

JOHN O'SHEA MEMORIAL SPEECH

It's my pleasure to speak today.

This annual address is the John O'Shea Memorial Lecture.

I want to take a minute or two to talk about John O'Shea.

He was, as many people know, a pioneer of New Zealand's screen industry. I think my first exposure to his work was in 1959. This was before television had come to New Zealand – it will be a surprise to some of you that there was a time when television did not exist.

1959's big event was the Lion's rugby tour of New Zealand. John O'Shea's company, Pacific Films, would cover the matches at the grounds on Saturday, process at the Film Unit on Saturday night, write and record the commentary on Sunday and by Tuesday/Wednesday the match was screening in cinemas around the country at lunch times for the equivalent of 20 cents admission.

In 1962 I went to see the New Zealand feature *Runaway* and in 1964 *Don't Let It Get You*. I can't say that either of them inspired me to join the film industry, but I was aware that John O'Shea and Pacific Films were the lone voice of a New Zealand film industry.

In the 1970's when I was starting out with Endeavour Productions, I approached John O'Shea to co-produce a documentary series we were planning called *Women In Power*. We lined up world leaders, all women – Indira Gandhi, Imelda Marcos, Margaret Thatcher, Golda Meir and some others – but financing it was difficult and although we made an interesting pilot with Indira Gandhi, the project went no further.

But I learnt several things from John O'Shea.

One was that sheer dogged determination was an essential element of the New Zealand producer's lot.

I also observed how John was available to help people and give advice and support where needed.

And I want to start today by talking about something in this vein.

In the past month, I've been approached on a couple of occasions to assist in raising funds for people in the industry who have become ill. Over the past couple of years, we had quite a number of these requests. For my part, South Pacific Pictures will help where we can, but I've been thinking for some time that as an industry, we need to be much more organized and prepared for these types of requests. When one of our compatriots falls ill, suddenly or gradually, we need to have a mechanism which spares them the indignity and more importantly, the fear that inability to work brings.

I would like to see us all join together to create a Benevolent Fund to cover, or at least assist, anyone who needs financial support.

It would work something like this:

Everyone who works in the industry – crew, actors, producers, directors, writers, post production, etc – would contribute a sum, say \$2 per day for every day they worked. This would accommodate freelancers who don't necessarily work every day.

The funds would be invested by trustees, who do this regularly, and the interest would be available to meet the needs of those who contribute.

A different group, representing the various sectors of the industry, would make allocations as needed, and within the funds made available by the financial trustees.

I would suggest that a number of the larger production companies, and post production houses, and the TV networks all kick it off with donations, and that becomes the core capital.

My view is that the core capital should be about \$500,000. When the industry is running well, there are over 5,000 people working on a daily basis, that is \$10,000 per day, \$50,000 per week. Over the first year the fund should add another \$750,000-\$1 million, and this would continue on into the future. In 5 years time, there could be \$3-4 million generating a return which would provide the underpinning for misfortune that sometimes befalls industry people.

This doesn't remove the need for personal requests where necessary, but it would be a mechanism that can provide instant support, and can diminish the initial fears and concerns of people.

It won't work unless everyone buys into it. It needs technicians, actors, writers, post people, directors, producers.

The management of it should be pan industry, with all the guilds represented. For my part, if the one thing that came out of this weekend was a commitment to initiate this, I'd feel that the SPADA conference had been the most beneficial event this year.

So having sown that seed, I will address the main purpose of this speech.

I learned from John O'Shea a healthy and highly developed sense of irreverence and scepticism for the bureaucratic entities which controlled so much of the industry.

John had a stutter which he would use to dramatic effect as he fulminated about those b.b.b.bastards in t.t.television or the F.F.F.Film Unit or the T.T.Tax Department. Of course at that time the F.F.Film Unit was owned by the Government, not Peter Jackson.

So, I would like to speak today in the spirit of John O'Shea and his irreverence and scepticism of those who shape our world.

Where to start?

And who to start with?

It's all very tempting, and there are so many targets, that I could speak for a week, but given the time constraints and the events of the past weeks, I will concentrate on the big one, the one whose performance and presence affects all of us – Television New Zealand.

For the past weeks the papers, TV screens, radios and magazines have been full of the shenanigans at TVNZ.

What may have escaped most of you, is that much of this has been covered in the entertainment pages and the news pages.

Hardly any of it has been covered in the business press.

And yet TVNZ is supposed to be a business – the 55th biggest in the country in terms of revenue last year and its governance is as a Crown Owned Corporation.

But its owner, the Crown, through the Government of the day, doesn't treat it like a business.

What I want to talk about, is the dysfunctional ownership and governance structure of TVNZ, the impact that has on those who govern it, and those who manage it, the media who interact with it and report on it, the public who view it, and the independent production industry who depend on it for a good part of their income.

Let me start by saying that one can't just blame the current Government for the mess.

Yes, they should take some blame – certainly some responsibility – but their actions and reactions are formed by a structure which they didn't devise.

Nor can one lay all the blame at the door of the recently departed CEO, or the Head of News, or the Chairman or the Board. Like the owner, the Government, they are all trapped in models which **can't** succeed in today's climate.

This month's headlines may focus on Ian Fraser and Craig Boyce, but think back for a moment – Norman Geary, Roseanne Meo, Chris Anderson, Ross Armstrong. For the past 10-12 years, we've had a company where Board and Management have distinguished themselves by their mediocrity, and in some cases, their plain incompetence.

There have been some real successes – Hugh Rennie and Brian Corban as Chairmen, Julian Mounter, Brent Harman and Rick Ellis as CEO's, but their efforts and often their legacies, are eroded and discarded by the continuing procession of inadequate appointees.

Let's look at the media landscape in New Zealand today and the influences that dominate it.

Firstly, it's a global business - news and current affairs appear in our homes, offices, cars within minutes of their occurrence.

They are reported by multiple sources and analysed by even more.

They are delivered by print, radio, internet, television and cell phone. No one medium has the dominance in reporting or analysis.

It is true that over the past 70 years, print then radio then television, each had a period of dominance, but today they all compete and none of them has the upper hand.

The same is true of sport, entertainment, documentary, children's programming, movies and so on. They are all globally influenced – not in a negative way – but in their delivery systems and in their trends and influences. Free to air television is just one of the mediums that deliver these programmes to us. It's obvious to a New Zealand audience that sport, movies and documentaries are not dominated by FTA Television.

It's fairly obvious that when we want information we don't wait for a 6pm or a 10.30pm slot on TV1 to find out about a subject.

So the range of providers and deliverers is wide and ever increasing. To run TVNZ at its optimum you must know about all these, and make your plans with the whole landscape in mind.

Secondly, let's look at the ownership of the competition in New Zealand:

- In television it's Sky, TV3, Prime, that is Murdoch, CanWest and currently Packer, although that may change shortly
- In print it's O'Reilly, Fairfax
- In radio it's O'Reilly, CanWest
- In internet it's Google, Yahoo and so on.

What distinguishes those operators from TVNZ? It's not just the fact they are overseas owned. The key thing is that they are media companies, who know what their goals are, who make long term plans to achieve them, who

can understand and interpret the landscape and whose boards in turn appoint Chief Executives who can implement those plans.

Contrast that with TVNZ.

The owner, that is the Government, changes its own philosophy on a frequent but irregular basis. Since 1985, it's had 3 entirely different philosophies about what TVNZ should be. In that time there have been at least 6 Ministers of Broadcasting, a number of whom have been allowed to let their own personal views influence the direction, style and content of the organization. And in so doing they've mostly diminished the value of the asset, and left it without the ability to plan long term, and meet the new competition, on either the technology or content fronts.

Over the years, these Ministers have appointed the Boards of TVNZ. Not for their knowledge of the media, not for their understanding of the new technology and its impact, not for their understanding of the advertising market and not for their experience in covering or managing organizations with 1500+ employees scattered across the country and not for their ability to direct a complex business faced with competition on every front.

No, the first criteria is usually determined by political acceptability to the Government of the day. So at least half the competent people are immediately out of contention.

Given Government ownership, and the consequent desire to broaden representation and skills, the Boards are selected with gender, geography, ethnicity in mind. Is this the best way to choose the Board of Directors of a company who fights for its share of the patch on a daily basis?

Calling it the Public Broadcaster doesn't diminish the need to generate \$1.2 million per day and find programming that meets audience needs and wants. And having selected the "great and the good" to sit on this Board, they are proscribed from "interfering" in the company's day to day management.

The terms of their appointment are set out by the Crown Company Monitoring and Advisory Unit – CCMAU - whose experience is theoretical, not practical.

Writing in the New Zealand Herald last week, Fran O'Sullivan described the Government rules as a "Significant encroachment on the independence that State boards had previously enjoyed".

The suspicion with which Government and bureaucrats view "business" results in appointments that are seen to be free of conflict.

This is a small county. Restrict yourself to the doctrinaire approach of "no conflict" - perceived or actual – and what do you finish up with? Board appointments of people who know little of the media, or little about business.

And then there's the dynamic of this ill assorted group trying to work together. Strong, independent directors are important in any company, but where the mix includes a majority of well meaning but not particularly knowledgeable people, informed debate just doesn't take place.

I've spoken to directors who have had knowledge of certain areas and they tell me that if they wish to pursue a line of inquiry on any issue, they are often shut down by the group dynamic that occurs when the rest of the Board, and particularly the Chairman, can't enter the debate and very quickly loses interest and moves on to another topic.

Can any Government of the past 18 years tell me which Chairman knew anything about transmission or signal delivery?

So how could they debate about Sky's growth and threat? I know of a couple of Chairmen who refused to talk about anything technological.

Over the past 20 years I've met most of the TVNZ directors. If there's one thing I hear year in, year out from these people it's - "it took me 3 years to understand anything and now my time is up".

How efficacious can they be as Board Members? How can they argue for Public Service broadcasting when they don't comprehend the financial/ technological/content drivers of the business?

In the audience today are many producers who run their own companies. Ask yourselves if you would appoint a selection of good, honest, but ill-informed people to run your business.

I need to stress, I'm not criticising the individual Board members here – I'm criticizing the system that selects and appoints them, and then casts them aside when a Government changes, or when new favours need to be repaid, or just because they've "had a turn".

And here's another thing that ought to be obvious to everyone:

Boards come and go, Chairmen come and go, and Chief Executives come and go, but every day the staff at TVNZ know they have to fill a range of functions – sell ads, schedule them, buy programmes, commission programmes, ensure they are delivered and scheduled, keep the signal transmitting and so on and so on. Without this there is no station. So when new Ministers, Boards, chairs and CEO's arrive with half-baked ideas, the staff – most of whom have seen it all at least 3 if not 4 or 5 times before – just get on with their jobs.

You will remember when the Charter was introduced, and it seemed that not all the staff rushed to embrace it. They were referred to as "truculent".

I wonder how much was "truculence" and how much was the simple realization that just doing their everyday job was critical enough to keep the doors open 24 hours a day.

The Board, governed by its bureaucratic masters, restricted from interfacing with the operations, lacking in knowledge of its core business, is always going to be at a disadvantage. Management with both continuity and knowledge can out manoeuvre it. And unfortunately that's never been clearer than in the last few weeks.

But think back again over the past 15 years, and think of some of the decisions TVNZ Boards have made, and what they've cost the company and the country.

Many of you may not be aware that in 1990 TVNZ owned 35% of SkyTV. By 1997 that was down below 17½% and by 1999 they had sold out completely.

Can you imagine TVNZ's strength today if it still owned 35% of Sky?

We would probably have a number of free digital channels carrying every conceivable kind of public service programming.

We may have been able to influence the carriage of major sporting events.

The company would have had a long term revenue base, isolated from the vagaries of the advertising market.

The list of possible benefits goes on and on.

TVNZ paid well under \$50 million for its original stake in Sky, and got back under \$150 million from the various sales.

In plain economic terms, 35% of Sky is worth about \$850 million today.

So on almost any front you want to contemplate, selling Sky TV hardly looks like the actions of a clever, well informed, media savvy board.

In fact, the 2 Chairs responsible for this short sighted decision – Norman Geary and Roseanne Meo – were supposed to be smart business people. That's why they were appointed – that and their relationship to the Government of the day.

But neither of them knew anything about the media or television and the environment they were thrust into.

And there was another factor which was paramount in these actions. Both Geary and Meo knew that their appointments were only for 3 years at a time. How or why, were they going to take a longer time frame into their decisions?

And to further compound the error, when TVNZ under Meo sold 46 million shares in Sky in June 1999, it accepted \$2.75 per share, when there was an alternative offer of \$2.90 on the table, and a month later the price was \$3.19, nearly 20% higher.

The deal was strange enough for the Stock Exchange Surveillance Panel to ask for an explanation.

And having received \$103.5 million for the shares, what did the National Government - the then owner – do? It took \$70 million as a special dividend.

Of course the Government's advice comes mostly from the same people in Treasury or CCMAU regardless of who is in power. Have these civil servants indicated an ability to understand this company and its business?

The TVNZ Boards also have another important function and that is the appointment of the Chief Executive.

I don't want to focus on individuals – the press has done plenty of this in the last few weeks – but I will take this opportunity to give some advice to this, and the new Board, and the Government.

I've been doing business with the NZBC, BCNZ, TVOne, South Pacific TV (TV2) and TVNZ for over 30 years. I've been patronized by a few Chairmen who have disappeared, leaving only destruction and I've enjoyed relations with 2 other clever, capable chairs.

I've enjoyed interchange with 3 CEOs and watched others treat the company, it's clients, producers and audiences with disdain, and I've watched some CEO's destroy morale and value.

So I reckon I've got some experience to pass on.

Here are some recruitment pointers for anyone who is contemplating applying for the CEO's job:

1. If your work experience is limited to an organization that gets a cheque once a year from the Government – don't apply.
2. If your experience of employing people is limited to being able to see your whole staff when you step out of your office – don't apply.
3. If you can't prove by your track record that you can get the best out of big egos and suppress your own – don't apply.

4. If you haven't lead a large and diverse organization spread across a number of buildings in a number of cities – don't apply.
5. If you can't read a balance sheet, understand currency hedging, complex financial transactions and the dead weight of inventory – don't apply.
6. If you don't understand that every ad you don't sell today, can never be sold – don't apply.
7. If you don't understand that programmes you bought 23 months ago, and only played once, will bite you in the bum if you didn't write them off at the time – don't apply.
8. If you don't understand how the new Sky recorder, or video iPod sales and downloads, or blogs, or web casting will impact on audiences, revenue, programme acquisitions and commissions – don't apply.
9. If you don't understand the power of local New Zealand programming, and the need to nurture and encourage a local independent production industry – don't apply.
10. If you don't watch Maori TV, to see the latest in innovation and the new talent of the future – don't apply.
11. If you don't understand New Zealand employment law – don't apply.
12. If you don't understand the relationship between a Board and Management – don't apply.
13. If you don't know how to grow succession – don't apply.
14. if you haven't lead an organization that operates in a highly competitive environment – don't apply.
15. If you **do** understand and can **prove** that you understand all those things – not some, but all - and quite a few more, then you might be able to work out how to provide strong public service programming to New Zealand audiences.

My list here is not complete – I'm happy to consult to anyone who wants the full list, but there are three more things I'd say to the Board and its recruiters:

1. Please do proper reference checks. Ask all of the candidate's previous employers for references – not just the ones you think will tell you what the candidate wants you to hear. Does that sound elementary? It might, but I can categorically assure you that TVNZ has hired senior management without checking on their complete history.
2. The choice shouldn't be about a relationship with a politician. It's a business and you need to pick the best person.
3. And how about this: If you don't think the candidate could do Brent Impey's job, why offer them a bigger job at TVNZ?

Look, if the key criteria for the CEO is affinity to an ephemeral politician, the owner is failing to do the best for the business and its public.

Read any list of potential candidates being suggested by the print media and you'll find at least one candidate with the qualification "considered out of favour with the Government".

Run that by me again... I thought the organization was independent? I thought the Board got to choose the CEO? What's the point of having a Board if the Government is going to choose the CEO? I don't know what the reality of the Government pressure is, but all the print media seem to think the decision isn't made independently.

Here's another thing that I think is a real indictment on the process. In the past 20 years, only Brent Harman was appointed to the CEO's position from within the organisation.

Surely it's the sign of a strong organization, and a strong Board, and a wise owner, if it grows its own succession?

Why is it necessary to begin a worldwide search every time a vacancy occurs? What happened to the people inside who understand most of the issues without having to get up to speed?

In most good organisations, Boards keep a keen eye on 2nd level executives, and think about who will be the next leader. If your Board appointment is only for 3 years, what part can you play in growing successors? If the CEO is a short term external appointment, why do they care who follows them and in this business 3 years is a very short term.

Now the current Government has a view about what it wants the Public Broadcaster to do.

In 2003 the Government wrote a paper called "Broadcasting in New Zealand – a 2003 Stock Take". It set out the recent history of broadcasting since the late 1980's, provided a current context, and set out principles for public and private broadcasters.

Now I'm a believer in the Government having a role in the Communications arena and as I'll explain later, I think there are some very simple and efficient ways to do it. But I don't see clarity in our systems when the Government **owns** the broadcaster.

Let's take the switch from analogue to digital.

This isn't an easy task in any country, but in New Zealand, the Government knows that the costs associated with this will have a big impact on its **own** asset.

The transmission network could manage the switch pretty much now, but another arm of Government has been set up to investigate whether it's feasible.

So the people who are ready and capable of switching, have to wait until the Government does its review to work out that, yes, we will have to switch, and we're now going to tell those companies how to do what they already know.

And of course, the impact on TNVZ's balance sheet is a key driver in the decision process.

In the 2003 Government Broadcasting paper, there are 4 principles for public broadcasters:

1. Universality
2. Diversity
3. Independence/autonomy
4. Quality

Universality is described as:

Public broadcasting must be both technically receivable and socially/culturally accessible to all citizens. It addresses the entire population and seeks to be "used" by as many people as possible. This does not imply the maximisation of ratings on a commercial model, but popularity in the sense that it provides a public forum for everyone in reflecting and catering for the full range of social and cultural interests. Public broadcasting should have universal appeal, and should provide programming across a wide range of genres to meet a wide range of needs (e.g. to "educate, inform, entertain").

Diversity is described as:

Diversity and universality are complementary principles. In terms of the genres of programmes offered, the audiences targeted, and the subjects discussed, public broadcasting should reflect the diversity of public interests, and address the whole public through the range and diversity of programmes and of the subjects addressed.

Independence/Autonomy are described as:

Public broadcasting should provide a credible forum where ideas are expressed freely, and where information is available, where debate occurs, and where quality is valued and creativity fostered. This is most likely to be achieved where public broadcasters are not dominated by commercial pressures or subject to political influence, and where they are enabled to act in the public interest.

Quality is described as:

Public broadcasting strives for efficiency as demonstrated by provision of quality services in terms of individual programmes, channel schedules, and the total range of services offered by public broadcasters rather than efficiency understood simply in terms of commercial considerations. Delivery of quality services to an audience, as distinct from delivery of an audience to a broadcaster, may require the independence of public broadcasting institutions from commercial imperatives.

The argument for public broadcasting institutions that this paper makes is that they can best embody the principles of universality, diversity, quality, and independence and thereby protect and promote the capability for, and functioning of, core values, such as democracy and cultural identity, in ways which private/commercial broadcasters are unable or unlikely to provide.

However, the paper doesn't prove these assumptions at all. It is loaded with suppositions and the words "may" and "could" preface very claim.

I am going to argue that all of these principles for a Public Broadcaster can be addressed as principles of **Public Broadcasting** and I'm going to suggest that **Public Broadcasting** is entirely feasible with Private ownership.

Universality – well I think all broadcasters – public and private – want technically receivable access to all citizens.

I also suspect that in these times of competing media they would like to be "used" by as many people as possible.

And if you'll bear with me, I'll show how to cater for a full range of social and cultural interests across the whole spectrum.

The Government paper defines public broadcasting as having universal appeal and capable of providing programming across a wide range of genres in order to "educate, inform and entertain".

A month or so ago, just before the election, I was at the launch of the International Documentary Festival. The Prime Minister took time out of what must have been an incredibly hectic schedule to open the conference.

Relaxing for a moment amongst a friendly audience, she spoke of her interest in screen documentaries.

She reflected that she didn't get much time to watch TV, but when she did, she enjoyed and appreciated the documentaries on the History Channel, Discovery, BBC and National Geographic.

Now I agree with her, but it is interesting that her information, entertainment and education is coming from a private provider not the Public Broadcaster.

Diversity – yes, public broadcasting should reflect diversity of public issues, but currently it's impossible to meet a range with 2 FTA channels. Once again, diversity and range can, and does, come from a range of niche channels – channels which specialise and brand themselves. They can't be met from an FTA schedule alone. It also comes from web casting which provides the most topic selective, and universally available information of any medium.

Independence/autonomy – Now it's sad to say, but I don't believe Government ownership with all the shortcomings I outlined earlier about governance, does provide independence and autonomy.

If TVNZ was telling staff prior to the election that it couldn't close employment contracts until after the election, is this autonomy and independence?

If TVNZ told some people it wouldn't play certain programmes until after the election was that autonomy and independence?

If Board personnel or Chief Executives need approval from on high is that independence or autonomy?

Let me be clear – I'm not suggesting for a moment that the Government gave them instructions or even knew about these things. But the fact that the Board or the management **thought** there might be a problem, doesn't give confidence to the notion of independence.

I'd like to think that the Board were entirely misguided in their understanding of this position, but what does it tell us about their perception of their appointment and their lack of understanding of the medium?

I'd venture to suggest that private ownership in multiple forms is a very capable advocate of independence and autonomy in a democracy like New Zealand.

Quality – The paper suggests delivery of quality services **to** an audience as distinct from delivery **of** an audience, is more likely to be the domain of a Public Broadcaster. I don't think there is any evidence of that in our current system.

TV3, Prime and Sky all know that a quality service will attract an audience and I think that TV3 and now Prime have both shown a desire to reach for a quality service. And of course, as long as TVNZ's revenue is ad driven and it plays hardball by acquiring programming way beyond its broadcasting capability and then counter programmes against New Zealand or quality programmes on TV3 and Prime, then this argument is a little hard to sustain.

Again, I'm not criticising TVNZ for acting in an entirely commercial manner, but I am trying to highlight the impossibility of requiring it to meet lofty ideals while both allowing and encouraging it to act in the most commercial manner in its dealings with competition.

The Government's paper postulates ideals but provides no definitive evidence in reaching its conclusions.

Now let's look closer at the Charter.

I don't think it's any secret that I've been a sceptic of Charter since Marian Hobbs appeared at a SPADA conference and talked about the desirability of local brass bands on our State broadcaster.

I understand a desire to stretch the range and diversity of ideas, audiences and content.

I fail to see why that ideal should be confined to one broadcaster and I fail to see how it's possible to measure any aspect of the Charter.

As I said, I've never been a fan of the Charter and much of my concern stems from the emphases placed on a wide range of requirements. The Charter is required to **feature** the following 10 aims:

1. Programming across all genres that informs, educates and entertains.
2. Programming that serves varied interests and informational needs and age groups within New Zealand society, including tastes and interests not generally catered for by other national television broadcasters.
3. programming that contributes towards intellectual, scientific and cultural development, promotes informed and many-sided debate and stimulates critical thought, thereby enhancing opportunities for citizens to participate in community, national and international life.

4. programmes that reflect the regions to the nation as a whole.
5. New Zealand films, drama, comedy and documentary programmes.
6. programmes about New Zealand's history and heritage, and natural environment.
7. programmes that serve the interests and informational needs of Maori audiences, including programmes promoting the Maori language and programmes addressing Maori history, culture and current issues.
8. New Zealand and international programmes that provide for the informational, entertainment and educational needs of children and young people and allow for the participation of children and young people.
9. programmes that encourage and support the arts, including programmes featuring New Zealand and international artists and arts companies.
10. and programming of an educational nature that support learning and the personal development of New Zealanders.

Now look at the dictionary definition of "feature" and can someone explain to me how it's physically and technically feasible to "feature" all of these requirements? "Feature" normally means making one thing more prominent than the others. Which of the above 10 is the one which the drafters of the Charter consider the most important? It can't be all of them.

And not just for linguistic reasons. There are 2 constraints that shape the delivery and achievement of the Charter.

One is the sheer limitation of available time to schedule all these worthy items in time slots that ensure they are "featured".

And the other is the one that TVNZ staff rightly complains about – money. Making all this programming will **cost** money and scheduling a significant proportion of it will **lose** money.

So let's be under no illusion – TVNZ sits between a rock and a hard place as it tries to deliver all these ideals and simultaneously meet the economic objectives required of the company.

And we all know that if the economic objectives are removed, the Broadcaster will cease to maintain a dynamic, progressive, drive.

Let's look at another reality.

Is there any member of the New Zealand public who knows what a Charter programme is? And leaving aside those of you in this room who have been specifically contracted to make a Charter programme, can anyone here tell me what was the last Charter programme – or indeed the first one – they saw?

What's the point of spending \$15 million, or \$32 million or whatever it is on programmes if it can't be easily identified and recognised by the public?

Is *Frontier of Dreams* a Charter programme?

Is *BBC News* a Charter programme?

Is *Insiders Guide To Love* a Charter programme?

How does the public know?

I can tell you every programme that NZ On Air has funded or Te Mangai Paho or the NZ Film Commission. Most importantly, I can tell you how much NZ On Air spent on every single programme it funded.

They are proud to tell us they've supported a programme and we feel we get value and connection when we see their identification.

So why does the Government and the Broadcaster hide Charter programming? Why is it all such a secret? How can the public "buyin" if they don't know? Why should we have to go the TVNZ Annual Report to find out which programmes were Charter funded, and even then the information is incomplete.

If NZOA can identify and quantify every single dollar it spends, why should Government allow a lesser criteria for this mechanism? The general industry view is that Charter is just not transparent. We know that 98 cents of very

dollar that NZOA receives goes into programme production. Better than that, we know that on top of the 98 cents, NZOA requires a licence fee from a broadcaster of anything from 10-20% and up. So every dollar to NZOA creates \$1.10 to \$1.20 of programming.

How does Charter funding compare? Is any of it used to buy foreign programming that doesn't get screened but takes it out of a competitor's hands? And if that isn't done directly, is it used to buy programming which used to be bought previously anyway, but the additional money subsidises other competitive activity? How do we know? Is any of it used to fund staff in the Commissioning Department? How do we know? We can see that only about 70 cents in each Charter dollar goes into local production if we dig deeply enough, but where does it **all** go?

I find the lack of clarity and transparency to be less than ideal.

Now let's look at the Susan Wood saga and its implications.

I don't care what Susan gets paid and if she worked at TV3 or Prime or Sky or Channel 7, 9 or 10 this wouldn't be a carcass for everyone to have a pick at.

Why is this affair in the public eye? Because the State owns the employer.

Why doesn't the TVNZ Board complain at the astounding comments from various Cabinet Ministers? They can't, they're appointed by those same people.

And why don't they defend themselves against silly comments from the Opposition? Because one day, those politicians may have the power to appoint.

How can the Government claim that there is no political interference and then try to publicly jawbone TVNZ into operational policy?

Given that perception is reality in the world of communications, what do the public think? I'd suggest that the public think that the Government **is** telling TVNZ what to do and they think that the Government **should** tell them what to do.

Let me quote from Jock Andersen's article in NBR last week. He says after interviewing Professor Bill Hodge, an employment law specialist and member of the Employment Relations Authority "*A challenge (to the ERA decision) is seen by some observers as the prudent course for the extravagant and embattled State owned enterprise if it wants to be seen by the public **and it's political masters** to be serious about containing its high salaries culture.*"

Hang on a minute...I thought TVNZ was independent of Government influence? I thought the 2003 Stocktake Paper said that an ideal public broadcaster should not be subject to political influence.

Everyone is trapped in a continuous circle and the only way out of the mess is to break the links.

Whether the Government thought it was exercising political interference or not, as an observer, it reminded me of the parents who stand at prizegiving or on the sports field, and tell you how hopeless their kids are, and then are surprised when they don't do any better next year.

And has all the shouting from the sideline increased or decreased TVNZ's audiences? As an observer, you have to shake your head in wonder.

And when the Opposition calls for an Inquiry into TVNZ, they are doing no more than demonstrating that they too have no idea what this business is about. What will an Inquiry prove? Will it show that TVNZ has, in the words of Georgina Te Heuhue, "wasted millions of tax pay dollars"? I doubt it! 90% of TNZ's income comes from advertising and commercial revenue.

The tragedy is that the only reason to call for an Inquiry is to attempt to embarrass the Government. Does that help TVNZ? Of course not.

You can't accuse the Government of diminishing the value of the asset and then call for an Inquiry, without being aware that the process of the Inquiry, regardless of the outcome, will do even more to reduce value and morale.

As I say, it's only more evidence of the imperative of removing the ownership of TVNZ from Government and the political arena.

Although if there is now going to be an Inquiry, I will be interested to see how long it takes to figure out that changing your accounting policy on programme acquisitions brings extra costs next year and going forward. The best accounting brains I know tell me it definitely won't be a "one-off, non-recurring charge".

There are other fallouts from the Susan Wood affair and they are being felt in every newspaper, radio station, television broadcaster and production company across the country.

Speaking to my fellow producers who run large operations, I can't find anyone who would have conducted the negotiations in the way these were done.

I'm sure each of the parties will point the finger at the other, but I see it all as a consequence of the ownership structure.

An internal HR and legal team not thinking beyond the paperwork.

A Chief Executive declining to get involved and refusing to let the Board instruct him.

A Board being beaten up by the CEO for exceeding authority.

And an Owner frustrated at its complete inability to do anything other than yell from the sidelines.

I know there will be some of you who may feel I've made my point, so let me move on to a solution.

- We need a strong TVNZ
- We need Public Broadcasting. Note I said "**Public Broadcasting**" not a "**Public Broadcaster**".

And here is how I think it can be done. There are 2 steps to the solution.

Firstly, I believe NZ On Air is the best instrument of Public Broadcasting that exists in this country and possibly anywhere in the world.

It is efficient, it is transparent and it acts with independence.

It exerts its influence across **all** the free to air broadcasters because of 2 factors:

1. It has money to subsidise or underwrite local programming: and
2. It works hand in glove with the broadcasters in only supporting programming that is guaranteed to play on air.

So part one of my suggestion is to significantly increase NZ On Air's TV budget – double it from \$65 million to around \$130 million - \$35 million of the extra \$65 million would come from reallocating Charter.

Widen NZ On Air's brief to enable it to fund an enhanced range of programming, including some current affairs. Programmes like *Agenda* and *Eye To Eye*. Programmes that are independent in thought, and which shouldn't be hampered by a Broadcaster that fears its Master.

NZ On Air has very clear guidelines on what it funds. It's remit is "our faces, our voices, our places".

If you run the ruler over the whole gamut of NZ On Air's programme funding decisions, you have to agree that its **all** public broadcasting. It all meets the criteria of the Charter and the idealism of the 2003 stocktake.

It's reach is universal, it's width is diverse, it's independent and the output is quality.

And by using NZ On Air as the instrument, the New Zealand public is served by gaining **public broadcasting** on TVOne, TV2, 3, C4, Prime, MTS and some regional broadcasters.

Surely that's more desirable than confining it to TVOne or TV2?

Now let me deal with the second part of my solution and the issues of how TVNZ should be owned, and by whom.

2 weeks ago on *Agenda*, I said "just sell it" and I know that sent a shiver down a few spines so I want to expand and amplify on what could occur.

Firstly, I **don't** think it should be sold just to generate revenue from an asset sale – that's not a reason to sell and anyway, the current value is artificially depressed.

Secondly, the process of sale is both lengthy and costly and enormously disruptive to staff, suppliers, advertisers, programme makers and eventually viewers.

Thirdly, in a straight sale, the question of competitive interference in the process brings its own issues, and in the New Zealand media bear pit you can be sure that some competitors would string the process out as long as possible, to weaken the seller's position and the asset itself.

So, a straight trade sale is not going to provide a particularly speedy or positive outcome.

But here's my suggestion:

Lease TVNZ to an independent Operator.

Set the terms of the lease which would include the length of that lease and more importantly the expectations the Government requires of the Operator, as they relate to content and coverage and conduct with its public, and suppliers.

That's about all it needs to do. Because the lease has conditions, the Operator's ability to renew would be determined by its performance of those conditions.

Take a one-off fee up front for the lease period and let the Operator retain the annual profits – the reason not to take an annual return is to preserve the broadcaster's independence and to leave the Government free to devise and implement policy. Whether future government policy affects NZ On Air, or digital policy, or technological change, should be able to be determined without concern as to the annual dividend. Currently the Government requires a minimum 9% on its investment of around \$270 million – that's about \$24.3 million a year. So the fee should be based on that.

The Government of New Zealand, whatever its political shade, would still own the underlying asset which is the right to broadcast TVOne and TV2. Don't get hung up on the buildings – the Operator would decide whether or not they wanted to keep them or relocate.

Would the Operator run the business down? No, because any commercial businessman would want to extend the lease past its initial lease term.

How would this independent operator aspire to or achieve or maintain Public Service Broadcasting? By a mixture of owner - that is Government - imposed terms and conditions, and by access to the NZOA pool.

How long should the term be? Certainly not less than 7 years, probably at least 11 years.

Set up mechanisms, to enable the Government as owner of the asset, to ensure that it is being maintained but restrict the scope of these to broad brush compliance.

Take TVNZ out of the political football arena.

If the Lessee wants to start new channels, let it make its own decisions. If it wants to pay millions of dollars to staff, that's up to it. It no longer impacts on the Government or the public.

I'll keep reinforcing it; NZOA provides the capacity to meet Public Service Broadcasting, both on the newly leased TVNZ and the other channels.

Leasing the whole operation to an independent party will provide the independence the company needs. It will enable it to plan into the future free of artificial constraints and it will enable knowledgeable, experienced and committed media players to grow and preserve the organization.

Who should get the lease? Well like many things, it's easier to say who shouldn't. It shouldn't be the operator of an existing New Zealand television channel. That's about it.

Does it matter if the operator is overseas owned? Personally I don't think so, if the lease terms are transparent, and the conditions are clear, and New Zealand On Air's funding criteria are met, then the New Zealand public will get the outcome that is desired.

A New Zealand Lessee may sound emotionally attractive, but I'm not sure if it's critical. Remember the outcome that is best for the audience, is likely to be the result of having a strong and knowledgeable operator, rather than just a New Zealand operator. Look at the competition and think about how their international links will keep them strong and up to date on technological developments.

Public Service Broadcasting can be achieved, and it will be achieved under this model.

Something I'm really conscious of, is that I've waded into a minefield and I've been extremely open about my views. But those of you who know me, know that I am prepared to take on these issues.

Someone close to me said before the speech, "how do you think they'll react?".

I'm sure some people will be grumpy – probably quite a few. But as I've said several times throughout this morning, I believe the system has created the problems and the blame for that can't be laid at any individual's feet.

From a practical point of view, the issue of a lease should require a lot less due diligence and disruption than a sale, and of course given the desirability of TVNZ, it is possible to limit the scope and duration of the process. Any potential Operator knows how the business has performed, what the ad market is like going forward over time, what the competition is likely to do, and what the Government is seeking to require of the Operator.

In truth I'd like to believe that the governance issues of TVNZ could be managed. But everywhere you go, you see how it is treated by the Government and Opposition of the day and my suggestion is an attempt to free it from this system.

My proposal does break the paradigm, but so did the innovative approach that the Labour Government took when it deregulated broadcasting and introduced NZ On Air in the late 1980's.

I'm going to go for broke and suggest that politicians, TVNZ Directors and Executives and the media all look at Point 11 of the 2003 Ministry of Culture and Heritage Stocktake Paper which says:

"Public broadcasting should provide a credible forum where ideas are expressed freely and where information is available, where debate occurs and creativity fostered."

I would hope that my observations and suggestions would be received and discussed in this environment and that personal agendas and political position taking would be put aside to prove that:

- a) We live in a democracy;
- b) We are interested in free expression and debate; and,
- c) A strong, credible, innovative and independent TVNZ is important for all of us.

Thank you.