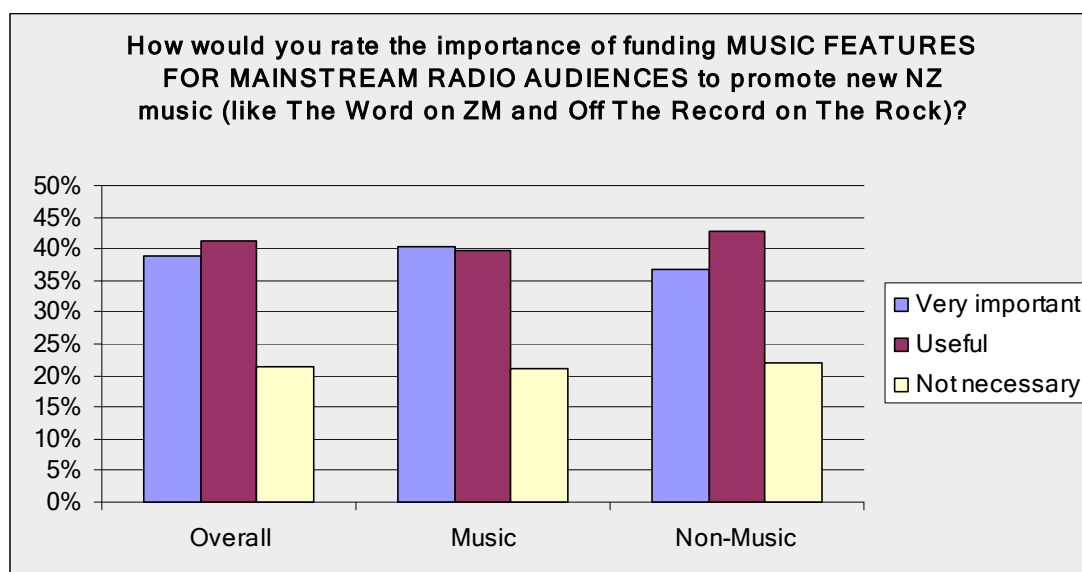
In terms of impact, both NZ On Air staff and several from music labels identified *The Slab* on the The Edge network as far and away the most effective of these programmes in having a genuine role in creating wider broadcast results. The Rock's *Off The Record* was also mentioned as having a positive impact.

Radio station personnel were very enthusiastic about the benefits of the programmes. They were adamant that in many cases songs were featured that otherwise would have had no chance of receiving airplay, and that many of these did in fact crossover to becoming adds on the normal station playlists.

Public Respondents had an evenly split response to funding these programmes (across music and non-music respondents) (see Fig 22). 39% overall felt that it was very important and 41% that it was useful, leaving at 20%, a reasonably high percentage who did not think this intervention was necessary.

Support varied markedly between North and South Islands with Auckland (40%) and Wellington (37%) considering it very important compared with Canterbury (31%) and Otago (32%). The older demographic tended to be far less supportive – only 29% of the 40-49 age bracket thought it was very important compared with 41% aged 30-39 and 39% aged 20-29.

Fig 22 – Public Responses to NZ On Air Funding Music Features



181 people, or 28% of Public Respondents commented on these programmes. Most comments were of a general nature, backing up the Very Important/Useful/Not necessary options.

Of those who expressed reservations, the majority were those that do not like or listen to commercial radio in the first place. 10% commented that radio should be doing this function anyway and NZ On Air should not be paying.

In terms of funding for alternative stations such as Kiwi FM and b-net student radio stations, a significant number of the Interview Panel were not aware of these funding activities.

There was a mixed opinion to the effectiveness of the b-net stations (weekly cume approx. 95,000 across the five stations). Several commented that its heyday was in the '90s and it had not kept pace with the market; others still felt it was very effective in providing a platform for artists from outside the mainstream.

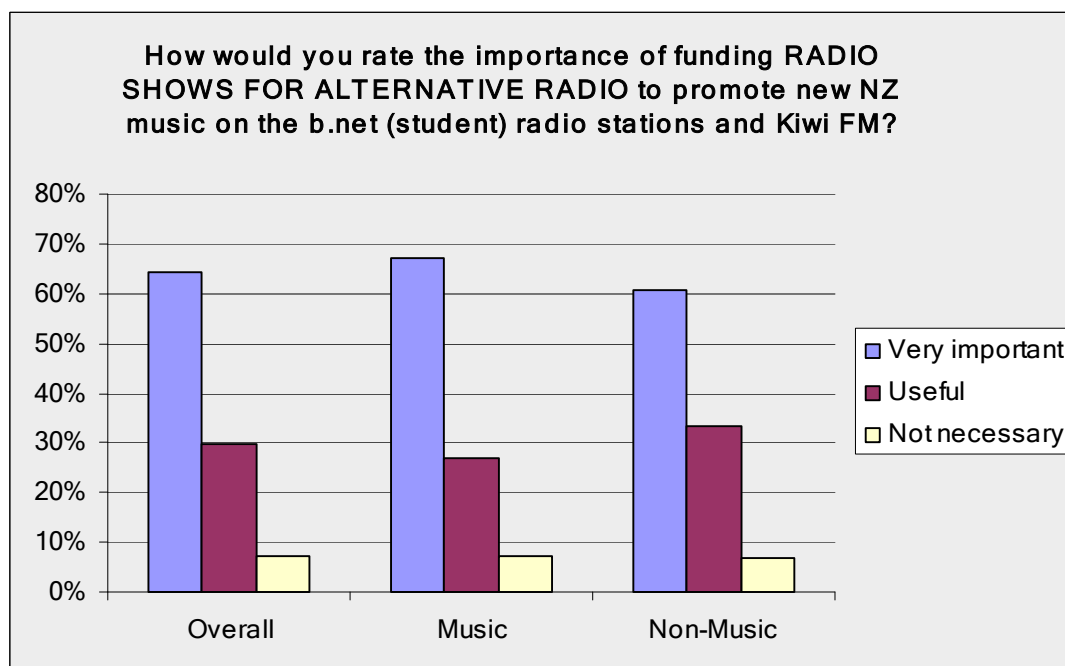
In the Interview Panel enthusiasm for the general concept of Kiwi FM was muted and the feeling was their programme funding was thinly disguised station funding.

Public Respondents were clearly in favour of funding radio shows for alternative radio: 64% rated it very important, a further 30% useful (see Fig 23). Unsurprisingly support decreased with age – 67% of those aged 20-29 thought it very important, compared with 57% aged 40-49.

What is interesting is much stronger levels of support outside Auckland where 60% thought it very important compared with Wellington (66%), Canterbury (71%) and Otago (70%). Artists/musicians/songwriters (70%) and broadcasters (69%) regarded it as very important compared with others inside the industry (61%) or outside (60%). Sixty-two percent of successful applicants for NZ On Air funding thought it very important, somewhat less than those who had been unsuccessful (69%).

32% of Public Respondents commented on this subject. Comments were nearly all supportive, with 42% praising this initiative as it gave exposure to alternative acts, or acts not likely to feature on commercial networks. Many of these people commented that over time the alternative often becomes the mainstream, and that it was vitally important to assist with exposure for artists in this environment.

Fig 23 – Public Responses to NZ On Air Funding Alternative Radio



ASSESSMENT

According to RadioScope, the airplay generated by the funded radio programmes for mainstream radio contributes about 0.6% to the 20% airplay achieved by New Zealand music per annum.

The idea of these programmes is to provide a setting for and information about a new New Zealand artist to counter the huge amount of promotional material that usually accompanies overseas artists and their tracks. The real benefit comes if the songs gain enough traction during the running of the programme to rate in radio station research and be added to the network's main playlist, thus improving the song's chance of becoming a hit.

The most successful of these programmes was perceived to be The Slab on the Edge. A look at Slab programmes aired in 2009 reveals that 44 different tracks were featured. The average number of plays for each programme was 17. 13 of these tracks (30%) went on to 'crossover' to the main Edge playlist. Cumulatively these tracks then achieved 4,308 spins, or an average of 331 each.

In general terms it is difficult to know how many of these tracks featured on this array of programmes would achieve significant airplay without this scheme. Given the radio networks' commitment to the Radio Code, a certain amount of testing of new and unknown tracks would seem to be imperative anyway.

In some instances I found evidence that radio networks were including well established acts such as Brooke Fraser and Opshop in the programmes, artists that should reasonably expect to merit inclusion on playlists due to their past track record of success. This highlights a weakness in the selection process that should merit further attention from NZ On Air.

Nearly 50% of this expenditure goes to programmes on Kiwi FM, the channel with by far the smallest weekly cume audience (about 27,000). This could be interpreted to be 'propping up' the station, though of course its exclusive focus on Kiwi music and championing of diversity is very much at the heart of NZ On Air's goals. In the instance of Kiwi FM being discontinued, expenditure on this initiative would be dramatically reduced.

In general terms, the intention and results of these programmes is in line with NZ On Air goals. Some changes should be considered. The first step should be to clarify the relationship between NZ On Air and the radio networks with regards to this 'programming'. At present I think there is general confusion with identifying the exact nature of this intervention, which seems to sit somewhere between programming and advertising. The relationship needs to be more transparent and NZ On Air needs a greater say in programming content.

Using current Slab results as a benchmark targets for crossover from programme to playlist should be set for each of the programmes (30% appears achievable) and consideration should be given to dropping some of the programmes entirely if they do not meet target requirements.

Given the very limited exposure that the majority of these programmes receive it makes sense to investigate the extension of usage to new media platforms such as podcasts, streams from websites, iPhone apps etc, currently blocked by rights issues.

A close investigation into pricing of the mainstream programming with the aim of reducing expenditure is expected by the Interview Panel.

RECOMMENDATIONS

- **Reduce overall expenditure on this initiative.**
- **Consider commercialising the relationship for mainstream radio programming.**
- **Make the programmes exclusively for new artists with no previous track record at commercial radio.**

- **Set targets for 'crossover' from the programmes to the main playlist and monitor.**
- **Negotiate rights issues to extend the usage of these programmes to new media platforms.**
- **Continue student radio programme funding.**

7.2.2 TELEVISION PROGRAMMES

NZ On Air pays for the production of television programmes aired on music television channels featuring or spotlighting New Zealand music. This takes \$480,000 or 9% of NZ On Air's music expenditure.

HOW IT WORKS

In the early days of C4, NZ On Air provided a form of baseline funding. Over the last three years funding has been tied to specific programmes. Funding for Juice has always been on a programme basis.

Expenditure is generally allocated across the two main music television channels roughly in line with their market shares, and to a production company that produces the live Vodafone New Zealand Music Awards television coverage.

Networks submit plans for programmes and these are contracted annually.

In the financial year 2009-2010, the programmes and costs were:

- **C4**

Decent Exposure – \$90,000. This programme features spotlights on up and coming New Zealand artists, including interviews, fly-on-the-wall type content of artists recording, on tour etc, and video clips.

NZ Official Top 40 – \$110,000. C4 celebrates and spotlights New Zealand success on the Official Top 40 by highlighting the songs with editorial content and interviews with New Zealand artists which are inserted into the countdown.

NZ Music Month at York Street – \$50,000. A series of live performances filmed at York Street Recording Studios for NZ Music Month.

- **Juice TV**

NZOwn – \$100,000. A weekly hour long programme featuring news, information, videos and interviews with New Zealand artists. 50 episodes a year, played 3 times per week.

- **Satellite Media**

Vodafone New Zealand Music Awards – \$130,000. This is broadcast live on C4 and repeated on TV3.

FEEDBACK

Around 20% of the Interview Panel was unaware that NZ On Air assisted music television with funding. About the same number were unfamiliar with the specific programmes on Juice and C4. About 60% were generally positive about the initiatives and 20% were unconvinced of their worth.

“Yes media strategy demands a mixture of radio and TV”

“Straight down the line NZ On Air business”

“Outstanding value compared to other TV programming”

“TV is often ‘onto it’ before radio”

The Music Awards programme was praised by a number of the panel.

“Music awards are important to continue growing and maintaining the New Zealand music momentum”

“The Music Awards are awesome – feels big”

There was a strong perception that C4 had largely abandoned music (as noted elsewhere they have replaced music programming in primetime but still play 19 hours of music per day). Those that dealt with them directly praised their commitment in supporting New Zealand music.

“C4 is very proactive in looking for opportunities (to support New Zealand music)”

“Questionable – particularly when C4 is moving away from music”

Those who dealt directly with Juice TV particularly singled them out for special mention.

“NZOwn is well known in the music community”

“Juice plays heaps of New Zealand music – great supporters”

“Juice has good depth with a presenter”

From the 20% not convinced of the value of television programming, the general feeling was that music television did not attract big enough audiences and that the primary source of video viewing had shifted to the Internet.

“Scrap the lot – it’s just buying airtime”

“All music videos are accessed online nowadays”

“Better to spend the money on ads in top rated programmes”

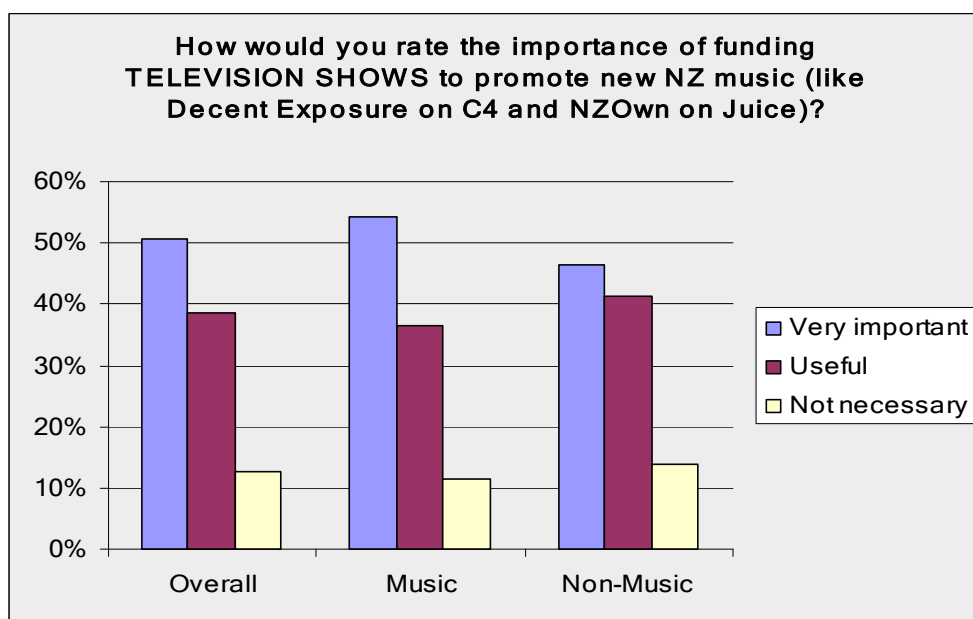
“Music Awards are bland – all the life sucked out of them to get it right for TV”

Eight people commented on the complete lack of music programming on mainstream television channels.

“TV1 and TV2 should have music programming – a gaping hole in the industry”

“A Jools Holland type programme would be fantastic”

Overall 51% of Public Respondents believed the funding of television programmes to be important and a further 39% rating it useful (see Fig 24). Support was somewhat stronger from those in the industry who believe it very important (53%) than those outside (46%). Within the industry artists/musicians/songwriters tend to be the strongest supporters with 56% thinking it very important, compared with broadcasters (50%). Older generations were not so supportive. 46% of the 40-49 age bracket thought it very important compared with 51% of 20-29 year olds. There is high variation based on location amongst respondents thinking it very important - Auckland (51%), Wellington (47%), Canterbury (50%) and Otago (40%).

Fig 24 - Public Responses to NZ On Air Funding Television Programmes

146, or 22% of Public Respondents left comments on this subject.

- 66% of these made broad favourable statements supporting the initiative, 19% unfavourable.
- 10% felt NZ On Air should be doing more to get New Zealand music represented on mainstream channels.
- 10% wanted to see a greater range of artists supported in these programmes.
- 5% felt that music channels should fund their own programmes.
- 4% felt that viewers were more likely to seek out New Zealand music information online.

ASSESSMENT

With little or no music content on mainstream television *Decent Exposure* and *NZOwn* have provided an opportunity for New Zealanders to learn more about our music through in-depth coverage and focus on individual artists. The programmes assisted by NZ On Air provide a comprehensive introduction to (generally) new New Zealand artists every week. The C4 programmes can also be watched on demand from its website.

With the recently announced changes at C4 and MTV, music television in New Zealand will have a relatively small reach moving into 2011. Juice TV will effectively be the main music television channel. Without it there would be virtually no long-form programming of New Zealand music on television.

NZOwn is in its eighth season and provides 150 hours of viewing per annum (50 programmes screened with 2 repeats for each episode). According to Juice's own research it attracts a viewership of 65,000 in its primary screening.

At present *NZOwn* is not able to be streamed on either Juice's or NZ On Air's websites and rights issues should be sorted out to extend the lifespan and viewership of these programmes.

In 2010 the New Zealand Music Awards programme was aired on C4 and repeated on TV3. It attracted a total audience of 150,000 and a reach of 750,000 (people who tuned in for at least part of the show). A broadcast outcome is a crucial part of the NZ Music Awards strategy.

Given the value ascribed by the Interview Panel to the visual side of music in 2010, and the relatively high cost attributed to the creation of television programming, the options for NZ On Air's moving forward seem limited to expanding programming on Juice, perhaps with live recordings of artists; and to lobbying mainstream channels for music programming.

RECOMMENDATIONS

- **Lobby mainstream television channels for music programming.**
- **Continue funding NZOwn and look at options for further music programming on Juice TV.**
- **Negotiate rights issues to ensure funded programming is available for use on new media platforms.**
- **Continue funding enabling the screening of the Vodafone New Zealand Music Awards.**

7.2.3 PLUGGERS

Since 1997, NZ On Air has contracted at least one person in the role of radio plugger. Two are currently contracted, one for Auckland and one covering the rest of New Zealand.

All the major labels and the bigger independent labels have in-house radio pluggers whose role specifically is to persuade radio programmers to add the songs they are representing to their playlists.

In more recent times, a handful of independent radio pluggers have come on the scene representing artists that may not have label representation. These pluggers can be hired on a track-by-track basis by either a small label or an artist.

Plugging is a personality-driven role where the plugger must establish a strong and mutually respectful personal working relationship with Programme Directors (PDs).

HOW IT WORKS

The role of the NZ On Air plugger is intended to be complementary to the roles of the commercial pluggers. The person in this role can reinforce the merits of particular tracks to PDs who are confronted with a huge choice of material to choose from on a weekly basis. Additionally this person can act as a conduit between label/artist and radio station in arranging promotional activity.

The NZ On Air plugger mainly concentrates on promoting the tracks featured on the Kiwi Hit Disc during any given month. They also assist with other tracks and pick up market knowledge on tracks that have reached the PDs via other channels. They have a face to face meeting with all the major network programmers every two weeks, and Mai and Flava (urban music stations) every month. The Edge and ZM stations add new songs to their playlists weekly; More FM, Classic Hits and The Rock add new songs fortnightly.

The NZ On Air plugger also visits C4 television each week and Juice TV monthly.

Two or three times a year, the plugger will undertake a radio road trip with an artist, taking an artist to visit 20+ regional radio stations over a week's itinerary, sharing the cost with the record company. This year, for example, NZ On Air has taken Dane Rumble and Annah Mac on one of these radio tours. These visits are welcomed by the stations and provide a strong personal connection between the artist and radio station personnel.

The plugger also arranges three New Zealand music showcases a year for radio programmers and other industry tastemakers, featuring 3-4 artists with current recordings vying for airspace.

FEEDBACK

Of the Interview Panel about 20% were unaware of the role or knew little about it while 75% felt the role valid and worthwhile and 5% specifically stated they saw no benefit from the role and that it should cease.

The general feeling was that, given the degree of difficulty in getting a track added to radio, the extra backup provided by NZ On Air could only have a positive effect.

It was felt that the plugging role provided another antidote to the overwhelming amount of tracks coming from overseas every week, and married well with the intentions of the Kiwi Hit Disc. The NZ On Air plugger can also provide momentum for a track if relationships between radio stations and label pluggers have become strained.

“Logic says that if you have a Hit Disc you have to have a plugger”

“Absolutely vital – helps raise the profile above a barrage of international hits”

“Worthwhile but (the plugger) needs to travel a bit more”

“Important but could work in tandem with someone concentrating on social media”

Labels understandably like to control the releases and promotion of artists on their label. Some label representatives advised that at times there appeared to be a lack of co-ordination between the NZ On Air plugger and the record label and that a greater degree of communication would help solve this. Others had the perception the NZ On Air plugger was in competition with labels to claim success in getting a song added.

“Should act more in a promotional and PR role”

“Principle is good but need to work more closely with the label”

It was noted that with the ever increasing number of artists vying for attention, and the limited resources of labels, in some cases the NZ On Air plugger may be the only person presenting the song to radio programmers. Radio

programmers are usually extremely time-poor and accept visits from only a limited number of pluggers per week. The chances of an individual artist being able to plug their track to a programmer are very low. Most saw NZ On Air's regular access to the programmers as a strength.

"More important now given the state of the market and the rise of indies"

"Can be the sole representative to those with no company plugger"

"NZ On Air can get in the door – vital"

Two people made the suggestion that good value could be gained from the NZ On Air plugger providing a weekly report on comments received on individual tracks from programmers. This might help labels (and artists) understand how they could improve their chances of securing airplay in the future. Others felt that the NZ On Air pluggers should be specifically tasked with achieving direct broadcast outcomes for songs in the same way the label pluggers are.

"Communication could be improved – should submit a report"

"In the real world success equals payment – someone should be asking them the hard question"

Feedback from programmers themselves was generally complimentary; several commented that they felt they received better service from NZ On Air than from record label personnel. They enjoyed the more holistic approach of NZ On Air's plugger to the very track-specific plugging of label personnel. It was felt that staff in the position had worked hard to understand the requirements of the networks.

"Actually do a better job than record company people"

"Quite critical – does the best work for NZ artists compared to labels"

It was acknowledged that this role is very personality-dependent as there is only a small number of people responsible for radio programming decisions. The people that have held plugging roles for NZ On Air were regarded as passionate, committed and trustworthy. They were described as dedicated and often seen at gigs. It was also perceived to be a tough grind with constant pressure on to maintain the 20% quota.

"Hard to find the perfect plugger – very personality dependent"

"About relationships – person needs to be connected to the talent"

Those seeing no value in the role had tended to see the NZ On Air plugger as replicating rather than supplementing the role of label representatives.

“Hard to attribute a radio success to them”

“Unnecessary – distort things with artists – can act as gatekeepers and get in the way”

“Waste of time – gives artists a reason not to have a label”

ASSESSMENT

This role provides a strong link between content creation and broadcast outcomes.

The initiative is valued by the majority of the Interview Panel (70%) and seen as a valuable complement to existing plugging activity ²⁰. The plugger was able to provide station personnel with a regular update on NZ On Air activities and provide additional information regarding individual songs vying for playlist space. There were views that communication with label staff could be improved.

Over time the role has come to be seen as more valuable as the balance in the industry shifts more towards artist independence and the need to counter a tidal wave of overseas repertoire remains.

Without this role artists will be solely dependent on their label representing them at radio and television.

For those artists with no label, the chances of broadcast are significantly lessened if the artist cannot afford to hire an independent plugger.

RECOMMENDATIONS

- **Retain the roles.**
- **Clarify the ‘supplementary’ nature of the activity in communication with the industry.**
- **Provide weekly written feedback to the rest of the NZ On Air team.**
- **Undertake artist showcases in other main centres.**
- **Increase number of road trips if practical.**

²⁰ Public Respondents were not asked for feedback on pluggers.

7.2.4 KIWI HIT DISC

Presenting media outlets with new music is fundamental to achieving broadcast outcomes. Programmers in all formats of music receive, on a weekly basis, an overwhelming number of tracks from around the world for consideration for inclusion on their playlists. They are time poor and rely on filters to help them in their decision-making.

The Kiwi Hit Disc was introduced in response to radio programmers' claims that they had difficulty in accessing New Zealand music tracks for playlist consideration.

The Kiwi Hit Disc is a compact disc in a standard jewel case with generic artwork that includes, in booklet form, further information on selected artists. The Kiwi Hit Disc costs around \$44,000 per annum to produce. The disc is produced monthly except for January and features around 16 tracks that repertoire-owners are releasing to radio in the coming month.

NZ On Air also produces four Iwi Hit Discs a year, "featuring Maori language and kaupapa music". The Iwi Hit Disc cost \$19,000 in 2009-2010, bringing the total for Hit Discs to \$63,000 or 1% of NZ On Air's music expenditure.

Since the first disc in 1993, 132 have been produced. In the past, NZ On Air also produced an Indie Hit Disc (Alternative music) and an A/C Hit Disc (Adult Contemporary repertoire) but both were discontinued following lack of interest from the stations they were targeting. Alternative and Adult Contemporary songs were slotted into the main Kiwi Hit Disc.

HOW IT WORKS

Artists apply to be included and the NZ On Air team makes the track selection. Tracks deemed the most likely to achieve significant broadcast outcomes are given preference. Each disc generally includes a mix of established artists with a good airplay track record alongside artists funded through the New Recording Artist scheme. An effort is made to provide balance in the selection across the various radio formats.

Around 650 copies of this disc are distributed by mail to a wide cross section of industry personnel, including a large number of radio stations (even though many stations are programmed centrally, staff in regional stations receive the disc).

FEEDBACK

Amongst the Interview Panel the Kiwi Hit Disc was widely recognised as something of an institution in the New Zealand music industry.

Opinion was quite polarised as to its usefulness in 2010. In the greater industry some said they received it but just “filed it” without listening. Others looked at the track listing but didn’t play it, as they already knew the tracks. Another group religiously played every disc, often paying particular attention to artists or tracks they had not previously heard.

There was no one common behaviour attributable to any one group. Around half the Interview Panel suggested that the concept of presenting an array of new tracks was a great filter to provide focus for programmers.

In general the discs were felt to be more useful for newer rather than established artists and for those on independent labels than those on major labels.

“Excellent way of getting the best in front of people – I’d hate it to stop”

“Brilliant – a steady forward look at the replenishment of repertoire”

“Very effective from our point of view”

“Indicates ‘activity’ and that video/tour/album are backing up”

“A vital and very important tool – can be presented better with pictures, contact info and bio background for each track”

“Stuff that’s on the Hit Disc seems to end up on the radio”

“For artists not aligned to a major label can be a huge plus”

“Artists like being on them – it’s a sign their songs are being worked”

About 20% specifically commented on the tracks themselves, feeling that the continual focus on commercial network repertoire had made the content bland:

“Originally cherry-picked the best creative content – now too far down the road of commercial networks”

“Dull content wise”

“The flaw is trying to satisfy all radio formats”

And 10% felt it was no longer required at all:

“Past its use-by date”

“Rubbish because it’s an old model”

“Has been very effective but may need a critical review of its effectiveness”

There was a lot of discussion around the idea of potentially delivering tracks to the industry via digital instead of physical means. Opinion was evenly divided between those who favoured digital distribution, feeling this was a better reflection of the way music was delivered in 2010, and those who preferred the status quo. Most players in the industry are attuned to receiving tracks digitally.

“Digital distribution version would provide a new back end for assessment”

“Monthly doesn’t fit the cycle – weekly is the way the music industry works”

“Could be a digital delivery with streaming option and option to get a physical CD”

“Could be better delivered via a secure website with a high quality download, and monitor who actually plays - but rights are a genuine issue”

A second group suggested that digital files would be ignored and physical discs were more compelling despite the perception that they were ‘old school’, that they instigated action in playing them.

“Less would be listened to if not packaged and presented”

“A physical CD has a longer shelf life”

“(A CD is) more likely to be played than a digital file”

“Too much clutter coming in digitally – the physical CD is a reminder sitting on the desk”

Some felt its importance increased for those based outside of Auckland where fewer of the industry are based and there was less likelihood of personal interaction with broadcast representatives.

“Hit Disc might be OK for people outside Auckland – we have the plugger anyway”

“Handy for iwi stations”

“Discs are on the desks at community radio”

Responses from radio and music television programmers were generally favourable. Several commented that the Kiwi Hit Disc brought to their attention tracks they were otherwise unaware of.

Some commented that they felt the number of discs distributed was too high or that more people in their offices than necessary received them.

“We’ve often added the songs before the disc arrives”

“Our programming teams are aware and listen to them”

“Always comes with a surprise”

A few commented that the discs provided an amazing archive of New Zealand music that continued to grow with each new volume. Certainly shelves of Hit Discs were seen in several offices.

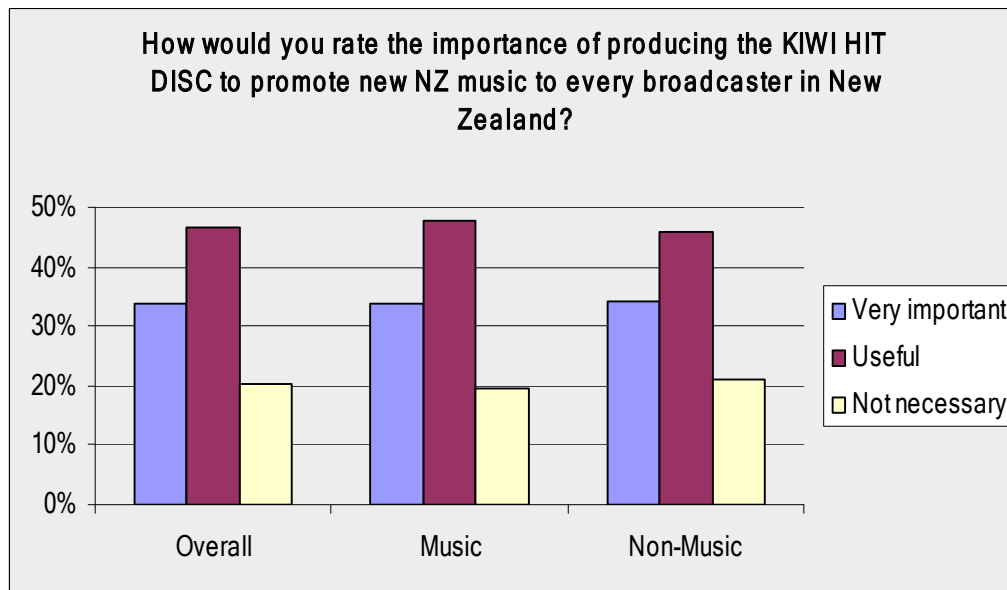
“An historical catalogue”

“As a library reference a useful tool”

34% of Public Respondents thought that the Kiwi Hit Disc was very important and a further 47% thought it was useful (see Fig 25). A high 19% thought it not necessary. The older age bracket tended to be more supportive with 41% of those aged 40-49 considering it very important compared with 33% of those aged 20-29. Broadcasters were perhaps not surprisingly more supportive than others in the industry with 43% indicating it was very important compared with artists/musicians/songwriters (34%) and the music industry generally (28%).

Canterbury (35%) and Auckland (36%) thought it very important compared with Wellington (26%) and Otago (30%).

Fig 25 – Public Responses to NZ On Air Funding the Kiwi Hit Disc



195, or 30% of Public Respondents left comments regarding the Kiwi Hit Disc. 28% were broad based comments supporting the initiative. 13% stated they were ineffective or a waste of time. 12% commented unfavourably on the focus on commercial radio tracks, preferring a wider variety of music was represented. A similar number commented on the inclusion of 'established' artists, feeling that preference should be given to 'new' artists. 4% noted that the music featured on Hit Discs should be distributed online.

ASSESSMENT

The Kiwi Hit Disc has become a fixture on the New Zealand music scene with all Interview Panelists familiar with it. It serves to draw the recipient's focus to tracks deemed likely to appeal to commercial radio audiences on a regular basis. Usage varies, depending on recipients' preferences for accessing new music.

For NZ On Air staff, the Hit Disc provides a focal point and sense of structure to the promotional programme. Certainly many artists aspire to be represented (40-50 applications are received for consideration each month), and some independent distributors advised that they recommended artists apply for inclusion. For some artists it was considered a sign of recognition and gave them a feeling their tracks were at least being put in front of programmers.

The Hit Discs have changed in character from when they were first introduced into the marketplace. At that time the volume of music being produced was considerably lower than today and more "adventurous" music was included. As volumes have increased the disc has tended to become more filled with music

aimed directly at mainstream commercial networks, meaning opportunities for discovery of other types of music via this initiative are greatly reduced.

In compiling the disc, an attempt is made to provide something for all radio formats, but squeezing them all in on one disc is always a challenge for the compilers.

For the year ending 30 June 2010, 9 of the 10 most played New Zealand songs on commercial radio had been featured on Kiwi Hit Discs (see Fig 26). 55% of all tracks (96 of 176) featured on Kiwi Hit Discs in this period made the Top 40 New Zealand airplay chart.

Fig 26 – Top Ten Most-Played NZ Songs on NZ Radio
(1 July 2009 to 30 June 2010)

Rank	Song	Artist	Kiwi Hit Disc
1	<i>Black Box</i>	Stan Walker	-
2	<i>Oh My</i> †	Gin Wigmore	Kiwi Hit Disc 119
3	<i>Cruel</i> †	Dane Rumble	Kiwi Hit Disc 122
4	<i>All On Our Own</i> †	Midnight Youth	Kiwi Hit Disc 114
5	<i>You Got Me</i> †	J Williams featuring Scribe	Kiwi Hit Disc 123
6	<i>Don't Know What To Do</i> ‡	Dane Rumble	Kiwi Hit Disc 116
7	<i>Vampires</i> ‡	Dukes	Kiwi Hit Disc 116
8	<i>Always On My Mind</i> †	Tiki Taane	Kiwi Hit Disc 103
9	<i>Just A Little Bit</i> †	Kids Of 88	Kiwi Hit Disc 124
10	<i>Cavalry</i> †	Midnight Youth	Kiwi Hit Disc 120

† Phase Four Album funded
‡ Phase Four New Recording Artist funded

Source: NZ On Air Annual Report 2009/10

Paul Kennedy of airplay monitor, RadioScope, advised that there was a noticeable surge in broadcast outcomes, across all format types including alternative and iwi stations, for tracks featured on the Kiwi Hit Disc in the week after the Disc's release.

The Kiwi Hit Disc is issued monthly on a timeline that does not match industry commercial release schedules and radio and television playlist changes, all of which are on a weekly or fortnightly cycle.

However, without the Kiwi Hit Disc NZ On Air would lose one of its most recognisable cornerstones and possibly some focus for monthly activity cycles. Some independent artists in particular may lose the opportunity of having their song presented to radio.

NZ On Air should give serious consideration to digital distribution of tracks on a weekly basis.

Tracks can be distinguished by genre or format (some tracks may fall into more than one category) and recipients can choose which genres they would like to receive (a Rock radio programmer would likely choose receive tracks targeted at Rock radio only, a music magazine reviewer may choose to request all genres).

The tracks should be distributed if possible in broadcast quality so that programmers can seamlessly add them to their playlists.

The system can eventually be linked with the NZ On Air international programme, allowing Australian radio programmers and American college radio programmers to receive the tracks as well, subject as always to rights issues being clarified.

In the medium term the option of requesting a physical copy should continue to be made available. (This may need to be a double disc in line with the number of tracks potentially funded under the proposed new scheme). Artwork should be fresh and exciting (perhaps the task of coming up with artwork could be designated to students at an art design course at a university), and it should be new each time.

These changes will have the following benefits:

- Will better reflect the way the majority of music is distributed and consumed in 2010.
- Tracks can be distributed in co-ordination with the releasing label or artist, providing a complementary service, and a reminder/ reinforcement for each track.
- Metadata can be embedded and links to artists' websites etc. included for further exploration by the recipient.
- The distribution would match the operating cycles of the music industry.
- Recipients will likely receive a low number of tracks each week, say 3 or 4, sharpening the focus and greatly increasing their chance of listening to them.
- Depending on the digital distribution system employed NZ On Air could have the ability to monitor plays and receive direct feedback from recipients.

Tracks serviced digitally and those featured on the revamped discs should be monitored separately for broadcast results to assess the effectiveness of these promotional initiatives.

RECOMMENDATIONS

- **Introduce weekly digital distribution of tracks by genre.**
- **Provide an option to request a physical copy.**
- **Introduce more exciting artwork to the physical version.**
- **Monitor broadcast outcomes for both methods of distribution – digital and physical.**

7.3 OTHER RECOMMENDATIONS

7.3.1 AIRPLAY TARGETS

One of the cornerstones of the success of the NZ On Air music-funding programme has been its ability to set and measure targets based on percentages of airplay achieved on commercial radio networks.

Against a stated aim to “get more music on radio”, these targets have been met or exceeded on a regular basis for many years. In recent years, however, this aim of getting *more* music on the radio has been inadvertently replaced with maintaining the *same* amount of music on the radio.

This may be due to the setting of a 20% airplay target by politicians in the early 2000s and the subsequent agreement reached between those politicians and the RBA for a voluntary code of 20%. Having first reached the 20% (ahead of schedule) in 2005, NZ On Air has been in maintenance mode in recent years and appears content to maintain levels at 20%.

For any organisation to remain vital and move forward it needs to have goals that are challenging. An organisation that aims to maintain the status quo is in danger of stagnating.

When considered in conjunction with the other recommendations in this section of the report I believe it is important that NZ On Air’s music programme sets new goals. These need to be measurable and achievable.

Despite the successes of the last 20 years, we should not be fooled into thinking we’ve ‘made it’ in terms of establishing a vital, self-sustaining music industry that delivers exciting broadcast outcomes on a regular basis and we are a long way from generating meaningful export earnings that can help make the industry more sustainable. We are still way behind other western countries in the percentages of local music that our population hears on the radio waves. Albeit that they have higher and more official quotas than New Zealand the reality is that for example, Australia has over 30% percent and Canada over 35% of their local music broadcast on their radio airwaves.

Radio station personnel that I interviewed were unanimous in stating that the current voluntary code was not seen as a threat or even something they constantly worried about. Furthermore they stated that most of the time they achieved their targets without compromising expected broadcasting standards,

i.e. they had enough material of sufficient quality to meet the targets for their genre of music.

If this is truly the case and not just bravado on the part of radio staff then there is clearly room to play more New Zealand music.

These people also advised that one of the most compelling reasons for playing local music was the high degree of expectation to hear and satisfaction in actually hearing New Zealand music reported in research conducted amongst their listeners. Certainly the opportunity to play New Zealand music and the relatively easy access to New Zealand artists provides a point of difference to the myriad of international radio stations that can now be streamed via the Internet.

Is there enough choice for them to increase their percentages? Certainly the music labels and artists of this country think so. Dissatisfaction with the decision not to play many tracks is a constant source of frustration in the greater industry. Radio station personnel said they looked forward to receiving songs “they just can’t say no to” and this should be a guide to all NZ On Air’s activities – assisting in the creation and promotion of a greater number of songs that are both stimulating and irresistible to broadcast media and their listeners and viewers.

It’s fair to point out that others commented that they felt the level of New Zealand music heard on our airwaves was about right and that to increase it was unrealistic based on the investment required and the talent pool available.

RECOMMENDATION

- **Set five-year goal to increase New Zealand music on radio to 25%, adding an extra 1% to the current base level guaranteed by the Code each year for five years.**

This should not involve a renegotiation of the voluntary code but should be an in-house target.

7.3.2 BROADEN MONITORING

One of the cornerstones of success of the NZ On Air schemes has been the ability to measure success. To date this has not included the monitoring of television exposure for music videos, the funding scheme with the greatest

number of recipients. I understand a programme has been developed and is due for imminent introduction.

Over the next two years NZ On Air should begin the process of identifying ways to monitor and measure as many broadcast outcomes on the internet as possible, with the aim of having an integrated measuring system for all broadcast outcomes in place by 2013.

In the short term, one of the most obvious examples is the simple collating of YouTube figures. However such factors as 'weighting' will need to be taken into consideration when comparing an on-demand action with passive consumption.

For example, on a strictly numerical count the total views on YouTube for the top ranked New Zealand video last year equate to only 10 peak time spins of the same song on The Edge and ZM networks (notwithstanding that we are comparing radio play with video play here).

YouTube also of course tallies views from a global base of viewers so a methodology needs to be established to distinguish views from New Zealand computers and mobile devices. Furthermore, checks need to be in place to ensure a distortion of figures does not take place should eligibility for funding be based on exposure of this nature sometime in the future.

RECOMMENDATION

- **Collate television exposure weekly and add to radio exposure to get a fuller picture of broadcast outcomes.**
- **Develop a programme to monitor exposure for New Zealand music on the Internet.**

7.3.3 NEW MEDIA

It is obvious that new media is playing a huge role in the discovery, dissemination and consumption of music and it is essential that NZ On Air is not only up with the play in this area but an active participant where appropriate.

Changes to the Broadcasting Act in 2008 to specifically include 'transmission on demand' means that NZ On Air now has the ability to look more expansively at broadcast outcomes, and to some extent become a 'broadcaster' itself.

For many people access to new music is now undertaken through a combination of radio, television and online sources. Sometimes radio is the “instigator”, and online activity follows, sometimes the reverse is true.

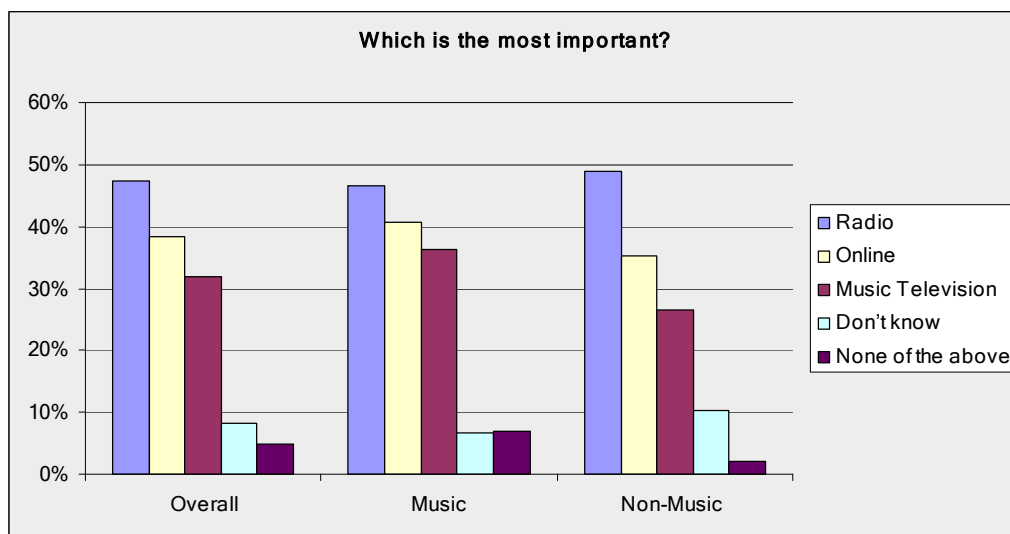
The Interview Panel was near unanimous in believing NZ On Air should be active in new media.

“Hire someone who is very conversant with new media”

“(NZ On Air) needs a lively Facebook and Twitter”

The public survey identified promotion in the new media area as more important than music television and, not that far behind radio, in getting more exposure for New Zealand music (Fig 27). Note that the question “which is the most important” enabled respondents to make multiple answers rather than choose their single most important platform. It is the multiple answers which are the basis of the graph below.

Fig 27 – Public Responses to The Most Important Platforms for NZ On Air Funding



However, the analysis below is based on the demographics of respondents rather than number of responses.

Unsurprisingly, there were marked differences between age brackets. Younger aged respondents (20-29) were nearly equal in support for radio (32%), music television (29%) and online (31%). Older respondents (40-49) showed a marked tendency towards radio (44%), than music television (26%) or online (27%).

Support by location also varied as shown Fig 28 below:

Fig 28 – Public Responses by Location on the Most Important Platforms for NZ On Air Funding

	Auckland %	Wellington %	Canterbury %	Otago %
Radio	39	26	40	37
Music TV	25	27	21	20
Online	27	35	27	32
Don't know	6	7	6	9
None of the above	3	5	6	1
Total	100	100	100	100

And also varied within the music industry itself as shown in Fig 29 below:

Fig 29 – Public Responses by Occupation on the Most Important Platforms for NZ On Air Funding

	Artist/musician/ songwriter %	Music Business %	Broadcasting %	Non-music %
Radio	33	32	39	40
Music TV	31	23	20	22
Online	26	37	26	29
Don't know	5	2	9	8
None of the above	5	5	7	2
Total	100	100	100	100

NEW MEDIA SUGGESTIONS

There were not a lot of decisive comments received as to what specifically NZ On Air should be doing from the Interview Panel. The three most recommended actions were:

- Start a YouTube channel (16%)
- Start a website for the public featuring archived material (9%)
- Start a Facebook page (7%)

In the public survey commentary, there was very strong support for NZ On Air to be active in the new media space as a means of both directly achieving broadcast outcomes and drawing attention to artists that could potentially achieve these. Indeed 52% of those who completed the survey also left comments, one of the higher response rates.

As with the Interview Panel there was a fair amount of vagueness about exactly what they felt was the right approach. 15% of those commented that NZ On Air “should be involved” or that they “weren’t sure” what should be done, and a further 6% made a broad suggestion that NZ On Air should be involved in social networking sites.

The most specifically recommended actions were:

- Start a Facebook page (9%)
- Be active in iTunes (8%)
- Start a YouTube channel (7%)
- Have a website that featured streaming tracks and videos, both archival and new releases (5%)

The higher percentage of support for the YouTube channel from the Interview Panel again demonstrates the higher value placed on music videos by those in the industry compared to those outside.

Although Twitter is a fast rising social communication tool, (according to Nielsen 27% of online New Zealanders have used it in the last 12 months) only 1 person from the Interview Panel and 4 from the public survey recommended that NZ On Air use this tool.

In the public survey 5% of respondents specifically mentioned other websites that could be referred to for ideas.

It’s hard to understand how NZ On Air could be meaningfully engaged with iTunes given its specific function of music retailing.

I spoke with an expert in new media promotion of music from overseas. Their opinion was that in general, the overall online presence of New Zealand artists is poor by world standards, and much of the potential is as yet unrealised.

I believe NZ On Air would be best served by the establishment of a specific role within the promotions team to be a specialist in all facets of new media promotion for New Zealand music.

The person in this role should be responsible for the creation of a promotional programme aimed at achieving broadcast outcomes in the new media field by providing support to artists and labels via such activities as:

- A dedicated YouTube channel for NZ On Air-funded music videos, and all other New Zealand music videos that give permission to be included.

This would provide NZ On Air with back-end analytical data of viewing audiences.

- The establishment of a second, new website (for the public as opposed to the industry) that should aim to become a focal point for the New Zealand music community, as well as a rich archival base for New Zealand music. A successful site of this nature could conceivably be responsible for generating significant broadcasting outcomes on its own.
- The establishment and maintenance of a dedicated NZ On Air Music Facebook page and Twitter feed.
- Setting up a programme to monitor and report broadcast outcomes achieved both online and in the mobile space.
- Establishing contact with and servicing all significant new media outlets used by the New Zealand public to enjoy music (providing a complementary and parallel service to that of the Radio Plugger). This could include influential bloggers, radio station websites, etc.
- The monitoring of new and upcoming artists gaining significant exposure in the new media environment, with a view to providing feedback to the rest of the NZ On Air team, and in particular the panels tasked with allocating funding.
- Develop a programme that caters for diverse music styles such as Jazz, Country, Heavy Metal, etc that are not easily catered for on New Zealand radio and television.
- Provide training of, and feedback to, the rest of the NZ On Air team.

Benefits to accrue would include:

- Identification of artists gaining traction that can be assisted with either funding or promotion.
- Growth in income to performers and songwriters as the monetising of internet plays is strengthened.
- International exposure for our artists, providing back up to NZ On Air's international programme, particularly in relation to the Triple J network in Australia and the CMJ stations in the USA.

- Exposure for a more diverse range of artists and musical styles than the current commercial radio networks allow for.

RECOMMENDATION

- **The establishment of a role in NZ On Air’s NZ Music promotions team specifically dedicated to activities in new media.**
- **The development of a promotional programme for New Zealand music using popular social media networks.**

7.3.4 APPLICATION & AUDIT

NZ On Air’s music schemes are seen as user-friendly and straightforward in their application and execution. Nonetheless, I detected a strong desire amongst the Interview Panel to see application, follow up and audit procedures strengthened.

In direct comparison with the two other funding agencies in music – Creative New Zealand and Outward Sound – NZ On Air was perceived to be the ‘easiest’ and most relaxed. This was not held to be a good thing. For example, at the higher dollar amount end of grants approved by Creative New Zealand, where matching or contributing funding was required by the applying party, proof of funds was required by way of bank statements.

I sensed a strong desire for more stringent checking both before and after the granting of funding.

There was a general degree of uneasiness that NZ On Air’s perceived relaxed approach could potentially lead to misuse and wastage of funds.

“Not enough checking on the background – too easy”

“Parameters and criteria need clarification”

“There’s a sense of looseness after the grant is given – follow up not strong enough”

Certainly the changes made to the album-funding scheme in July 2010 go a long way to addressing some of the concerns.

More detail in the application for funding could be introduced. There was a widespread feeling that the lack of detail could lead to misunderstandings and potential misuse of funds by artists.

Instigating a more rigorous and regular audit procedure would further restore faith in the integrity of the schemes. Public acknowledgement of the results of those audits should also be considered.

These changes will have the benefit of:

- Assist in raising the professionalism of the industry
- Provide more insight into the efficiencies and effectiveness of the funding strategies.

RECOMMENDATION

- **Increase the number and frequency of audit checks.**
- **Introduce a more detailed application process for funding grants.**

7.3.5 FUTURE REVIEWS

The world of recorded music and the way it is accessed and utilised is changing more rapidly now than at any time in its 100+ year history. It is obvious that any organisation involved in the greater music industry in 2010 needs to be adaptable and aware of the constantly changing parameters of the environment in which it operates.

I recommend that NZ On Air's music programme undertakes the changes listed above as part of a two-year 'transitional' programme as new skills are introduced to the NZ On Air team, research is undertaken in best practice for measuring online 'broadcast' outcomes and the new funding scheme trialled. I have suggested two years as I believe there will be further significant changes to the shape of the industry during this time and a clearer picture of the way forward may emerge by then, although this is by no means guaranteed.

NZ On Air plays, and should continue to play, a vital role in the linking of great New Zealand songs with fans. It is vital that it becomes more nimble in an industry that is currently in a state of constant flux.

NZ On Air should undertake an external review (although not of the in-depth nature of this review) at regular intervals for the foreseeable future to critically assess that it is adapting in line with environmental changes. It should also decide if its goals are still realistic and if necessary revise current or set new ones. This review can easily be complemented by 'taking the public temperature' via a similar online survey to the one undertaken for this review.

It should be prepared to abandon or modify programmes that are not delivering broadcast outcomes in an economically efficient manner, and reallocate resources as the balance of 'listenership' between radio and online sources changes.

RECOMMENDATION

- **Establish regular schedule for future reviews.**
- **Undertake next review in two years time.**

7.3.6 OTHER SUGGESTIONS

In the course of the review one or two other opportunities came to light that may be worthy of further investigation.

Kiwi FM provides an outlet for many diverse and different artists, which is often their only chance of achieving airplay. It is reasonably common knowledge in the industry that the station is not particularly viable, so consideration should be given to finding ways to make this potentially valuable outlet more self-sustaining.

One suggested that it could become part of Radio New Zealand National, providing a contemporary popular music complement to Radio New Zealand Concert.

Another suggestion was made that Kiwi FM could instigate a search for new music and via polling its listenership identify tracks that could crossover to other MediaWorks brands.

Given that the bulk of funding from NZ On Air goes to television programmes that have a similar culture and diversity mandate to the music programme, several people suggested that it should be mandatory for those receiving NZ On Air television programme funding to use New Zealand music in the soundbeds of the funded programmes.

At present there is the potential for some or all of NZ On Air music grants to be spent overseas (for example in mixing and mastering). It was suggested by several of Interview Panel that all the money should be spent in New Zealand.

Several people also suggested that rather than having hundreds (or even thousands) of applicants, NZ On Air should approach those artists obviously creating waves in the market place and offer to support them. In other words, headhunt bands and artists. Whilst this approach certainly has its attractions it may fly in the face of requirements to make all funding grants 'contestable'.

I understand that a separate review of NZ On Air's communication with stakeholders has been undertaken but I would suggest in the case of music, a 'reintroduction' to the marketplace is undertaken to explain changes to the funding and promotion schemes and most importantly, to clarify the aims of NZ On Air. The broadcasting goals are simply not understood by a significant percentage of the market. Consideration should be given to these specific programmes being reintegrated into the Radio and New Media categories of NZ On Air's programmes and not separately identified as 'NZ Music'.

Two respondents specifically identified the need for a significant archiving project for New Zealand music. While this is outside the terms of reference for this review I agree that this would be an extremely valuable project.

8. SUMMARY OF RECOMMENDATIONS

The recommendations will, I believe, realign NZ On Air's music programme with its mandated aims, better reflect the reality of today's music landscape, acknowledge the role of the internet in achieving broadcast outcomes, broaden the diversity of music experienced by listeners and viewers (surely the most important stakeholders here), address the concerns of stakeholders over procedural matters, and provide opportunities to increase the amount of wonderful music both made by our artists and enjoyed by our public. Changes to the overall programme should be self-funding in that reductions in expenditure in some areas can be used to fund newer initiatives.

Funding Schemes (Section 7.1.4)

- **Replace the three existing schemes with one new scheme that provides assistance in the creation of songs and their accompanying videos.**
- **Move to monthly funding rounds of up to 20 tracks per month.**
- **Include a variety of guest panelists in the monthly selection meetings.**
- **Broaden the diversity of track choices.**
- **Establish qualification criteria that reduce the number of applicants.**

Application & Audit Procedures (Section 7.3.4)

- **Increase the number and frequency of audit checks.**
- **Introduce a more detailed application process for funding grants.**

New Targets (Section 7.3.1)

- **Set a five-year goal to increase New Zealand music on radio to 25%, adding an extra 1% to the current base level guaranteed by the Code each year for five years.**

Broaden Monitoring (Section 7.3.2)

- Collate television exposure weekly and add to radio exposure to get a fuller picture of broadcast outcomes.
- Develop a programme to monitor exposure for New Zealand music on the Internet and mobile platforms.

New Media (Section 7.3.3)

- Establish a new role in NZ On Air's NZ Music promotions team specifically dedicated to activities in new media.
- Develop a promotional programme for New Zealand music using popular social media networks.

Production of Radio Shows (Section 7.2.1)

- Reduce overall expenditure on this initiative.
- Consider commercialising the relationship for mainstream radio programming.
- Make the programmes exclusively for new artists with no previous track record at commercial radio.
- Set targets for 'crossover' from the programmes to the main playlist and monitor.
- Negotiate rights issues to extend the usage of these programmes to new media platforms.
- Continue student radio programme funding.

Television Programmes (Section 7.2.2)

- Lobby mainstream TV channels for music programming.
- Continue funding NZOwn and look at options for further music programming on Juice TV.

- **Negotiate rights issues to ensure funded programming is available for use on new media platforms.**
- **Continue funding enabling the screening of the Vodafone New Zealand Music Awards.**

Pluggers (Section 7.2.3)

- **Retain the roles.**
- **Clarify the 'supplementary' nature of the activity in communication with the industry.**
- **Provide weekly written feedback to the rest of the NZ On Air team**
- **Undertake artist showcases in other main centres.**
- **Increase number of road trips if practical.**

Kiwi Hit Disc (Section 7.2.4)

- **Introduce weekly digital distribution of tracks by genre.**
- **Provide an option to request a physical copy.**
- **Introduce more exciting artwork to physical version.**
- **Monitor broadcast outcomes for both methods of distribution - digital and physical.**

Future Reviews (Section 7.3.4)

- **Establish regular schedule for future reviews.**
- **Undertake next review in two years time.**

Industry Analysis (Section 3.2)

- **Encourage industry bodies and appropriate government agencies to undertake regular industry 'big picture' economic analysis.**

Appendix 1: Terms of Reference

REVIEW OF NZ ON AIR'S NEW ZEALAND MUSIC FUNDING & PROMOTIONAL POLICIES

1 NZ On Air undertakes periodic reviews of the efficiency and effectiveness of its various broadcast funding activities to ensure schemes and strategies remain innovative and successful, have broad sector support, and have responded appropriately over time to any environmental changes.

2 The general purpose of this Review is to evaluate the effectiveness of NZ On Air's New Zealand music funding policies and promotional strategies. The Review will gauge the impact of this work and to consider what modifications if any could be made to policy and practice to increase effectiveness and respond to changes in the radio and music environment.

3 The Review will focus on NZ On Air's local music policies and practices and will exclude NZ On Air's international New Zealand music work, which has been the subject of a separate review that has already been completed and published.

4 Specifically, the Review will –

(i) *review* the conceptual and policy basis for NZ On Air's New Zealand music work and *consider* whether the assumptions upon which this work was based are still relevant;

(ii) *quantify* the impact of NZ On Air's New Zealand music interventions, not only in terms of their stated objectives but also in terms of the wider cultural and economic impact of this work. This will include collection and analysis of relevant industry and audience data;

(iii) *assess* the effectiveness of each type of intervention: what environment change takes place and what might logically happen without such intervention. Has this changed over time? Do the decisions around each intervention adequately balance quality and quantity?

(iv) *consider* changes in the broadcasting and music environment in New Zealand since NZ On Air's New Zealand music programme began in 1991, including (but not limited to) developments in digital delivery of music and online broadcast opportunities, radio listenership and music consumption patterns;

(v) *consult* with key stakeholders including representatives from the broadcast, recording industry and artist communities to ascertain feedback on the interventions and whether there are any generally accepted ideas for change;

(vi) *recommend* options for NZ On Air to consider, within its statutory responsibilities, that might contribute to the relevance and impact of its music funding, both in cultural and economic terms.

5 In the course of this study, the reviewer will –

(a) *consult* with industry stakeholders – both those who are sceptical about NZ On Air’s New Zealand music work and those who are supportive – to gauge industry views on NZ On Air’s New Zealand music policy and practice;

(b) *consult* with relevant public sector stakeholders to establish an understanding of what other Government-funded agencies are doing in the funding and promotion of New Zealand music and consider whether there is complementarity or duplication of effort between agencies;

(c) *evaluate* all NZ On Air’s funding and promotional actions and impacts to date to establish the effectiveness of the interventions, quantifying results as fully as possible and assessing whether the interventions provide value for money; and

(d) *recommend* what modifications if any might be made to NZ On Air’s New Zealand music policy and practice to increase the effectiveness and relevance of NZ On Air’s New Zealand music work to improve New Zealand broadcast outcomes.

6 In this context, NZ On Air’s New Zealand “music interventions” include –

- The funding of **music videos**;
- The funding of **radio shows**;
- The **Kiwi Hit Disc**;
- The **plugging programme**;
- The funding of **radio singles** by new artists;
- The funding of **albums**; and
- The funding of **music television**

but should also identify possible new funding and promotional opportunities that NZ On Air might consider that might provide diverse music for significant and diverse broadcast audiences.

Appendix 2: Online Questionnaire

NZ On Air Music Questionnaire

1. REVIEW OF NZ ON AIR'S NEW ZEALAND MUSIC WORK

Welcome ...!

Please read this short backgrounder before you answer the questions below ...

BACKGROUND

NZ On Air's music mandate is Section 37(d) of the Broadcasting Act, which says that in our funding for radio audiences, we "should have regard for the broadcasting of New Zealand music". We have interpreted that to mean "get more New Zealand music played on the radio".

We define "New Zealand music" as "music made by New Zealanders" (where "made" means "performed or recorded" and a "New Zealander" is a "citizen or resident"). This is the definition used also by RadioScope for the weekly airplay charts and RIANZ for the weekly sales charts.

So far, NZ On Air has mainly concentrated on commercial radio audiences. That's because commercial radio is where 80% of the radio audience is listening, where the level of New Zealand music has been the lowest, and where the competition for airtime is the hardest.

We fund the recording of songs for commercial radio audiences plus new music features on the big commercial stations. But we also fund student radio to help us launch new artists. And we fund music videos to help get more exposure for New Zealand music. See www.kiwihits.co.nz if you want to explore.

Times have changed. Media has proliferated. NZ On Air's powers have changed too. Since March 2008, we've also been allowed to invest in "new" media (meaning online or mobile)

At present, the target for commercial radio stations is for 20% New Zealand music. Most of the NZ On Air funding schemes and promotional strategies are designed to assist in the recording and promotion of New Zealand music to achieve this.

The amount of New Zealand music aired on New Zealand commercial radio stations has fluctuated from 17.56% to 21.60% over the last five years but, overall, it is on target at around 20%. Music videos are screened on channels like Juice and C4, on websites like NZ On Screen, the NZ Film Archive, YouTube, MySpace and on our own kiwihits.co.nz website. And on kiwihits.co.nz, Kiwi songs from the last 45 years can also be heard.

NZ On Air is now looking at its funding mix and priorities. In March, we commissioned a major review of what we do. You can see the full terms of reference here: www.kiwihits.co.nz.

We want to hear from you too. We'd like to know what you think about what we do now and what you think would help us do even better. We've set out some statements below to test levels of agreement or disagreement. There's plenty of space for comment too.

Thanks for your time ...

NZ On Air Music Questionnaire

2. Default Section

* 1. It is still important that Government funding is used to get more New Zealand music on RADIO. Do you agree?

- No
- Yes
- Don't know

Comment

* 2. It is still important that Government funding is used to get more New Zealand music on MUSIC TELEVISION. Do you agree?

- No
- Yes
- Don't know

Comment

* 3. It is important that Government funding is used to get more New Zealand music ONLINE. Do you agree?

- Yes
- Don't know
- No

Comment

* 4. Which is the most important?

- Radio
- Music Television
- Online
- Don't know
- None of the above

Why is this the most important?

NZ On Air Music Questionnaire

- * **5. NZ On Air decides which music to fund on the basis of how likely radio or television is to play the song. This means that we consult professional broadcasters to help us make decisions (radio broadcasters for songs; music television broadcasters for music videos). Is this still the right approach?**

- Don't know
- Yes
- No

If No, who should NZ On Air consult to help decide which music to fund?

- * **6. How would you rate the importance of helping fund MUSIC VIDEOS?**

- Not necessary
- Useful
- Very important

Comment

- * **7. How would you rate the importance of helping fund THE RECORDING AND MARKETING OF NEW ALBUMS BY PROVEN MUSICIANS**

- Useful
- Very important
- Not necessary

Comment

- * **8. How would you rate the importance of helping fund SONGS BY NEW AND EMERGING ARTISTS intended for radio audiences?**

- Useful
- Very important
- Not necessary

Comment

NZ On Air Music Questionnaire

* **9. How would you rate the importance of funding MUSIC FEATURES FOR MAINSTREAM RADIO AUDIENCES to promote new NZ music (like The Word on ZM and Off The Record on The Rock)?**

- Not necessary
- Very important
- Useful

Comment

* **10. How would you rate the importance of funding RADIO SHOWS FOR ALTERNATIVE RADIO to promote new NZ music on the b.net (student) radio stations and Kiwi FM?**

- Very important
- Not necessary
- Useful

Comment

* **11. How would you rate the importance of funding TELEVISION SHOWS shows to promote new NZ music (like Decent Exposure on C4 and NZOwn on Juice)?**

- Useful
- Not necessary
- Very important

Comment

* **12. How would you rate the importance of producing the KIWI HIT DISC to promote new NZ music to every broadcaster in New Zealand?**

- Not necessary
- Very important
- Useful

Other (please specify)

NZ On Air Music Questionnaire

* **13. Are there significant opportunities on new media platforms that you think NZ On Air should be using or investing in to promote or fund new NZ music?**

Yes

No

If Yes please specify:

14. What would you change about NZ On Air's music initiatives?

* **15. Have you (or your band) ever applied for NZ On Air music funding?**

Yes - successfully

Yes - unsuccessfully

No

* **16. What age group are you?**

Less than 10 Years

10–19 Years

20–29 Years

30–39 Years

40–49 Years

50–59 Years

60–69 Years

70+ Years

* **17. Which region do you currently live in?**

Auckland Regional Council

Waikato Regional Council

Bay of Plenty Regional Council

Wellington Regional Council

Hawke's Bay Regional Council

Canterbury Regional Council

Manawatu-Wanganui Regional Council

Otago Regional Council

Northland Regional Council

Southland Regional Council

Taranaki Regional Council

West Coast Regional Council

NZ On Air Music Questionnaire

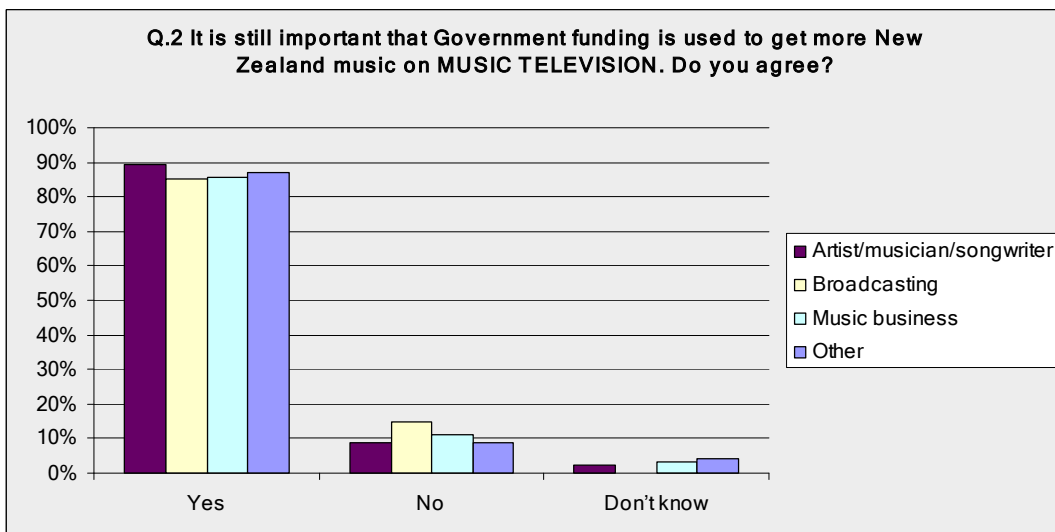
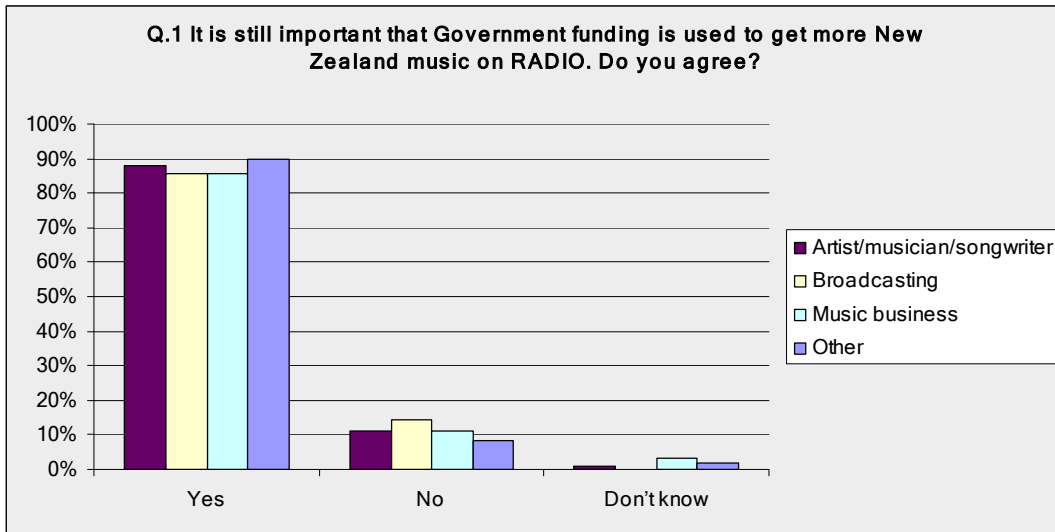
* 18. What is your main employment status?

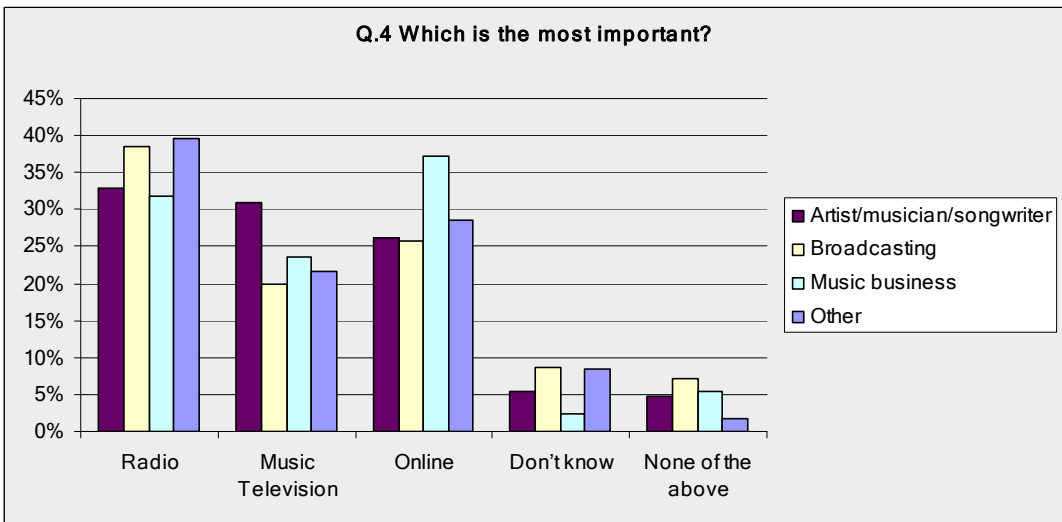
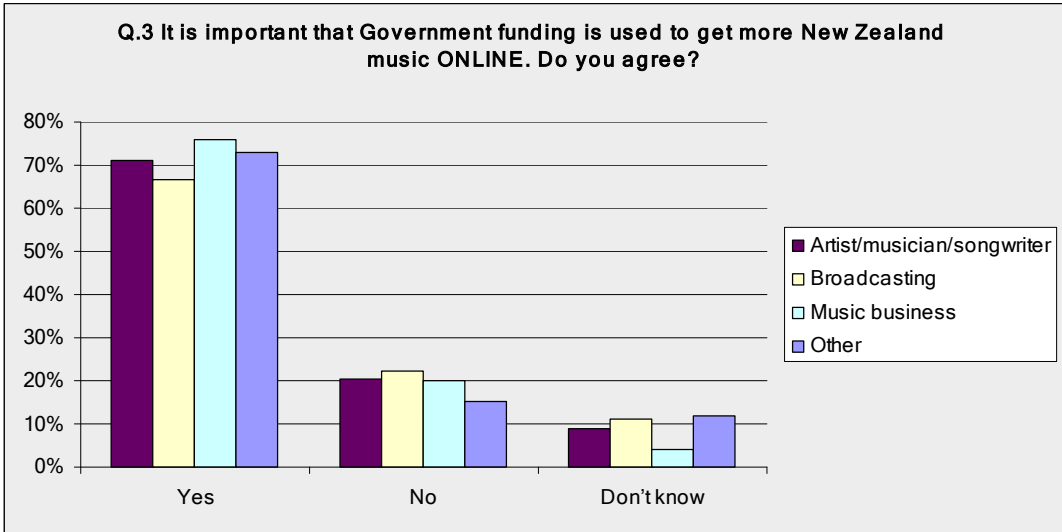
- I am an artist/musician/songwriter
- I work in the music business
- I work in the broadcasting business
- I am a music journalist/reviewer/writer
- Other

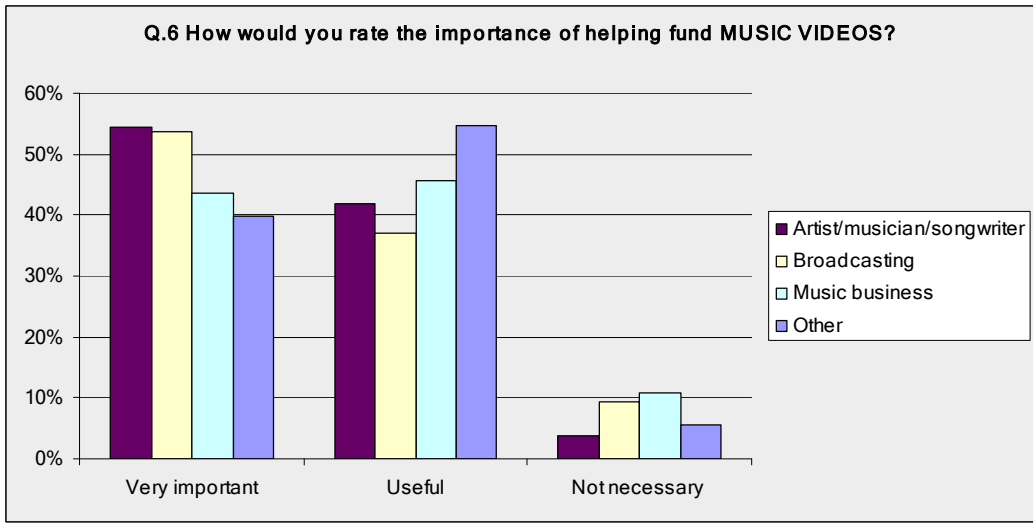
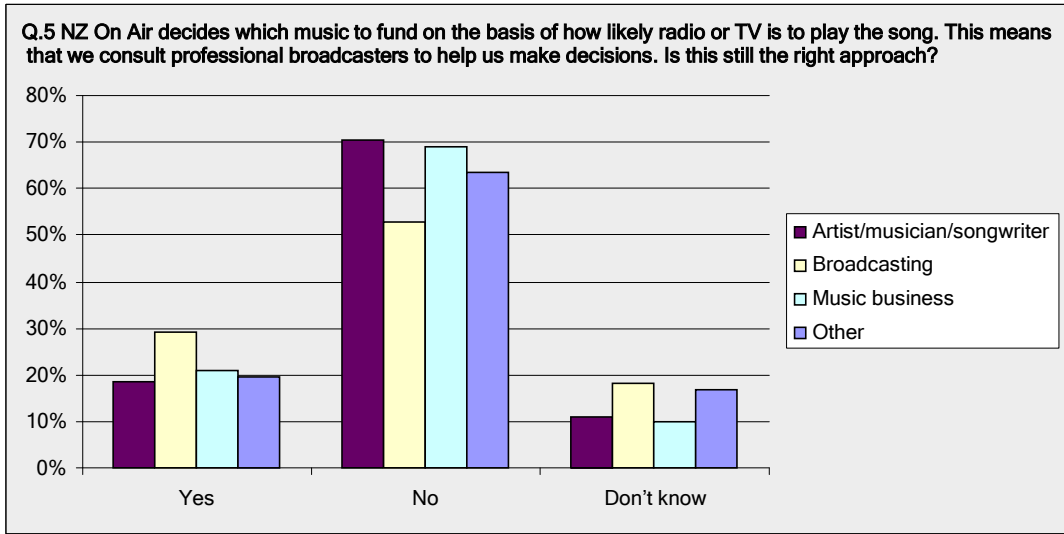
Appendix 3: Responses By Occupation

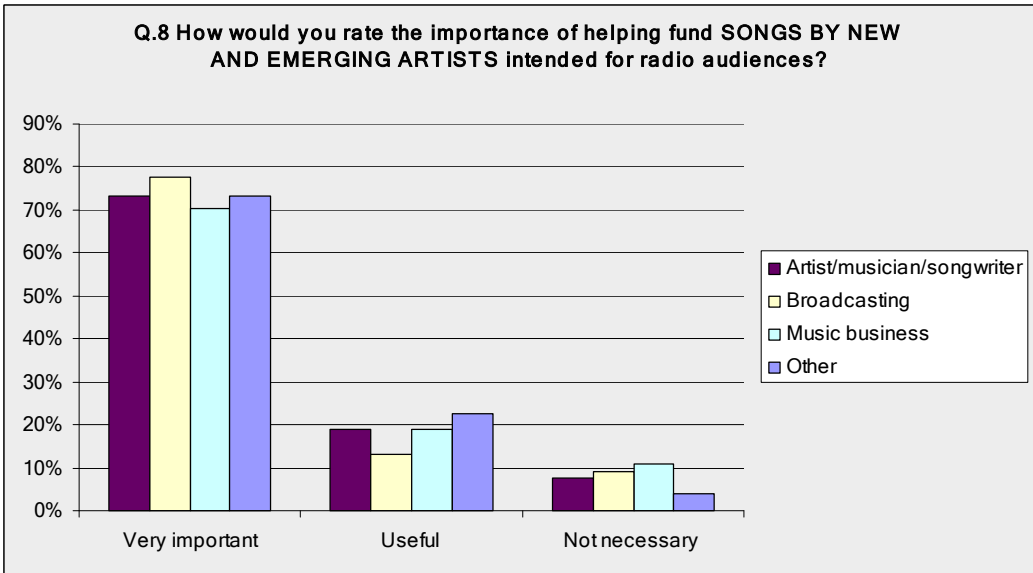
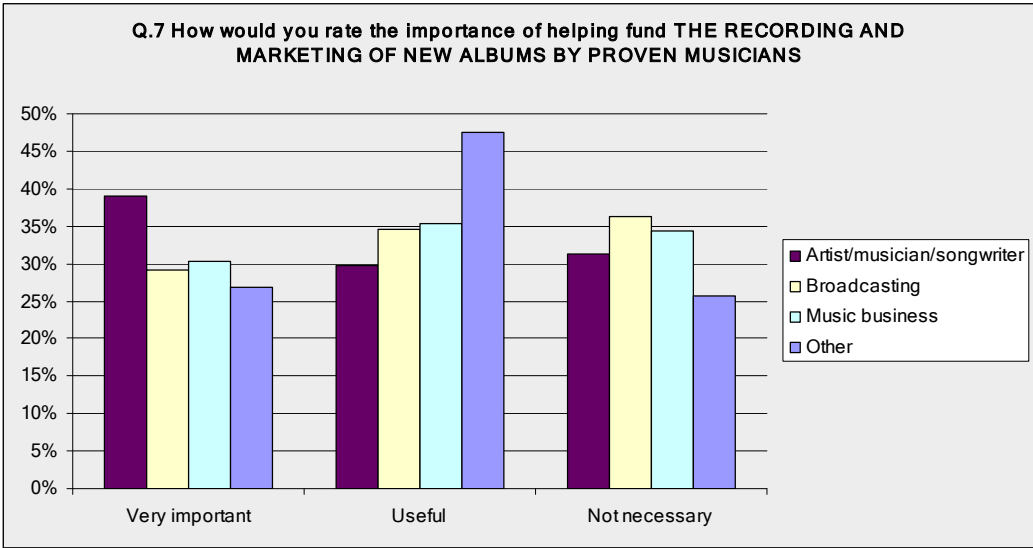
Outlined below are comparisons by occupation of online responses to selected questions broken down into - artist/musician/songwriter; music business; broadcasting business and other. Music journalists/reviewers/writers are not included as the numbers are too small to be meaningful.

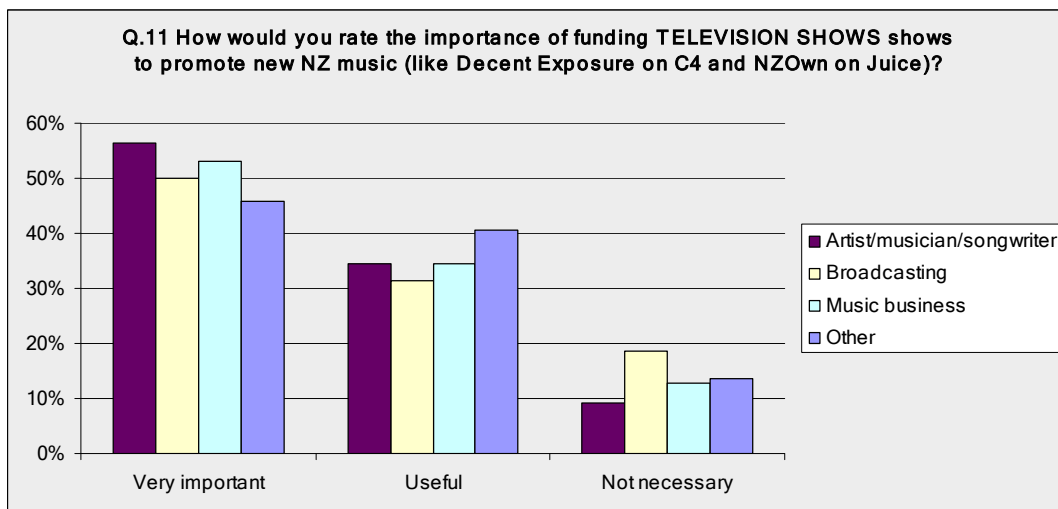
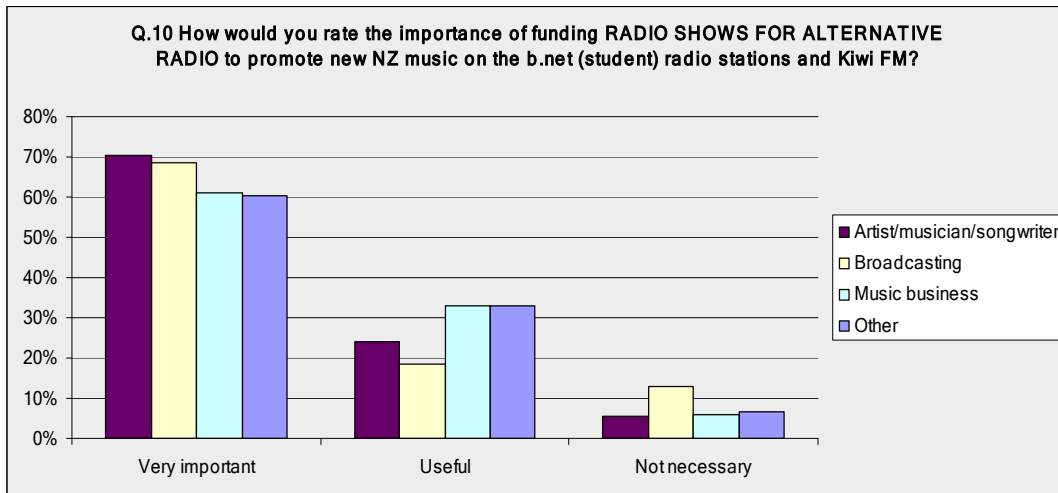
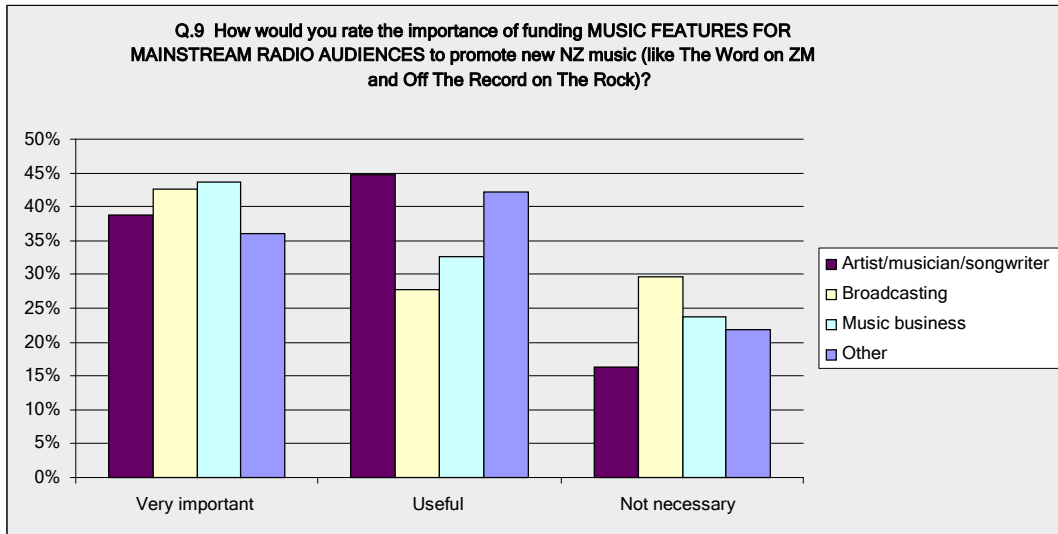
One hundred and eighty-one respondents worked as an artist/musician/songwriter (28%); 99 in the music business (15%); 55 in broadcasting (8%) and 28 as a music journalist/reviewer/writer (4%). Two hundred and eighty nine respondents did not work in the music industry (45%).

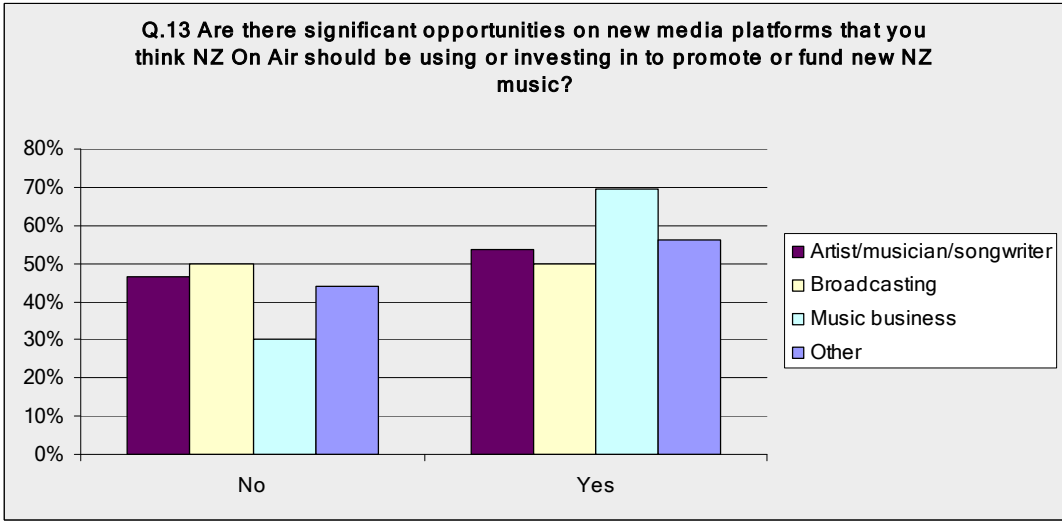
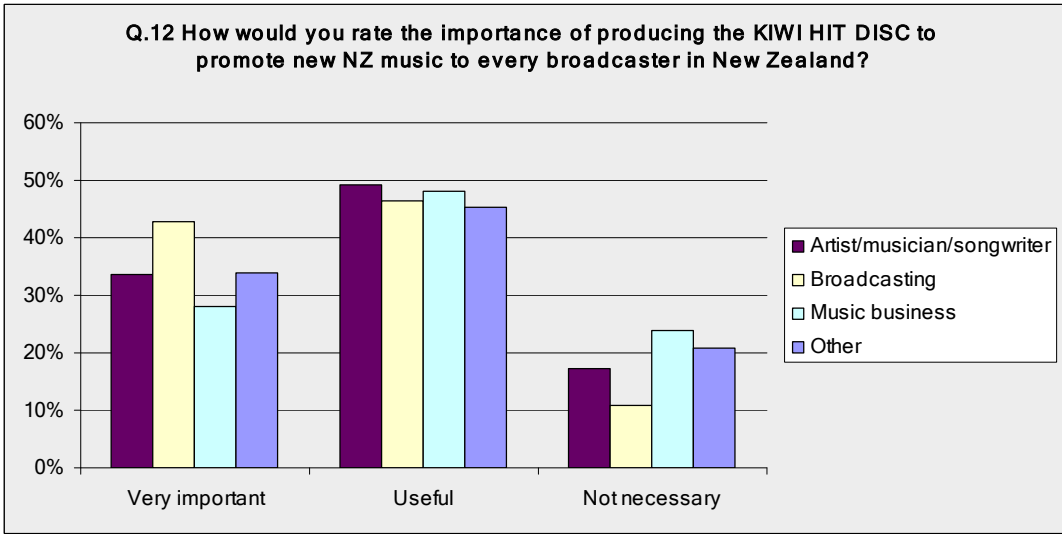










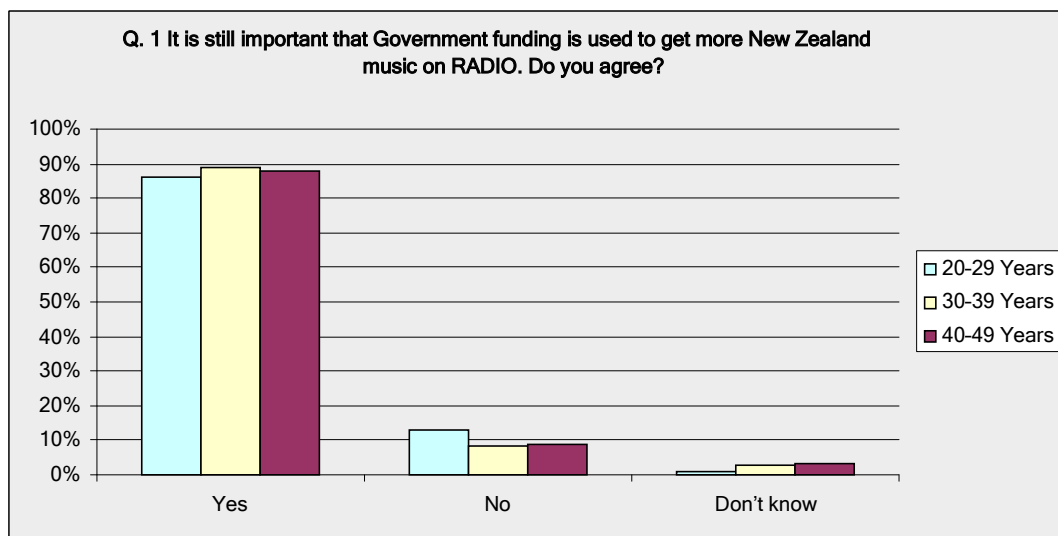


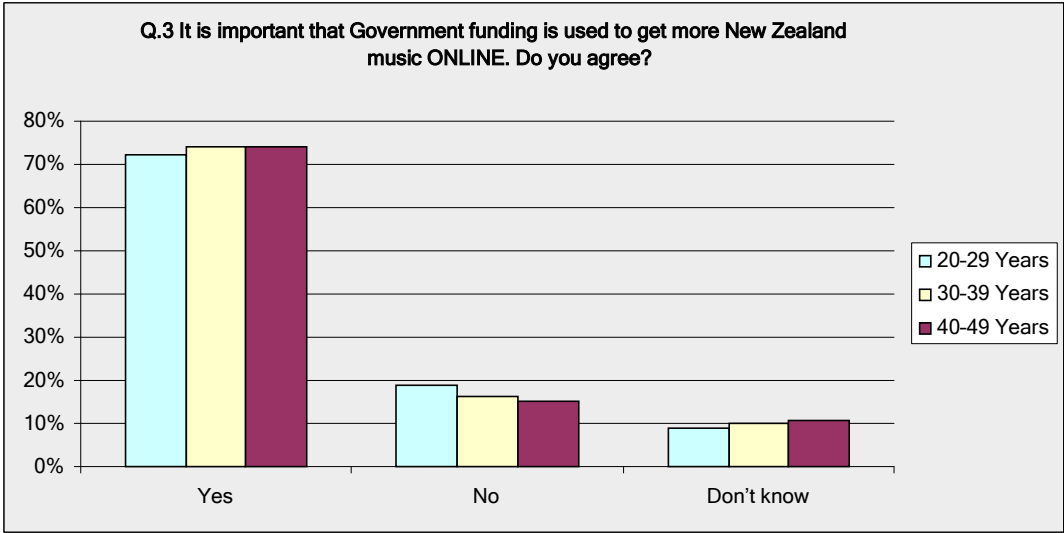
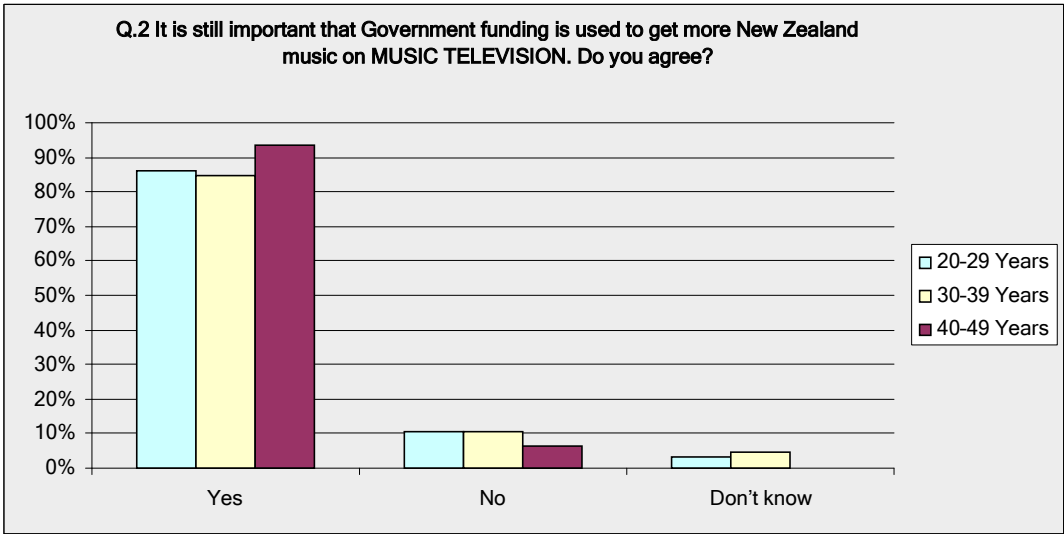
Appendix 4: Responses By Age

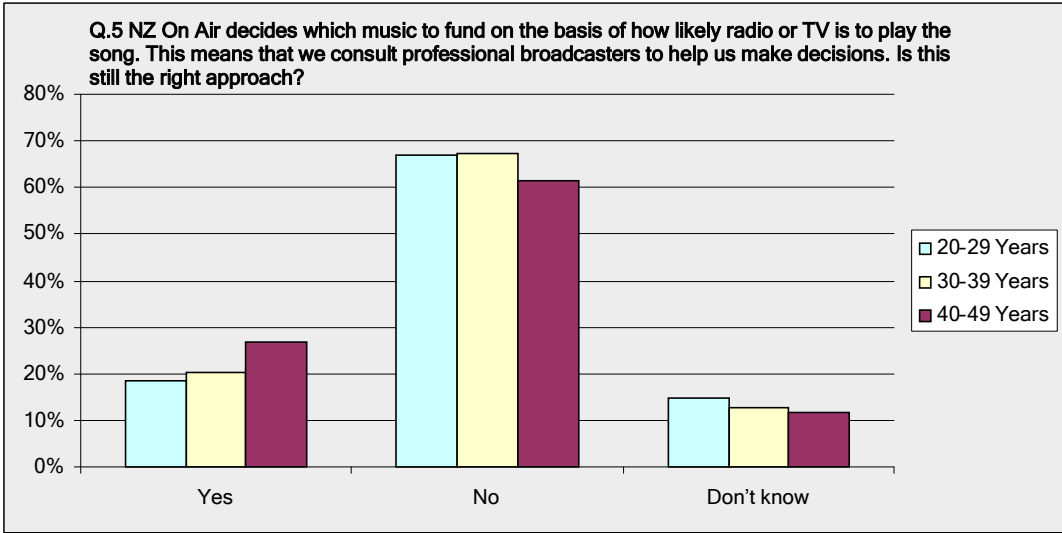
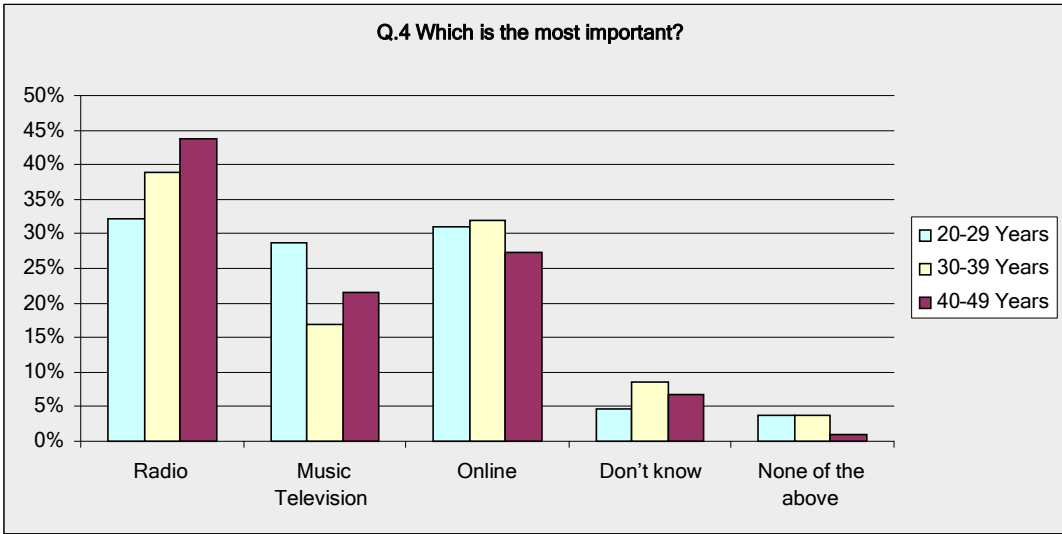
Outlined below are comparisons by ages of online responses. Note that the number of respondents younger than 20 or older than 50 were not sufficient to make statistically reliable comparisons and are not included in the graphs.

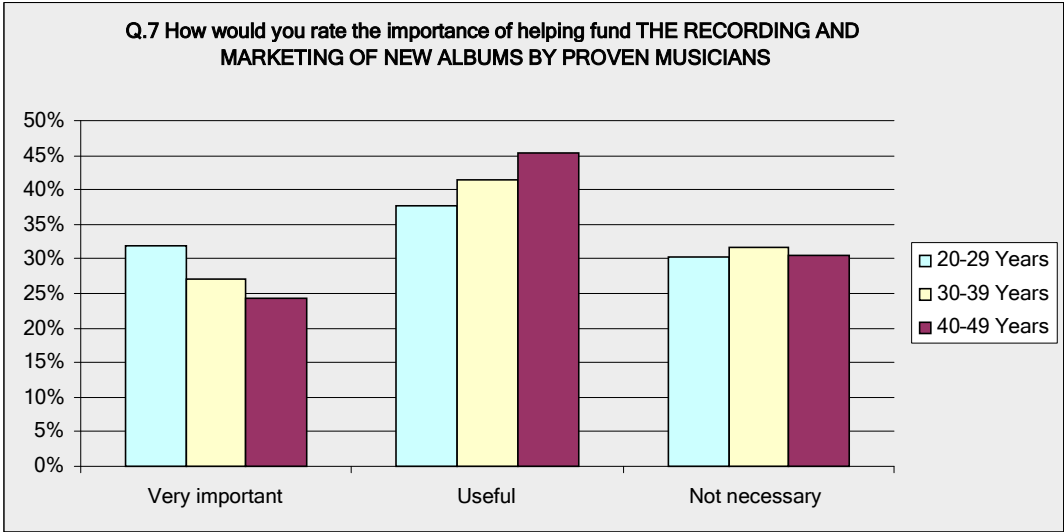
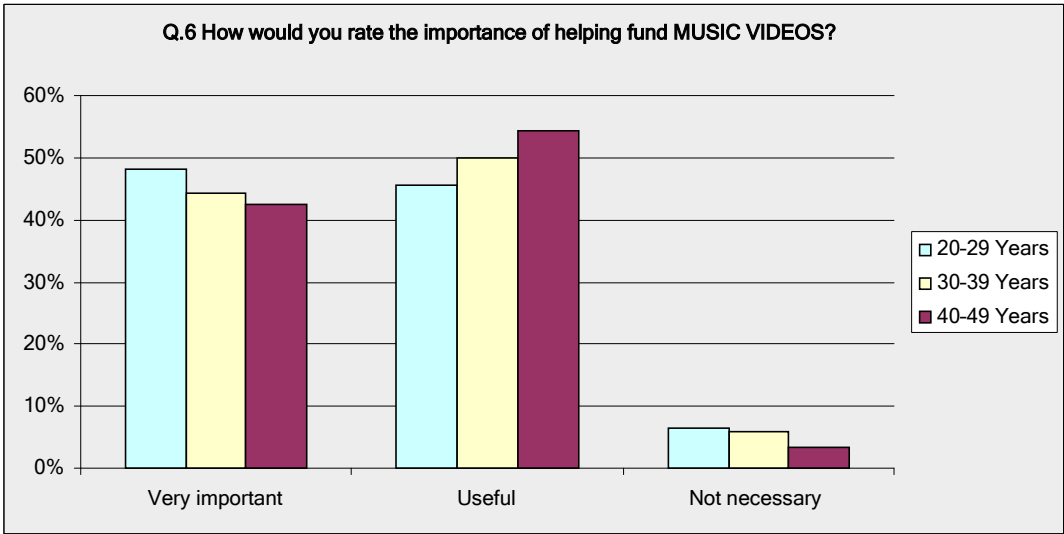
The number of respondents by age were:

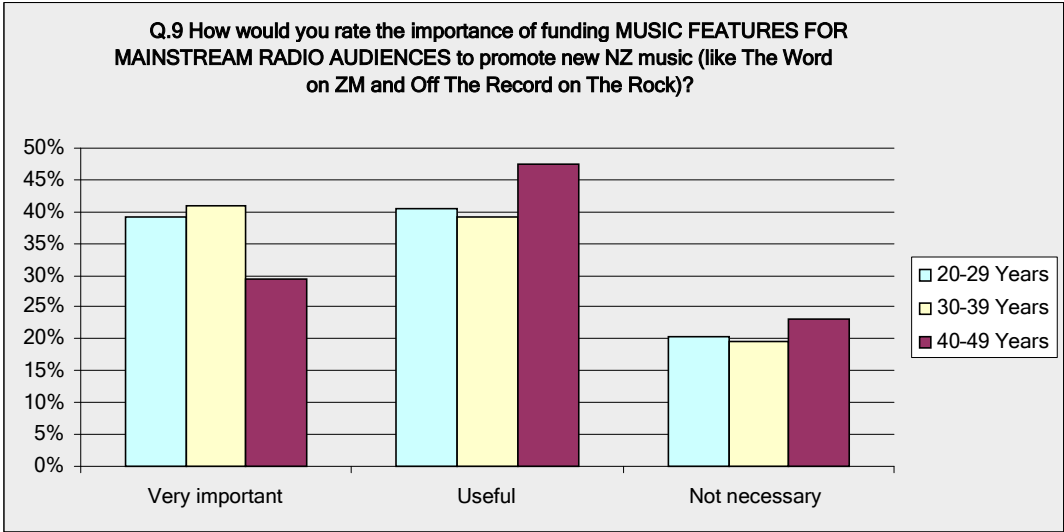
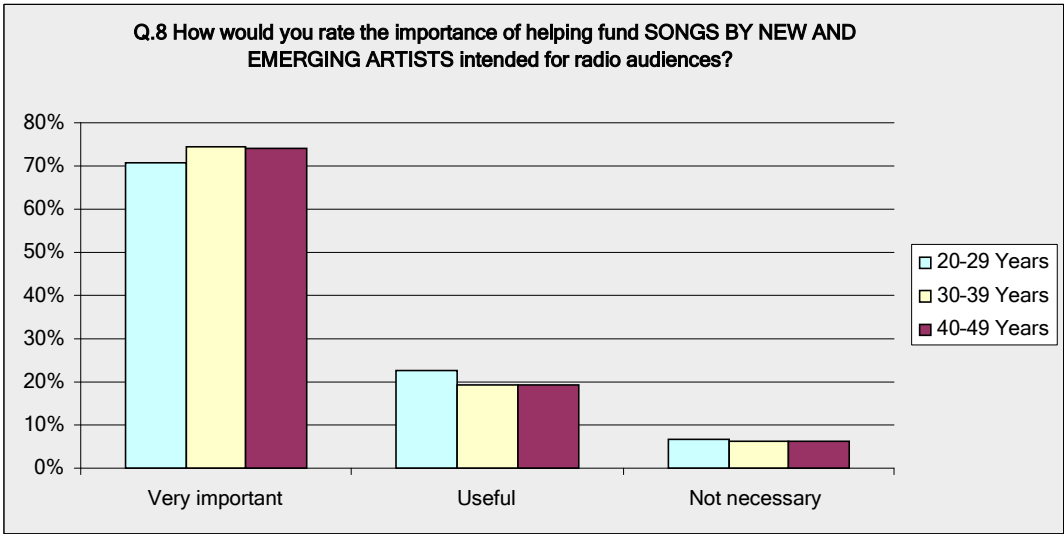
Age	No.
10-19	22
20-29	326
30-39	171
40-49	93
50-59	39
60-69	9
70+	1

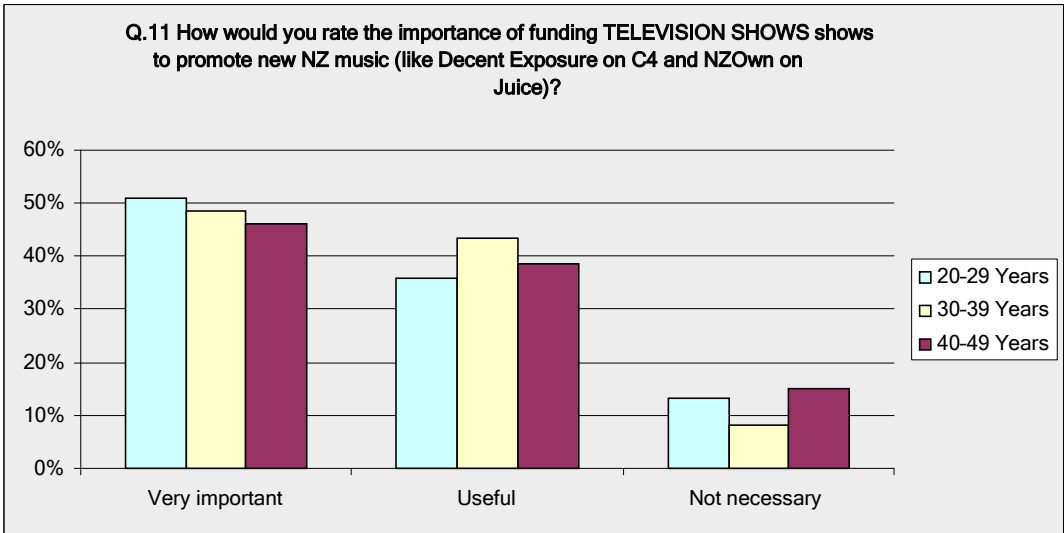
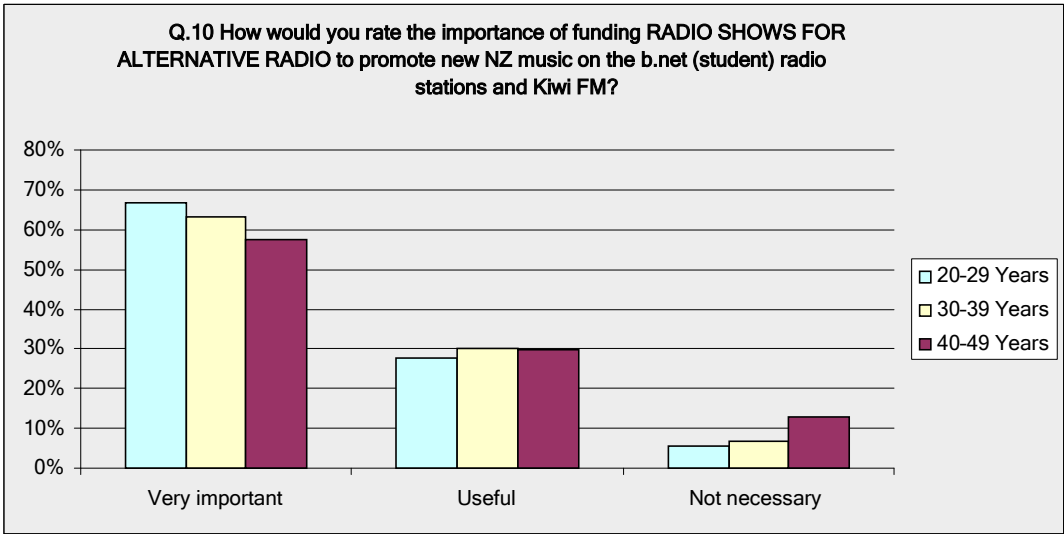


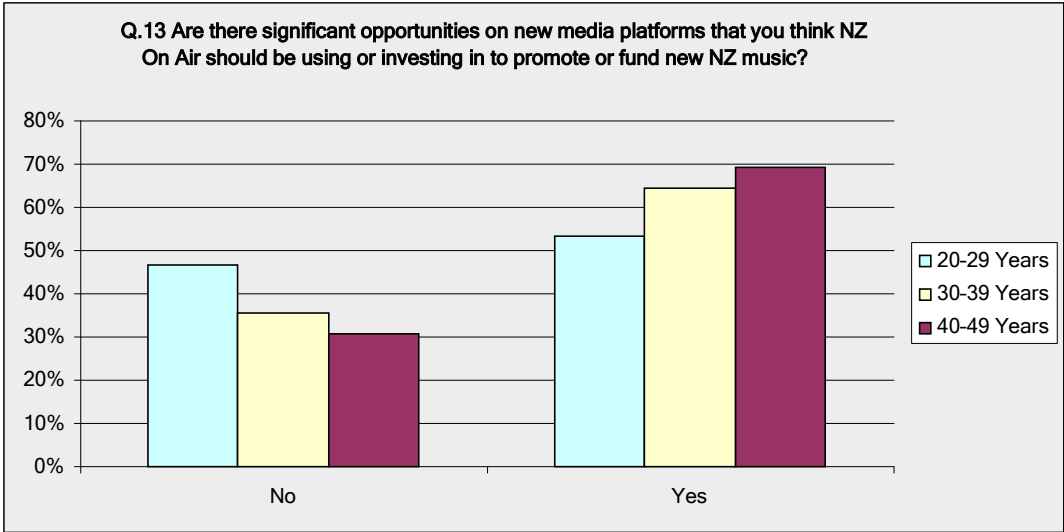
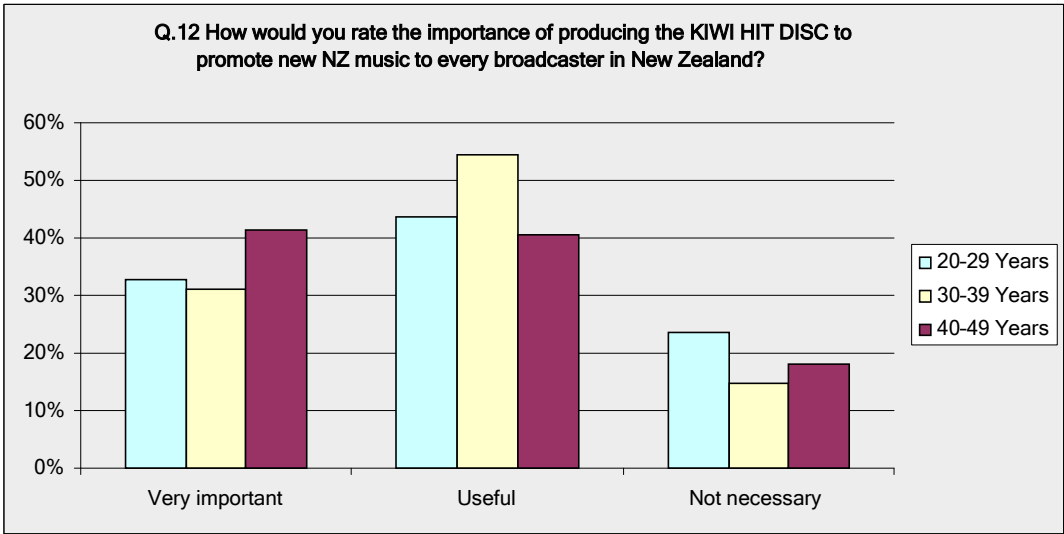










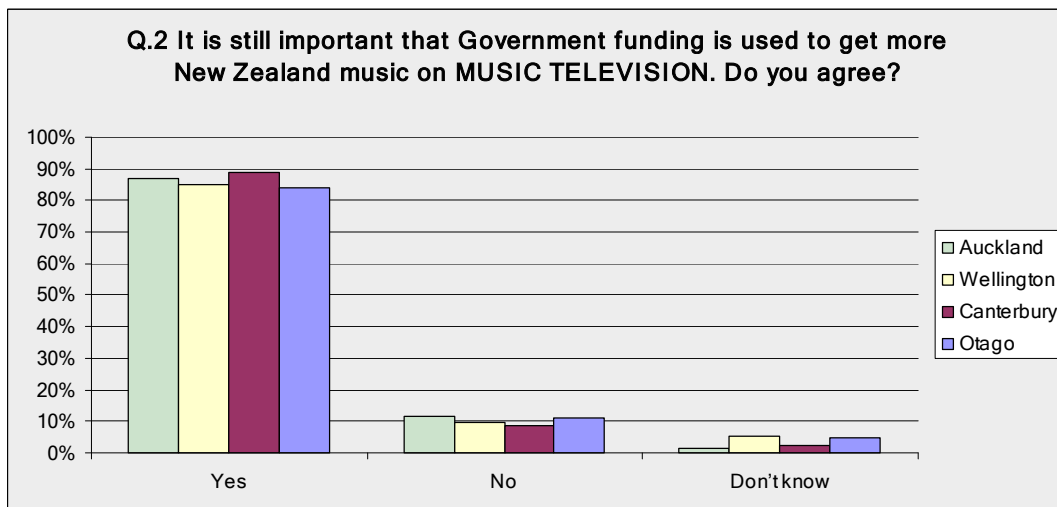
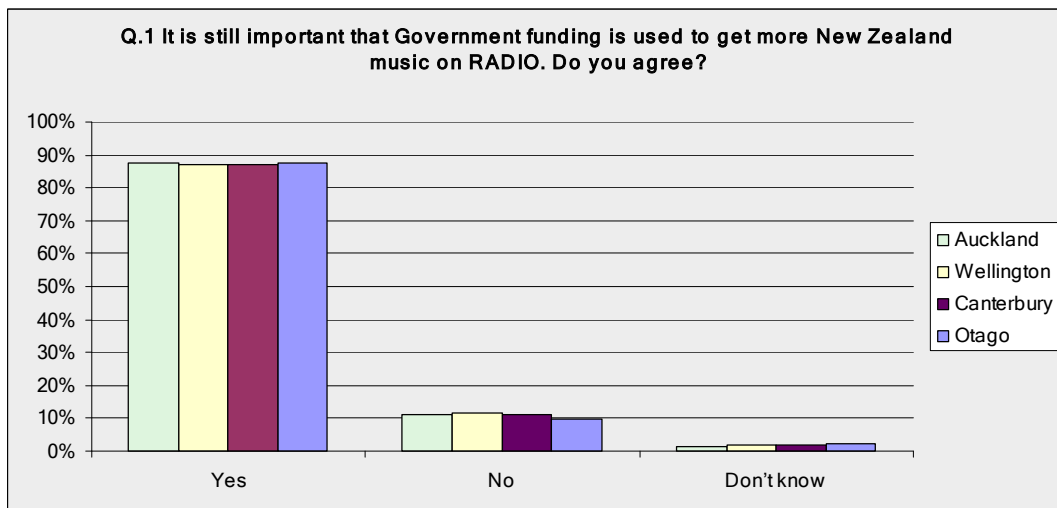


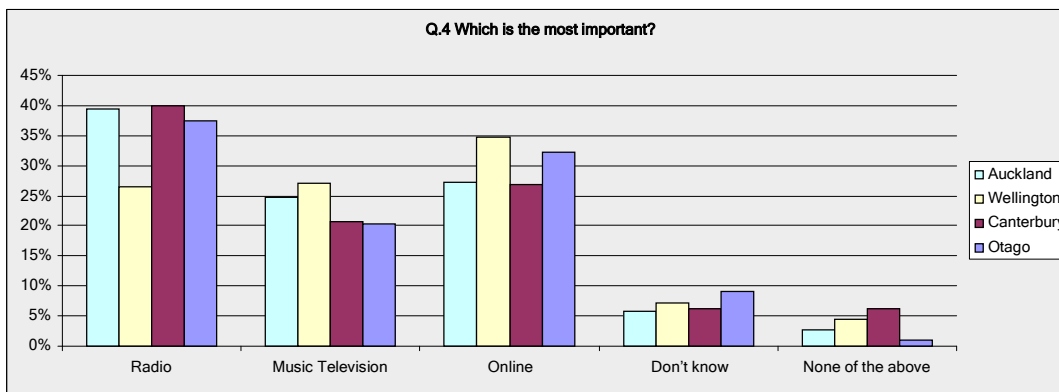
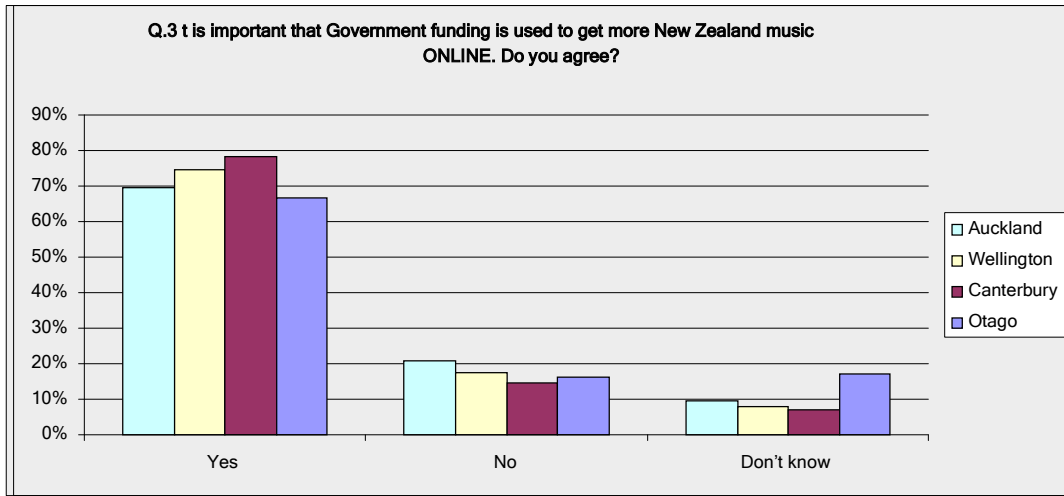
Appendix 5: Comparisons By Location – Auckland, Wellington, Canterbury and Otago

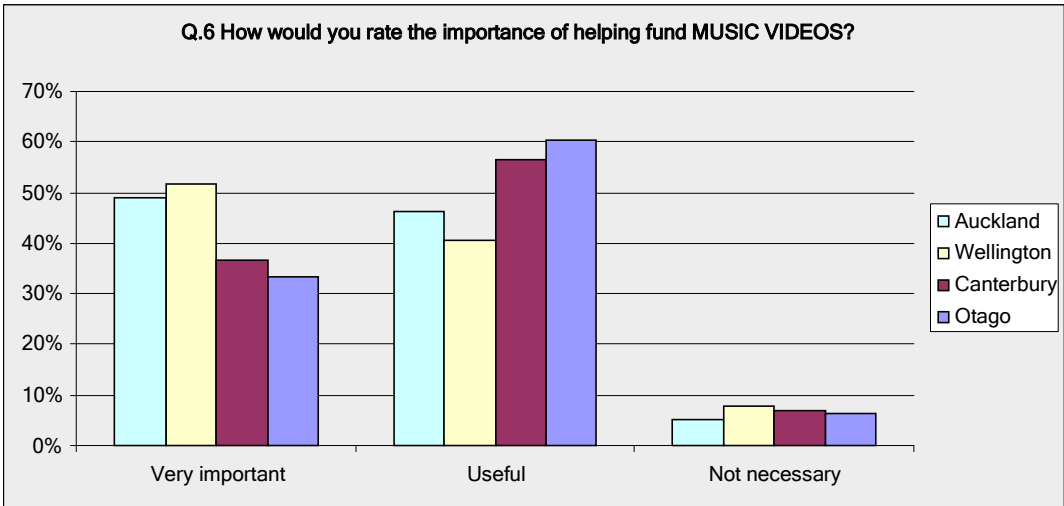
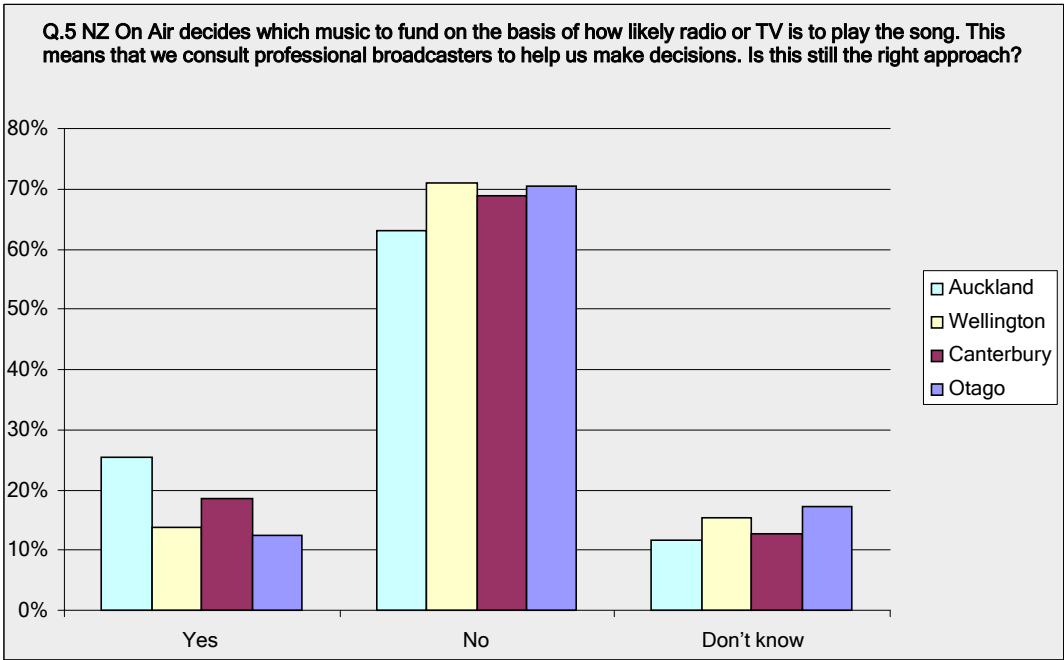
Outlined below are comparisons of online responses by main centre – Auckland, Wellington, Canterbury and Otago. The number of respondents by location were:

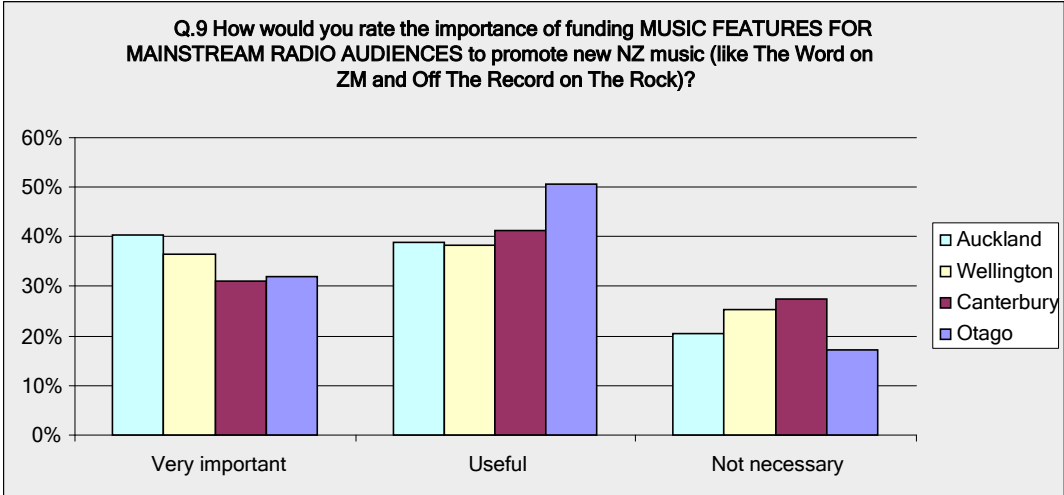
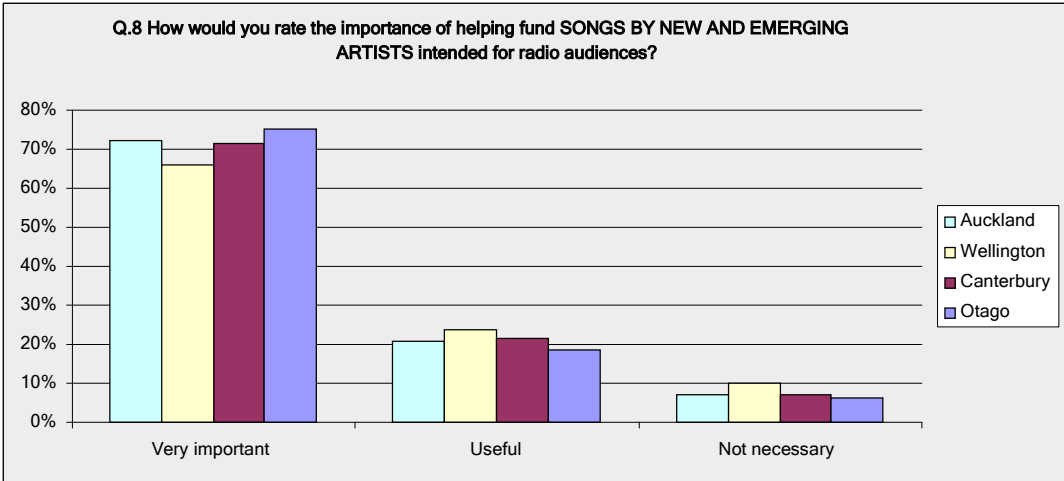
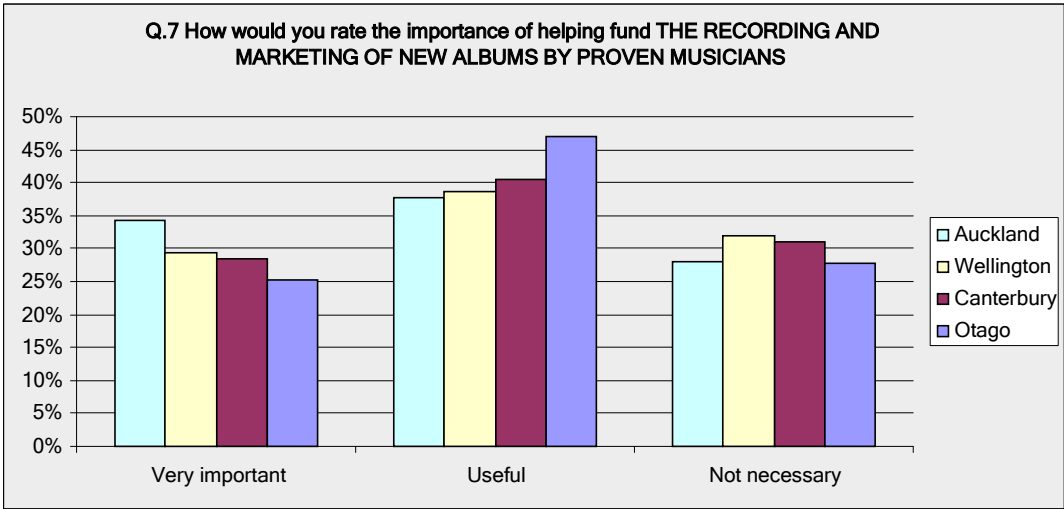
Location	No.	Location	No.
Northland	4	Manawatu-Wanganui	6
Auckland	256	Wellington	113
Waikato	34	Canterbury	109
Bap of Plenty	17	West Coast	5
Hawke’s Bay	9	Otago	80
Taranaki	8	Southland	7

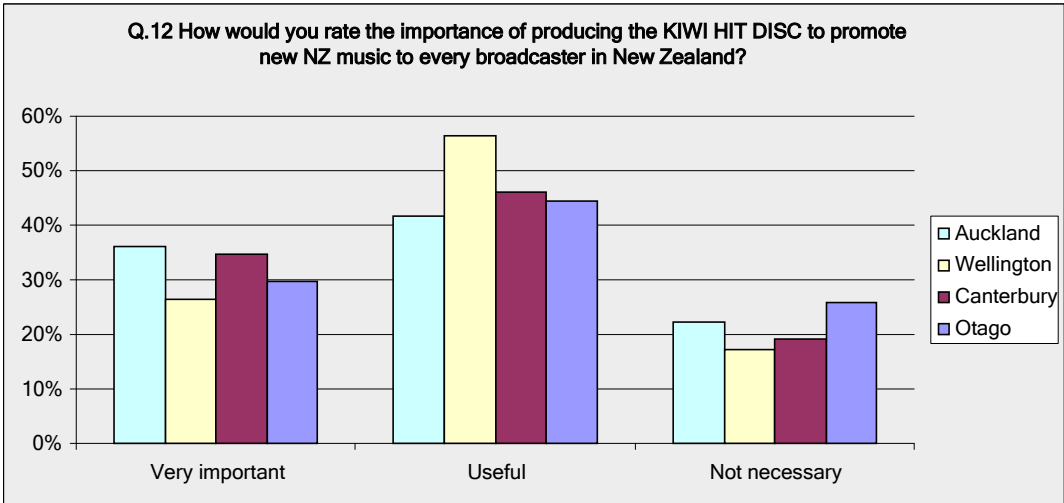
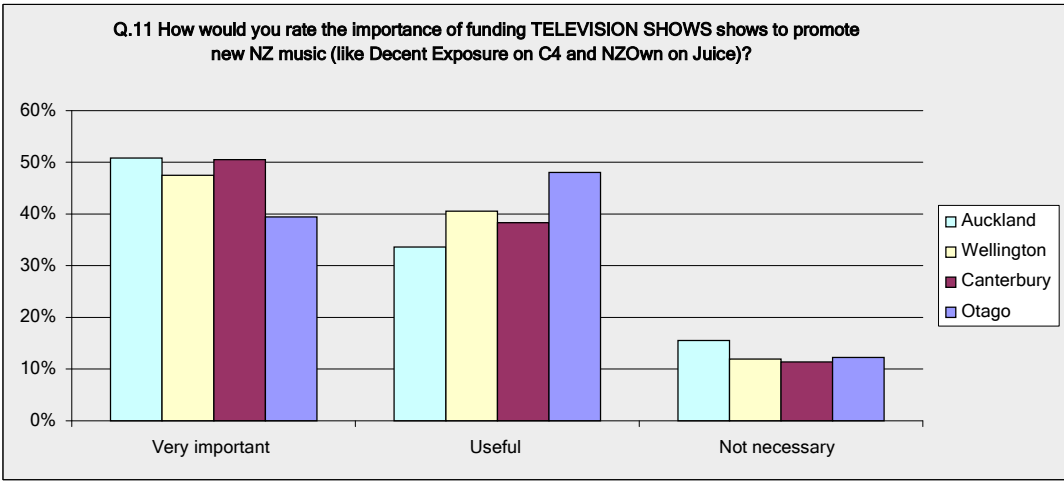
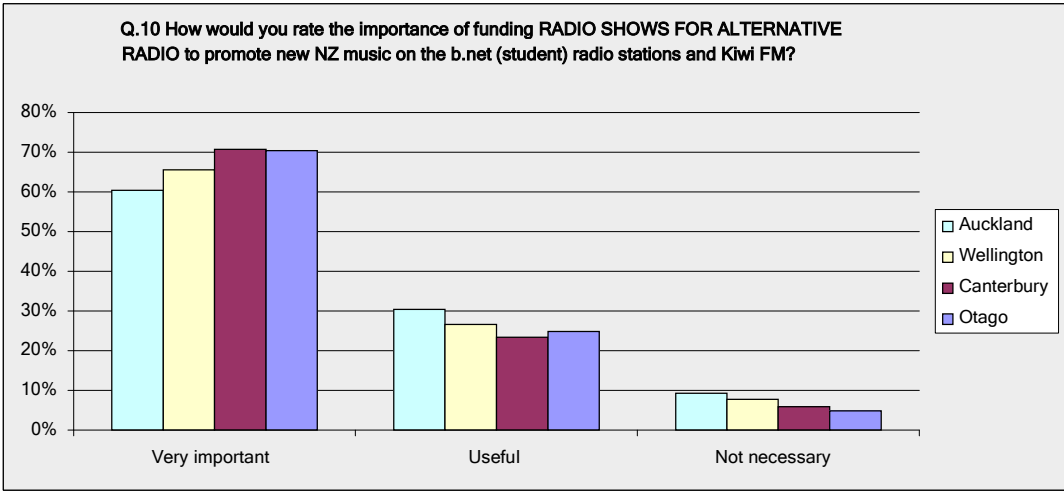
NB: Nelson/Marlborough was inadvertently omitted as an option in the survey.

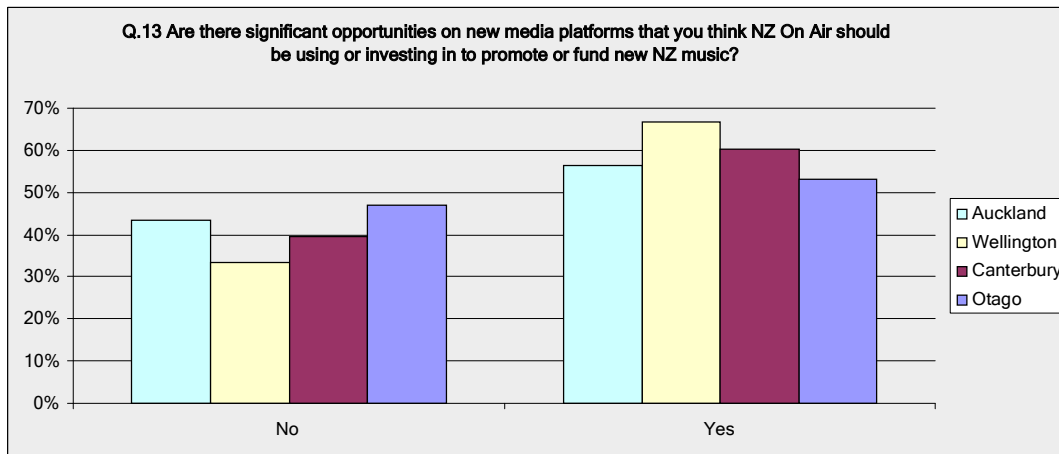












Appendix 6: Comparison By Funding Applicant

Outlined below are comparative responses by funding applicant. The actual number of applicants was: - successfully applied (75), unsuccessful (174) and never applied (420).

