

TELEVISION PROGRAMME QUOTAS

A Blueprint for New Zealand

A Discussion Paper prepared by the
Screen Producers and Directors
Association



Screen Producers and Directors Association of New Zealand
Te Putahi Kaihanga Ataata O Aotearoa

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1. Executive Summary

Quotas help us celebrate New Zealand culture. A strong New Zealand culture shared by our citizens plays an integral role in the health and economic future of our nation.

This discussion paper proposes a local programme quota model for New Zealand which will make an on-screen difference to the range, diversity and accessibility of local programmes offered to New Zealand audiences.

Combined with a charter for TVNZ, quotas will provide a strong platform for building New Zealand's cultural identity in the new century.

The goals for this system are that quotas should improve and protect the:

- **quantity** of local programmes
- **diversity** of local programmes, and
- **accessibility** of local programmes
- and that it is **affordable**.

It is also important that the system is **administratively simple** to operate. The costs to Government of administering the quota should be less than \$200,000 annually, plus set-up costs.

The quota model operates with a two-tier points-based system.

- A **transmission quota** awards one point per hour for all local programmes, first run or repeat, which screen between 6am and midnight.
- A **genre quota** operates within the transmission quota, awarding additional points for six special genres, with incentives for accessible screening times.

The quotas apply to almost all channels, with varying requirements according to audience size. In the first year, the predicted cost is around \$21 million. This delivers around 500 extra hours. By comparison, in 1999 only 157 extra hours were made for TV One, TV2 and TV3.

Around 40% of the cost should come from broadcasters and 60% from public funding (from NZ On Air and Te Mangai Paho).

This model offers a practical method for Government to introduce quotas to New Zealand. It is expected that consultation will be undertaken with industry and related groups. There are also key policy issues relating to international trade agreements which need close attention.

The model proposed assumes that Australian programming is included in the quota. In a scenario excluding Australian product, the only substantial change in this model would be in the quota levels themselves.

The preparation of this paper has been assisted by many individuals and organisations. No model is able to be all things to all people, but all involved agree that the introduction of quotas is a pressing priority. The following organisations support the presentation of this discussion paper to Government.

The Green Ribbon Trust

New Zealand Writers Guild

The New Zealand Actors Agents Guild

Screen Producers and Directors Association

New Zealand Actors Equity

The NZ Film & Video Technicians Guild

2. New Zealand Needs A Local Programme Quota

The powerful and influential medium of television provides a special opportunity to help provide New Zealanders with a strong sense of national identity. National identity helps social cohesion, encouraging proud confident citizens who contribute to their communities and their country.

The special relationship of television to national identity is recognised in all countries. Governments employ a number of policy and regulatory interventions to protect and widen programme diversity, which cannot be achieved by a full commercial model reliant on advertising.¹

The last decade in New Zealand has seen a single intervention mechanism: the allocation of the public broadcasting fee through an independent funding agency, NZ On Air. This model is unique in the world, both in its structure and that it is a lone intervention.

For a country as small as New Zealand, three mechanisms are needed to provide a healthy and diverse output. They are:

- **Genre specific local programme quotas** are needed to underpin minimum quantity levels. They place a responsibility to provide local content on all broadcasters, and place a premium on specific local genres which are difficult to deliver due to the combination of relatively high production costs (compared to purchasing ready-made overseas programmes sold at marginal cost), profit-driven networks and increasingly inadequate public funding.
- **Public funding** is necessary to subsidise the cost of market intervention to the extent that it is not commercially viable.
- **A TVNZ charter** is necessary to provide a rationale for state ownership, to address the needs of minority audiences and to embed notions of diversity, innovation and New Zealand identity into both the structure of broadcasting in New Zealand and the programmes consequently offered to New Zealand audiences.

None of these interventions can provide an effective outcome alone. Implemented together, they will solve most of the current problems evident in the television structure, providing a new path for New Zealand broadcasting for years to come.

This paper proposes a television local programme quota system designed specifically for New Zealand. It is focused on improving the range of programmes accessible to New Zealand television audiences.

3. Background

New Zealand currently has the most deregulated broadcasting environment within the OECD. Simultaneously New Zealand has one of the lowest levels of local content in the world.

¹ See for example the activities outlined in the report *Television In Ten Countries* (NZ On Air, 1999)

Foreign programmes (including Australian) account for three-quarters of total broadcast hours over New Zealand's main free-to-air networks (TV One, TV2 and TV3).

NZ On Air has tracked the quantity of New Zealand programmes screened in New Zealand since 1988, the year before deregulation. Local programmes have failed to keep pace with the growth in total transmission hours and are again at the same percentage levels as in the late 1980s. Tables 1 and 2 below show the history of local content as a percentage of the total schedules of TV One, TV2 and TV3:

Table 1 Percentage of Total NZ Content 1998 – 1999 (24 hours, includes repeats)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
%	23.9	31.8	24.2	31.7	30.2	23.2	23.2	19.7	19.2	21.3	24	23.4

Source: *Local Content*: NZ On Air

Table 2 Percentage of Total NZ Content by Channel 1995 – 1999 (24 hours, includes repeats)

	1995	1996	1997	1998	1999
TV One %	30.4	27.4	30.1	40.0	40.1
TV2 %	12.7	14.3	15.1	14.9	15.2
TV3 %	16.3	16.0	18.7	17.0	14.7

Source: *Local Content*: NZ On Air

Local programmes are made in a cost-effective way, but can never compete with off-the-shelf foreign content sold to New Zealand at a fraction of the cost of production.

Since 1994 the amount of funding distributed to local television by NZ On Air has been in decline because of a frozen broadcasting fee. This shrinking funding base, combined with shareholder requirements on the three main broadcasters to maximise commercial returns, directly translates into a less diverse range and level of local content.

Particular local programme categories are under-represented on New Zealand screens and continue to decline as a percentage of total broadcast hours (for example, children's programming, drama and comedy).

Voluntary undertakings from broadcasters are not enough to improve programme diversity in a strategic manner. Even if adherence to a voluntary quota was agreed by a broadcaster, such a move does not enshrine the importance of local content adequately for the long term. History shows that local programme diversity cannot be achieved without systematic intervention.

A quota system targets the programming gaps that are not adequately filled by public funding alone. One of its key strengths is that it is a responsibility shared by all broadcasters, meaning that a wider range of audiences benefits from improved local programme supply. This includes children and young people who comprise audiences rarely addressed by channels such as TV One.

Local programme quotas are a flexible, sensible, internationally-recognised mechanism to help broadcasters screen a wider range of local programmes than that which would be provided without intervention.² A quota system is an accepted cost of doing business in other countries, factored in to the operating costs of CanWest in Ireland, all commercial Australian channels including the CanWest-owned Network 10 and the pay television operators, and the European Union countries including Britain.

A quota system is a fresh intervention to deliver an improved quantity and diversity of local programmes to New Zealand audiences. It must be supported with adequate funding. But money alone is not enough.

4. Local Content Quota Goals

The goals of a television quota system must be to improve and protect the

- **quantity**
- **diversity** and
- **accessibility** of New Zealand programmes for New Zealand audiences; and be
- **affordable** and
- **administratively simple** to operate.

To achieve these factors effectively, it is vital that the television industry is actively involved in the design and implementation of a quota system.

5. What Are The Basic Quota Principles?

(a) A New Zealand programme should be defined as one:

- About New Zealand or New Zealanders, and primarily intended for a New Zealand audience,³
- Reflective of the diversity and cultural identity of our nation, and
- Which is primarily created and realised by New Zealand key personnel for reasons of creative authenticity⁴.

To help with formulating definitions, a useful comparison may be made with the provisions of s18 of the New Zealand Film Commission Act 1978, where significant New Zealand content is deemed to relate to the subject, the filming locations, the nationalities and places of residence of key personnel, funding sources and location of facilities.

² There is an additional positive side effect. The film and television industry is well placed to be at the forefront of the much-vaunted 'knowledge economy'. It is based on the creation of intellectual capital which can lever considerable levels of foreign investment. To position this industry as a major contributor to the New Zealand economy, flexible and innovative interventions need to be adopted.

³ Therefore they do not include programmes which are made in New Zealand but which have no New Zealand flavour, such as *Xena, Warrior Princess* because *Xena* is not "about New Zealand or New Zealanders".

⁴ For example a documentary about an element of New Zealand life intended for a New Zealand audience needs high level creative involvement by a New Zealand producer, writer and director to ensure authenticity. These are creative decisions approved by the commissioning broadcaster

- (b) The networks remain the final arbiter in the selection of programmes.⁵ Networks and programme makers will work together, in the usual manner, to develop styles and formats most suited to individual channel audiences (eg. a drama made for TV2 would be quite different to that made for TV One, because of the different audience profiles of the channels, but both dramas would of course qualify for quota).
- (c) An increase in NZ On Air and Te Mangai Paho funding is assumed (see section 15 below). Effective quota systems need a sufficient funding base, particularly so the goals of quantity and diversity can be met.
- (d) However NZ On Air or Te Mangai Paho funding (or any particular Australian funding source) is not a prerequisite for qualification for inclusion in the quota, because the agencies do not necessarily fund all programmes in the specified genres.
- (e) Under the current CER regime, Australian programmes will qualify for quota in New Zealand, just as New Zealand programmes qualify for quota in Australia.⁶ See section 20 below. Targets in this paper have been proposed on the assumption that the status quo will prevail. Should the New Zealand and Australian governments negotiate amendments to this system, this quota model can easily accommodate any changes by revisiting the targets.

6. Which Channels Are Affected?

Because the aim of a quota system is to improve the range of programmes offered to varying New Zealand audiences, almost all channels are covered. Different quota levels apply to different types of channels according to audience and revenue levels.

- (a) The national free-to-air channels, TV One, TV2 and TV3, will have one level of compliance. These are the channels most watched by New Zealand audiences, with the benefits of the quota system therefore accruing to the most people. TV One (mature audiences) and TV2 (youth and children's main outlet) will have the compliance requirements of a charter as well as a quota system, and this has been taken into account when setting the proposed quota levels. See section 19 below.
- (b) A second level of compliance will apply to limited coverage free-to-air niche channels such as Prime and TV4. While those channels have around 70% free-to-air population coverage (and of course are on the Sky pay-TV platform), they generate limited revenue compared to the three main free to air channels. Thus their targets are lower.
- (c) An alternative mechanism will apply to pay television operators such as Sky and Saturn. This ensures that the responsibility to provide local content for their audiences does not

⁵ This often causes disquiet in the production community as the 'gateway' of network approval has narrowed over the past few years (meaning that without an impetus for diversity, the networks tend to commission safe, inexpensive formats so they can maximise their revenue in accordance with shareholder demands). A quota system based on the provision of diversity helps address this problem.

⁶ It is interesting to note, however, that in 1998 only two hours of New Zealand material screened on Australian commercial television (a broadcast of the feature film *Once Were Warriors*). This compares with over 2000 hours of Australian programming which screened on New Zealand television in the same year.

escape owners of other New Zealand-based channels, based on the assumption that those who utilise the airwaves should join and reflect the community in which they live.

- (d) Non-profit free to air community channels such as Auckland’s Triangle Television and regional channels have not been included at this stage. Their small size may mean that quotas are neither necessary nor practical. However the regulatory authority must have discretion to include regional channels in a quota system (in a version of the adapted version operating for TV4 and Prime) when policy is developed. See section 16 below.

7. What’s In The Quota?

Two types of targets are included in the quota.

- (a) The **Transmission Quota** gives credit to all New Zealand programmes on our screens, and enshrines a base level of local content. All programmes screening between 6am – midnight qualify for one point per hour
- (b) The **Genre Quota** provides special requirements and special incentives for under-represented and/or at-risk genres. These genres qualify for one or two extra points per hour, related to scheduling and degree of difficulty for a broadcaster.

The maximum allocation is three points per hour.

Six genres are most in need of special attention. They are:

<p>Drama and Comedy Children’s Drama and Animation Children’s Programmes Documentary Maori and Maori Language Performance</p>
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8. How Are The Genres Defined?

Drama and Comedy: adult fictional stories with a narrative structure, (including sketch comedy) which involve writers and actors.

Children’s Drama and Animation: fictional stories with a narrative structure (including sketch comedy), which involve writers and actors or animators, made primarily for primary or secondary school children in which children comprise an integral part of the core characters.

Children’s Programmes: non-fiction programmes specifically designed to meet children’s needs and interests and designed for a specific age range based on education status (preschool, primary, secondary/ teenage).

Documentary: programmes which are a creative treatment of actuality other than news, current affairs, sports, magazine, information or entertainment programmes.

Maori: programmes of any genre featuring stories or issues of interest to a Maori audience (which tend to involve Maori in key areas of production). *Maori language* programmes are programmes of any genre made fully in te reo, the Maori language

Performance: music, arts and entertainment programmes which predominantly include an aspect of the New Zealand performing arts, both classical and contemporary, including music series, talent quests, and stand-up comedy.

9. Why The Special Genres?

The number of New Zealand first run hours in all these genres except Performance has been logged by NZ on Air for several years.

Table 3: First Run NZ Hours For All Three Channels

	Docu- mentary	Drama/ Comedy	Children	Children's Drama	Maori
1999	229	180	297	0	196
1998	233	182	329	13	180
1997	189	171	367	0	180
1996	187	201	403	0	165
1995	206	224	442	25	127

The total number of hours in these genres, including an estimated 90 hours for Performance (a genre which has increased in the last two years with the re-introduction of youth music programmes) is less than 1000 hours. This compares with the 1999 first run New Zealand hours of over 3500 hours for news, sport, entertainment and information/infotainment programming. Australian output in these genres on New Zealand screens has mostly been confined to drama and children's programmes.

In New Zealand the six genres are mostly heavily subsidised by NZ On Air or Te Mangai Paho, a clear indicator that the market will not provide such programmes without assistance.

These six genres are fundamental to a diversity of production for a range of audiences. They are difficult for broadcasters because of their comparatively high production cost (drama, documentary), high risk to a network (children's programmes, children's drama, Maori, Maori language, performance) or both.

There are also special responsibilities for Maori programmes and Maori language programmes which need to be part of a regulatory framework in accordance with the partnership principles of the Treaty of Waitangi. Quotas are a way of ensuring that Maori language and interests are represented on mainstream television.

In all cases, production levels of these genres have been patchy over the last five years or so, as the commercially focused broadcasters evaluate the opportunity costs of supporting these genres as opposed to inexpensive foreign versions or low cost, mass appeal local programmes. There are many instances of a funding agency being willing to provide substantial support for a quality idea in the special genres, but where the producer is unable to secure a broadcaster.

This means that the programmes simply do not get made, even when overseas coproduction finance is available meaning the financial cost to a local broadcaster is negligible (third party financing is almost invariably subject to securing a local broadcaster).

10. What's Not In The Genre Quotas?

Four categories of programmes have not been included in the genre quotas.

- (a) *Programmes for special interest audiences* (eg. ethnic, rural, religious, arts, regional programmes) have not been included at this stage. While some of these programmes can also be described as 'at risk', this is a policy issue for Government relating to an assumption that commercial-free Sunday mornings will continue and that TVNZ in particular will continue to broadcast such programmes (which are often fully funded by NZ On Air). Inclusion of programmes in these genres in a quota model is not difficult; alternatively, such genres are often included in a charter for a public broadcaster as a case may be made that all channels should not be required to provide such specialist programming. See section 19 below.
- (b) *Sport*, another at-risk genre, has also not been included in the genre quotas because a quota system is probably not the best mechanism to address sports issues. If a particular sporting code presence is the main problem, a better solution may be another legislative intervention such as anti-siphoning legislation for major sporting events. This has been passed in some countries. However, inclusion in a quota system is not difficult if desired by Government. This could well benefit minority sporting codes, but the audience issues relating to televised sport recently seem to relate less to quantity of production than to accessibility issues (namely the departure of specific codes like rugby and cricket from free to air to pay television).
- (c) Other genres seemingly do not require inclusion in genre quotas because the market adequately provides for their inclusion. Such genres include *news*, *game shows*, general *entertainment* and *infotainment* programmes.
- (d) *Programmes which screen between midnight and 6 am*, so that programme dumping can be avoided as a device to fill the transmission quota.

11. The Australian Quota Model

For comparative purposes, the core yearly requirements of the Australian quota system are as follows (all requirements may be made up of either Australian or New Zealand programmes in accordance with CER).

Table 4: The Australian Quota Model

Transmission Quota: ⁷ 55% between 5am – midnight for first run and repeat programmes	
Genre Quotas:	
• <u>Drama</u> :	a 225 minimum score in prime time (5pm – 11pm) in each year (with a requirement to reach a 775 score over each three-year period). Score = Format factor x Duration.
• Format factors:	Series screening more than one hour per week = 1 Series screening less than one hour per week = 2 Films, telemovies, one-offs, miniseries = 3.2 Plus scheduling requirements
• <u>Children's Drama</u> :	Minimum of 40 hours, of which at least 32 hours are first-run and at least 8 hours are repeats. Plus scheduling requirements
• <u>Children's Programmes</u> :	Minimum of 260 hours, of which 130 hours are first run Minimum of 130 additional hours of preschool Plus scheduling requirements
• <u>Documentary</u> :	Minimum of 20 hours first run, at least 30' episode duration

⁷ Australia's recent Productivity Commission report recommended that the transmission quota be abolished. This seems unlikely to happen.

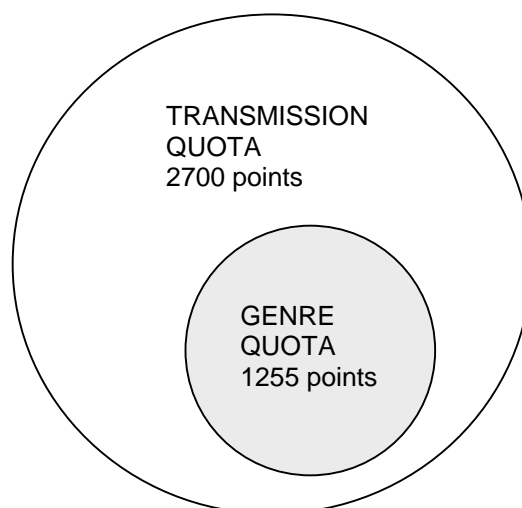
12. The New Zealand Quota Model

A two-tier points-based model is proposed for New Zealand, which is set out in Table 5 overleaf. It comprises:

- (a) A *transmission quota* (linked to the quantity goal) in which all genres are awarded points, within which are
- (b) *Genre quotas* (linked to the diversity goal) in which higher points are awarded for first-run hours of the special genres described in section 8 above.

For every hour of quota programmes:

- *one point* is allocated for each first-run programme hour not included in the genre quotas. For repeat programmes of any genre, one point is also awarded.
- *two points* are allocated for each hour of first run programmes from the six genres specified in Table 5.
- *three points* are allocated for each hour of first run programmes in the most difficult categories specified in Table 5



A maximum of three points per hour can be awarded.

Proposed Operating Principles

- All transmission quota programmes must screen within the eighteen-hour period which begins from 6am and ends by midnight (linked to the accessibility goal) to qualify.
- Most extra genre quota points are also linked to scheduling time, to reward risks taken by networks and to avoid an influx of programming run offpeak in lower viewing hours (linked to the accessibility goal).
- When genre programmes are screened outside a time slot specified in Table 5 (but within 6am – midnight), the programme only attracts one point per hour towards the transmission quota and no points towards the genre quota
- Points are pro-rated for programmes of less than one hour's duration.
- Aggregation of points across channels for owners of more than one channel should not in general be permitted, as it goes against the general quota principle of providing a range of local content and genres on each channel. However the regulatory authority should have discretion on this matter to avoid anomalies. See section 16 below.

- Once the quota system is operational, a review mechanism must ensure that quantity goals are realistic. The points need to be able to go up (or down) at systematic intervals in order that overall performance measures are realistic.

Proposed Quota Levels

- This quota model has suggested points targets for the transmission and genre quotas and has attempted to cost them within the constraints of the information publicly available. These targets are for discussion and illustrative purposes only and it is expected that officials will be able to test the assumptions based on necessary information provided by the broadcasters and adjust the levels if necessary.

The Transmission Quota

- This model has focused on improving the level of genre programmes at the outset. Therefore the transmission quota level is currently proposed as a bedrock minimum level. Provision of the range and diversity of programmes offered by the genre quota has been addressed as the most pressing issue, in terms of the priorities signalled by Government, and the genre programmes tend to be more expensive and a higher risk for broadcasters. See further discussion in section 14.
- The transmission quota focuses on the delivery of hours rather than specifying a percentage of the schedule. Nevertheless the suggested quota levels embed a minimum requirement of around 31% of quota programmes. This is a modest quota level compared to say, the requirement for 60% in Canada and 55% in Australia. Even Ireland, a country close to the size of New Zealand, achieves around 41%. TV One and TV2 tend to achieve this level; TV3 has never managed to do so.
- The transmission quota includes repeat programmes to provide an incentive to rescreen New Zealand programmes (which would mostly replace repeats of foreign programmes rather than displacing first run material). This is especially important for programmes which have a longer shelf-life such as many children's programmes. In the unlikely event that the proportion of repeats rises significantly, the quota target should be increased.
- The 2700 points target has been arrived at by taking into account the affordability goal (noting that the calculations are based on incomplete data).

The Genre Quotas

- The genre targets have been selected taking into account current performance and likely cost to a broadcaster (linked to the affordability goal).
- An assumption has been made that TVNZ will have a charter which may (but not necessarily) involve extra costs. Therefore the imposition on TVNZ is currently light.
- As outlined in sections 5 and 20, Australian programmes are included, which has the effect of raising the quota levels. Thus in all cases references to "New Zealand

programmes” mean New Zealand and Australian programmes.⁸ Assuming Australian programmes are included for the moment, further analysis of Australian data is essential. (To begin with, the data for 1999 must be obtained and compared with 1998 to ascertain whether the 1998 figures provide accurate trend information).

⁸ Including Australian programmes is a contentious issue among the production community. The quota levels suggested in this model are based on the status quo – namely, the CER Agreement requires this approach. Should Australian programmes be excluded, the model still works: quota levels simply need readjustment.

Table 5: The Proposed New Zealand Quota Model

A: For national free-to-air channels (eg. TVNZ and TV3):

(a) A Transmission Quota of 2700⁹ points per annum. New Zealand and Australian programmes not included in the genre quota which screen between 6am – midnight receive **one point per hour** towards the transmission quota. All repeat programmes (including genre repeats) in this band also receive one point per hour.

(b) A Genre Quota of 1255 points in total, made up of individual genre quotas set out below. The following six genres (for New Zealand and Australian programmes) earn **either two or three points**. All genre points are added in to the transmission quota.

A maximum of three points in total can be earned per hour.

Drama/Comedy:	200 points Serials screening more than one hour per week receive <i>two</i> points per hour provided screening commences between 6pm and 10pm Series screening one hour a week or less, miniseries, one-off dramas and films receive <i>three</i> points per hour provided screening commences between 6pm and 10pm
Children's Drama/ Animation:	39 points All programmes receive <i>three</i> points per hour provided screening commences between 4pm – 6.30pm or in a timeslot generally accepted as available to the target audience.
Children's:	700 points All programmes except drama (see above) receive <i>two</i> points per hour provided screening commences between 7am – 3.30pm for preschool programmes or between 3.30pm – 6pm on school term weekdays for primary school programmes or in a timeslot generally accepted as available to the target audience
Documentary:	200 points Half-hour programmes/episodes receive <i>two</i> points per hour (0.5 points per episode) provided screening commences between 6pm and 10pm One-hour programmes/episodes receive <i>three</i> points per hour provided screening commences between 6pm and 10pm
Performance:	38 points Programmes receive <i>two</i> points per hour
Maori:	78 points comprising: (a) <u>60 points (English)</u> Programmes receive <i>two</i> points per hour; or <i>three</i> points per hour if screening commences between 6pm – 10pm <i>plus</i> (b) <u>18 points (Te Reo)</u> Programmes receive <i>three</i> points per hour.

NB: Any excess in the 18-points te reo target may credit against the 60-point

⁹ Around 31% based on 6570 total hours (18 qualifying hours x 365 days) / 2035 quota hours, using an assumption that genre points are earned in a 2/3 two-points: 1/3 three-points ratio.

general Maori target but not vice versa

B. For limited coverage free to air television channels (eg. TV4 and Prime)

- (a) A Transmission Quota of 675 points per annum (one quarter of the national quota). New Zealand and Australian programmes not included in the genre quota which screen between 6am – midnight receive **one point per hour** towards the transmission quota. All repeat programmes in this band also receive one point per hour. (The repeat policy has been applied for consistency; however it could be declared not applicable for these channels, given their reduced transmission requirement)
- (b) A Genre Quota made up of first run programmes in **three genres only: one-quarter** of the national channel Maori quota plus one quarter of the national channel points for **any other two** of the quota genres. All genre points are added in to the transmission quota.

This system allows maximum flexibility for these channels by allowing them to select two genres most appropriate for their channel. Decisions to be made with permission of the regulatory authority

C. For Pay Television operators (eg. Sky and Saturn)

- (a) No Transmission Quota will apply (because of the specific nature of programme content, where many channels are simply wholly transmitted from other countries)
- (b) A Genre Quota offers two choices. Channel operators may either:
- Elect to adhere to the relevant first run genre requirements for all channels which commonly screen those genres (eg. 200 points for a predominantly drama or film channel, 739 children's points on a children's channel) *as if they were a free-to-air national operator*. Or
 - Agree to spend a comparable percentage of their turnover on local content.

Decisions to be made with agreement of the regulatory authority. As a comparison, Australian pay television channels which broadcast drama must spend 10% of their programming budget on new drama programmes. Discussions on adding a similar documentary quota to documentary channels are continuing in Australia.

Examples:

- *Shortland Street* at 7pm earns two points per hour towards the genre quota. The two points per hour are then included in the transmission quota. The morning repeat earns one point per hour for the transmission quota only.
- *Duggan* and *Savage Honeymoon* in prime time earn three points per hour toward the genre quota. The three points per hour are then included in the transmission quota.
- *Inside New Zealand* and *Documentary New Zealand* earn three points per hour towards the genre quota. The three points per hour are then included in the transmission quota.
- *Target* and *3 National News* each earn one point per hour for the transmission quota.
- *What Now* and *Squirt* at 8am weekends earn two points per hour towards the genre quota. The two points per hour are then included in the transmission quota. *You & Me* repeats earn one point per hour for the transmission quota only.
- *Te Karere*, *Waka Huia* and *Pukana* all earn three points per hour towards the genre quota. The three points per hour are then included in the transmission quota. *Marae* earns two points.

13. How Would The Channels Measure Up?

Tables 6, 7 and 8 below show recent channel performance against proposed transmission and genre points. This exercise is for illustrative purposes only. Actual hours figures themselves are commonly debated, as access to comparative data is difficult and there are many assumptions about definition and categories which are argued from different perspectives. Nevertheless the figures give a helpful snapshot of the areas.

While 1999 New Zealand figures are available, at the time of writing the 1999 Australian figures were not. Therefore 1998 figures have generally been used for consistency except where noted. 1999 Australian data needs to be obtained to ascertain trends.

Hours data, from which points have been calculated, is contained in Appendix One.

Costing assumptions are outlined in Appendix Two.

The Transmission Quota

For the Transmission Quota, assuming relatively similar output, TV One, TV2 and Prime meet their introductory target. By meeting their genre subquota requirements (see Table 7 below), TV3 and TV4 will then automatically meet their transmission quota.

Table 6. Transmission Quota Points vs. Recent NZ Channel Performance

	TV One	TV2	TV3	TV4	Prime
Transmission Points target	2700	2700	2700	675	675
Estimated 1998 Aus +NZ	5006	5649	2191	643	987 (note)

NZ Hours source data: NZ On Air
Aust. Hours source data: TV Broadcasters Council

Notes:

- The data available from which the points were calculated probably includes a small amount of programming which screened from midnight – 6am. Such programmes would not be included in the quota tallies.
- For the transmission quota, owners of more than one channel may not aggregate surpluses to another channel
- Prime estimates are based on its **1999** performance, being its first full year of operation. In 1999 NZ first run hours totalled 486 hours, and repeats 501 hours.

The Genre Quotas

For the Genre Quotas, a rather different picture emerges:

Table 7. National Channels Genre Quota Points vs. Recent First Run Performance

PROGRAMME CATEGORY	Genre Quota Points	TV One Estimated Points 1998			TV2 Estimated Points 1998			TV3 Estimated Points 1998		
		NZ	Aus	Total	NZ	Aus	Total	NZ	Aus	Total
Drama and Comedy	200	42	516	558	288	1474	1720	69	96	165
Children's Drama	39	0	0	0	39	Incl. below	39	0	Incl. below	0
Children's Programmes	700	0	0	0	394	836	1230	264	30	294
Documentary	200	396	312	708	56	450	506	182.5	7.5	190
Maori and Maori language	78	380	0	380	80	0	80	0	0	0
Performance	38	40	0	40	104	0	104	2	0	2
Totals	1255			1686			3679			651

NZ hours source: NZ On Air
Aust. Hours source: TV Broadcasters Council

Notes:

- The data available from which points were calculated probably includes programming which screened from midnight – 6am. Such programmes would not be included in the quota tallies
- Australian data will need further analysis. Actual genre points will be lower than the figures suggest because of:
 - definitional differences. (eg. programmes currently classified as “documentary” include magazine series and science series which would probably not count under the quota genre definitions) and
 - offpeak scheduling (eg. late afternoon soaps such as *Home & Away* which, like the morning *Shortland Street* repeat, would only qualify for transmission points, not genre ones). No specific data was available.
- Australian children's figures may include some children's drama (figures are unable to be separated).
- No Australian Performance figures are available (information is not collated)

Table 8. Limited Coverage Channels Genre Quota Points vs. Recent First Run Performance

PROGRAMME CATEGORY	Genre Quota Points (Maori + any other two)	TV4 Estimated Points 1998			Prime Estimated Points 1998		
		Target	NZ	Aus	Total	NZ	Aus
Drama and Comedy	50	8	550	558	0	0	0
Children's Drama	9.75	0	0	0	0	0	0
Children's Programmes	175	64	0	64	0	0	0
Documentary	50	14	0	14	0	0	0
Maori + Maori language	15 + 4.5	0	0	0	0	0	0
Performance	9.5	0	0	0	0	0	0
Totals:	313.75			636			0

NZ hours source: NZ On Air
Australian hours source: SPADA estimate

Note:

- TV4's Australian drama output is estimated as its 1999 output (because of the marked increase from 1998) which includes the series *Heartbreak High*, *Breakers* and *Neighbours*. However scheduling matters still need to be considered: at least one series screens offpeak, meaning it would only count for the transmission quota.

14. The On Screen Impact of a Quota System

As Table 9 shows, a little under 500 hours of new programming would be required using the targets proposed (assuming TV One is permitted to shift its children's programmes to TV2, in accordance with the principles proposed in section 16 below). This compares to an increase of only 157 New Zealand first-run hours achieved by TV One, TV2 and TV3 in 1999.

Over half of the proposed increase would be on TV3 because of that channel's current low levels of genre programmes. While some of these programmes could well be sourced from Australia, there is unlikely to be sufficient unpurchased qualifying product to make a significant difference. If this situation has changed by the time a quota system is operational, a strong argument would then be made to raise the quota targets further.

Once the quota system is established, systematic reviews would determine whether the levels were pitched correctly and whether changes were necessary.

Table 9: Estimated Extra Hours of Programming Required

	TV One	TV2	TV3	TV4	Prime
Drama/Comedy	0	0	11.7 hrs	0	-
Children's Drama	0	13 hrs	13 hrs	-	-
Children's Progs.	0	85 hrs	203 hrs	55.5 hrs	-
Documentaries	0	0	4 hrs	-	16.7 hrs
Maori	0	6 hrs te reo	30 hrs + 6 te reo	7.5 hrs + 1.5 te reo	7.5 hrs + 1.5 te reo
Performance	0	0	18 hrs	-	4.8 hrs
TOTAL EXTRA HRS	0	104	285.7	64.5	30.4

Notes:

- 0 means target already met
- - assumes this genre not selected

Effect of the Transmission Quota

The tables above suggest that all channels could meet the transmission quota, provided that output stayed around the 1998/99 levels **and** that TV3 and TV4 met their genre quotas.

The long-term impact of the transmission quota is therefore not yet apparent (at the levels suggested in this paper). This is because this paper has taken the provision of genre programmes as the priority, in accordance with indications from Government.

At the proposed level of 2700 points, all channels can meet the transmission quota (which is approximately 31% of the 18-hour schedule), provided the genre targets are met. The Government may decide to require higher levels. As a guide: if, for example, the transmission quota was raised to 3000 points (or around 35% assuming the genre quotas stay the same), the additional cost for TV3 quota programmes is estimated to be around \$15.8 million. At 3500 points, the cost for TV3 quota programmes is around \$23.8 million. At 5000 points (around 50%), the cost for TV3 programmes is around \$47.9 million.¹⁰ If the transmission quota is raised, the genre levels would need to be re-examined to ensure that an appropriate diversity of programmes was still a focus.

TV3 would clearly have difficulty in meeting a higher transmission quota without major compensating reductions in the genre targets. (The channel would probably increase its overall output, in relation to the transmission quota, by increasing repeated programmes and low-cost infotainment strands. This might not be seen as a useful outcome).

Nevertheless, the transmission quota must have an ultimate baseline of 50% within three years for the national free-to-air channels between 6am and midnight (pro-rated for other channels). In 1998, for example, TV One screened 60.5% New Zealand and Australian content (53.5% NZ and 7% Australian), TV2 screened 53.3% (20.3% and 33%) and TV3 screened 24.7% (19.7% and 5%).¹¹

Another option is to set the transmission quota at 5000 points (aiming for around 50%, depending on the genre mix) at the outset, and provide TV3 with a circumscribed dispensation to increase its output over three years. This decision should be made once costing analysis has been completed and the genre points levels confirmed.

Effect of the Genre Quotas

The tables above suggest that:

- (a) TV One simply needs to meet new requirements for Children's programmes and Children's Drama. Under the procedures suggested in section 16 below, TVNZ could either comply with the targets for TV One or transfer the obligations to TV2 (whose children's genre targets would then double). TV One has traditionally carried the highest levels of local content and, as expected, a quota system poses few problems.

¹⁰ TV One's high level of NZ programmes means that a transmission quota will probably never affect this channel (provided the channel keeps up its high level of News and Sport in particular). TV2 also will have little difficulty provided it keeps up its high levels of Drama (NZ and Australian).

¹¹ Hours source ex NZ On Air and TV Broadcasters' Council. For the purposes of this calculation, assumption made that no NZ and Australian programmes screen between midnight and 6am. (Of course, some occasionally do). Australian data needs careful checking.

- (b) TV2 would generally meet the targets, would need to introduce a small Maori Language series and would need to take care with Children's Drama (eg. while one series screened in 1998, there were none in 1999). If TV One's Children's genre requirements were transferred across, TV2 would have additional requirements but the overall cost to TVNZ would be lower. In the main, however, the quota system poses few problems for this channel.
- (c) TV3 would need to improve output in all genres. The very low levels of New Zealand content on this channel are clear (and disappointing, given the original warrant requirements - now obsolete - of local content levels of around 30%). However much of the funding required might be obtainable from NZ On Air.
- (d) TV4 has already made moves in Maori language programming with the introduction of *Tumeke*, replaced by *Pukana* in 1999. It would therefore already meet its Maori quota plus a drama quota (because of Australian series), and could meet a children's quota with the introduction of new teenage programmes.
- (e) Prime would need to consider how to include Maori content and could make up its genre hours with programmes in the lower-cost genres relevant to that channel such as documentaries and performance music specials.

15. The Cost

Formula for Broadcaster Costs

The net cost to the broadcasters of providing additional local content can be determined by the following factors.

Formula for assessing additional cost to broadcasters to achieve quota requirements

Cost of the substitution of foreign programmes with NZ & Australian programmes (difference between the two costs)	\$A
Less any additional subsidy available from public funding (e.g. NZ On Air or Te Mangai Paho)	-\$B
Less third party contributions to programme costs e.g. overseas presales for for drama productions.	-\$C
Plus or minus the change in broadcaster's revenue as a result of broadcasting additional NZ quota programming	+/- \$D
	Total net cost = XX

Table 10 below, based on the spreadsheets at Appendices 3 to 9, estimates the cost of substituting foreign programmes with quota programmes (\$A).

It is assumed that the full substitution cost will not be borne by the broadcaster. Public funding to NZ On Air and Te Mangai Paho will need to increase (\$B). Based on current

contributions outlined in annual reports, public funding would comprise around 60% of the New Zealand genre quota programmes outlined in section 8 of this paper.

Care needs to be taken that broadcasters do not use the quota system as an excuse to lower their financial contributions to programme costs (thus creating an additional burden on the public purse). The concept of public funding as a subsidy which makes up the difference between advertising revenue and programme costs should continue. The regulatory authority may need the power to specify minimum levels of contribution to be made by broadcasters, as is the case in Australia.

A funding increase to NZ On Air and Te Mangai Paho of \$15 - \$20 million would cover the cost of \$A plus any extra charter requirements. This takes the agency's television spending power back to where it was in the mid-1990s.¹² As outlined in the opening paragraphs of this paper, any effective quota relies on an effective level of public funding.

It is likely that third party contributions (\$C) will mostly be confined to drama programmes. Some production sponsorship funding for other genres may be available.

It is likely that no material drop in revenue (\$D) will occur, given the popularity of New Zealand programmes.

Cost Of Additional Quota Hours

Estimated costs of the additional hours required (\$A), using the quota levels outlined in Table 5, are around \$21.3 million. Table 10 below breaks down these costs by channel.

Table 10: Estimated Cost Of Additional Quota Programmes per Channel

	TV One	TV2	TV3	TV4	Prime
Transmission quota:	\$0	\$0	\$0	\$0	\$0
Less: cost of substituted Overseas programmes:	\$0	\$0	\$0	\$0	\$0
Transmission subtotal:	\$0	\$0	\$0	\$0	\$0
Genre quota:	\$13.6m	\$0.13m	\$15.4m	\$1.8m	\$2.5m
Less: cost of substituted Overseas programmes:	\$3.6m	\$0.06m	\$2.8m	\$0.6m	\$0.3m
Genre subtotal:	\$10.0m	\$0.07m	\$12.6m	\$1.2m	\$2.2m
Total cost:	\$10.0m	\$0.07m	\$12.6m	\$1.2m	\$2.2m
Total cost if TV One Transfers Children's Obligations to TV2:	\$0	\$4.8m	\$12.6m	\$1.2m	\$2.2m

Assuming TV One is relieved of its children's programming obligations, it would seem that TVNZ has few real extra obligations compared with TV3. However TVNZ's new charter

¹² The PBF has not increased for a decade. The upcoming switch to Crown funding is frozen to existing levels.

obligations mean that TVNZ will have obligations additional to those of quota. The charter costs are unquantifiable, at present, and a balance will need to be struck.

In addition, if the Government wishes to increase TVNZ's output even further, its channels could be required through the charter to take a further leadership position in the screening of local programmes by meeting targets above the quota minimum (eg. twice the quota requirements in some or all of the categories).

Currently NZ On Air only funds programmes which screen on the three main channels. NZ On Air funding policy will need to be amended in order that all channels subject to quota requirements may be eligible to receive funding for suitable proposals. Now that NZ On Air is to be funded through Crown Revenue, rather than a broadcasting fee, it also seems easier to include pay television as a potential funding recipient for suitable television programme proposals.

16. Compliance

Compliance will be monitored by an independent regulatory agency. Most logically, this would be a reconfigured Broadcasting Standards Authority, which is currently the sole broadcasting regulatory authority.

Guiding principles for the Authority should include:

- The regulatory arrangements are stable and predictable so that broadcasters and programme makers are not subject to changes except as an outcome of appropriate and clearly established processes
- The Authority has the power to impose substantial financial penalties on broadcasters which do not comply with their quota obligations or which provide inaccurate or misleading information to the Authority
- It has the power to require detailed compliance information from broadcasters including transmission reports on programmes broadcast from each channel which the Authority may verify independently
- It has the power to rule upon (and develop policy on) genre definition and individual programme eligibility for inclusion in genres, including any New Zealand/Australia issues plus the eligibility criteria for programme strands which partially contain local content
- It is required to consult widely in its process of policy development
- It has the discretion to develop and implement compliance policy on a case-by-case basis, (eg. TVNZ might apply to the authority to aggregate its total children's hours - 350 hours plus 13 hours children's drama – on to TV2 since TV One has not played any children's programmes for some years in accordance with its demographic profile)
- It has the discretion to include new television channels in the quota regime as they emerge
- It has the discretion to recommend to Government that relevant new technologies applying to television should be included (or excluded) in the quota regime if anomalies arise
- It has the power to agree to a graduated phase-in period of up to three years for broadcasters which can demonstrate unreasonable financial hardship in their compliance with the quota
- It has the power to determine minimum levels of broadcaster contribution

Appeals against Authority decisions would be by way of High Court judicial review.

Estimated additional costs for the BSA should only be around \$200,000 per annum (based on one additional staff member and a new database system) plus set-up costs which are unquantifiable at this stage.

17. When Should A Quota System Happen?

The quota system should commence on **1 July 2001**. This gives time for:

- (a) the Government to consult, then pass appropriate regulations and statutory amendments
- (b) the Government to allocate additional public funding
- (c) the broadcasters to plan their production schedules and amend their monitoring systems
- (d) the BSA to restructure (it should need only one additional staff member) and devise a database, auditing systems and policy frameworks
- (e) NZ On Air and Te Mangai Paho to consider policy revisions as required

18. Will The World End?

Common concerns may be:

We'll be swamped with Australian programmes bought to fill quota obligations.

This is likely to be a short term issue confined to only one or two genres. New Zealand already screens over 2000 hours of Australian programming per year. There is simply not much more we can buy that is screenable here, and very little in the six special genres. There may be additional mechanisms available if the New Zealand and Australian governments wish to discuss them. Quota levels can go up if necessary.

TV3 will go bust (Or Prime. Or TV4)

Or it might not. It could even find new owners. The BSA could decide to implement quota requirements gradually over a defined period, to recognise the impact of the extra cost. However CanWest cannot continue to avoid its obligations to New Zealand while remitting profits back to Canada. CanWest already must fulfil quota obligations in Australia, Ireland and of course Canada. In addition TV3 has since escaped the conditions of the broadcast warrant originally issued to the channel, which involved a quota of local programmes. This condition was abolished when the broadcasting industry was deregulated in 1989 and TV3 has never since approached the levels promised by its original owners.

TVNZ is being let off the hook.

In part, yes. However it does need to meet new targets in children's drama and Maori language in particular, and it does have new Charter obligations to consider in providing for additional less commercial programming. See section 19 below.

Quotas only deal with quantity. What about quality?

Quotas are a quantitative mechanism to ensure that there is a bedrock of local programmes which underpin the schedules. There is weight given to the 'harder' programmes (eg. non-

soap dramas, Maori language, one-hour documentaries) which provide a diversity which is a component of quality. Combine quotas with a TVNZ charter which might focus on quality and innovation, however, and the two mechanisms are a powerful complement.

The broadcasters could just do all this voluntarily.

Maybe, but they haven't in the past. What tends to happen is that broadcasters either focus on quantity (meaning, for example, that comparatively expensive children's drama is sacrificed for cheaper studio-based children's programmes) or that they have simply withdrawn from genres completely to fulfil short-term commercial objectives (eg. TV3 screened no New Zealand television drama at all in 1999). A quota system helps broadcasters focus on wider objectives. Broadcasters have always put up lots of arguments against quotas. This system meets those arguments.

19. A TVNZ Charter

The Government has also signalled its commitment to a charter for TVNZ. This is an excellent mechanism to complement quotas. Each mechanism can address areas which the other cannot. Together quotas and a charter can help solve many of the problems encountered by television audiences in New Zealand.

Because of the complementarity of the two mechanisms, this paper also touches on what the core principles of a charter might be.

TVNZ may have social as well as commercial objectives in accordance with section 7 of the SOE Act. So long as TVNZ remains in public ownership, the Government may decide the balance between desired commercial returns and its social objectives.

We can learn from the principles of the Radio New Zealand charter, enshrined in section 7 of the Radio New Zealand Act. RNZ has as its core function:

To provide innovative, comprehensive and independent broadcasting services, and...

... to provide:

- (a) programmes which contribute towards intellectual, scientific and cultural development, promote informed debate and stimulate critical thought; and*
- (b) a range of New Zealand programmes including information, special interest and entertainment programmes and programmes which reflect New Zealand's cultural diversity including Maori language and culture; and*
- (c) programmes which provide for varied interests in the community including information, educational, special interest and entertainment programmes; and*
- (d) programmes which encourage and promote the musical, dramatic and other performing arts including programmes featuring New Zealand and international composers, performers and artists; and*
- (e) a nationwide service providing programming of the highest quality to as many New Zealanders as possible, thereby engendering a sense of citizenship and national identity; and*
- (f) comprehensive independent, impartial and balanced national news services and current affairs, including items with a regional perspective.*

These same principles, or social objectives, could underpin a charter for TVNZ while taking into account the requirement that, unlike RNZ, TVNZ needs to earn commercial revenue and that it is, of course, a visual medium.

Children's and youth programmes will also need to be included. This is a key reason why TV2 should not be exempt from all charter obligations, as programmes must go on the channels chosen by the audience. It would seem sensible that a charter apply to TVNZ as a whole, with the exercise of the charter obligations to be undertaken on the most relevant of its channels.

On the assumption that TVNZ will have Charter requirements, its quota obligations are not set at a particularly onerous level in financial terms (although there will be a clear on-screen impact in several genres). If a charter is not implemented, this will need to be reviewed.

20. Relevant International Agreements

Two international agreements to which New Zealand is a signatory need to be considered.

First, the *Closer Economic Relations Agreement* (CER) requires Australia and New Zealand to provide "no less favourable" access to each other's markets. New Zealand won an action under CER in 1998 (the "Project Blue Sky" case), successfully arguing that the Australian programme quota system was operating as a trade barrier. In the then absence of a New Zealand Government commitment to programme quotas, this was a logical move against one of the few countries in the world which does not screen New Zealand programmes.

New Zealand can:

- (a) include Australian programmes within its quota system, which means increasing the transmission and genre quota levels by proportionate amounts. The system outlined in this paper has used this option in calculating its quota levels for consistency of approach.
- (b) alternatively, the Australian and New Zealand governments could decide to enter into a side agreement which could exclude each country from the other's system or adapt the systems in a smaller way. This is a political issue. If such discussions are to commence, they should not do so at the expense of introducing the quota system. It is vital that a quota system is introduced as quickly as possible. Any macro-environmental changes do not require a fundamental change to the model, which is one of its strengths (if Australian programmes are excluded for any reason, the model still works: quota levels are simply readjusted). There is a view within much of the production industry that a side agreement should be investigated as a priority.

Second, as a signatory on 15 April 1994 to the *General Agreement on Trade in Services* (GATS), a multi-lateral trade agreement, New Zealand agreed to accord full market access and equal national treatment to other countries in the area of audio-visual services. While countries like France, the United Kingdom, Canada and Australia entered substantial reservations to protect their culture, New Zealand chose only to protect existing limited undertakings for Maori broadcasting (namely that a minimum of 6% of NZ On Air funds be allocated to Te Mangai Paho for Maori programming, although the wording of the limitation is imprecise) and the funding of New Zealand films. There was no public debate or discussion when this was negotiated, and New Zealand's limited protection shows a remarkable narrowness of approach.

An argument can be made that the quota system does not circumvent New Zealand's GATS undertakings by virtue of this country's reservations relating to Maori programming. In

broadcasting terms Maori programming (not defined but presumably reflective of Maori culture) cannot be separated from New Zealand programming. Maori have successfully argued that they must participate in and be represented in both mainstream and niche programming. The arguments have been taken to and won at the Privy Council. Maori culture is present in all forms of programming, from serial drama like *Shortland Street* to serious documentary works like *Our People, Our Century* to children's programmes and performance. It is also inextricably bound into news and current affairs programmes, sport and indeed any other programming genres except, perhaps, special interest programmes aimed at different ethnic groups.

Another argument can be mounted that because the sale of foreign programmes at marginal cost is effectively the "dumping" of production on to local markets, then New Zealand is clearly denied full market access to its own airwaves. This means that the GATS is, in effect, protectionist in favour of international product.

There is a further argument that the underlying GATS principle of equal national treatment being given to foreign suppliers does not necessarily contravene a quota system. The rationale for a quota system is to provide New Zealand audiences with a meaningful, diverse choice of domestic as well as foreign programming. It is not to accord New Zealand producers with any special privileges. A quota system does not reduce the effectiveness of competition for foreign producers (which might be a breach of GATS) as there is no requirement that New Zealand (or Australian) producers must produce quota programmes, only that programme authenticity remains a component of each commissioning decision.

The Government might also consider adopting a new approach to its international trade policy and look to renegotiate part of the agreement, or it might simply respond to challenges as they may arise.

21. Cultural Policy Implications

In the countries which have already agreed to some protection, there is a clearer understanding of the need to distinguish between trade and culture. There are now moves to consider a multilateral treaty on cultural diversity. For example, FERA, the European directors' federation, took the following position on culture at the 1999 WTO Seattle round. FERA undertook to:

- (a) recognise the importance of cultural diversity
- (b) acknowledge that cultural goods and services are significantly different from other products
- (c) see that domestic measures and policies ensuring access to indigenous cultural products are significantly different from other policies and measures
- (d) set out rules on the kind of measures a country can and cannot use to enhance cultural and linguistic diversity
- (e) establish how trade regulations would or would not apply to cultural measures that meet the agreed rules.¹³

¹³ Source: *Montage* Winter 99/00 p3. Magazine of the Directors Guild of Canada.

New Zealand could also discuss the special relevance of national cultures in international fora. It seems critical that there is a stronger appreciation by New Zealanders of the links and differences between culture and trade issues. Increasingly, it seems important to distinguish between free trade issues and the need to protect and develop national cultures, especially those of smaller nations. Thus New Zealand needs to move on from the secretive world of trade negotiations with unexamined consequences, such as GATS, and inform its people better of the issues and ramifications of its policies.

Cultural policies need to stand alongside trade, business and economic policies as a definer of our country and its place in the world.

22. Conclusion

New Zealand is at the threshold of significant, overdue change to its broadcasting structure. The television industry, like many others, is going global. It is not possible for a small country to provide adequate levels of local content for its citizens without market intervention. Local content is a critical conduit for New Zealanders so they may see their own world on their screens in addition to other cultures and other lands. Local content affirms us as a nation.

Quotas, combined with a charter for a state-owned broadcaster and adequate levels of public funding, are an innovation for the twenty-first century which will ensure that New Zealanders secure our rightful place on our screens.

**Screen Producers And Directors Association
April 2000**

APPENDIX ONE**Table 11: First Run Hours of NZ and Australian Genre Programmes screened on TVNZ and TV3 in 1998**

PROGRAMME CATEGORY	TVONE ACTUAL HOURS 1998			TV2 ACTUAL HOURS 1998			TV3 ACTUAL HOURS 1998		
	<i>NZ</i>	<i>Aus</i>	<i>Total</i>	<i>NZ</i>	<i>Aus</i>	<i>Total</i>	<i>NZ</i>	<i>Aus</i>	<i>Total</i>
Drama and Comedy	14	172	186	144	737	881	23	32	55
Children's Drama	0	0	0	13	Incl. below	13	0	0	0
Children's Programmes	0	0	0	197	418	615	132	15	147
Documentary	132	156	288	28	225	253	73	3	76
Maori and Maori language	140	0	140	40	0	40	0	0	0
Performance	20	?	20	52	?	52	1	?	1
Totals	306	328	634	474	1380	1854	229	50	279

NZ hours source: NZ On Air
Aust. Hours source: TV Broadcasters Council

Table 12: First Run Hours of NZ and Australian Genre Programmes screened on TV4 and Prime in 1998

PROGRAMME CATEGORY	TV4 ACTUAL HOURS 1998			PRIME ACTUAL HOURS 1998		
	<i>NZ</i>	<i>Aus</i>	<i>Total</i>	<i>NZ</i>	<i>Aus</i>	<i>Total</i>
Drama and Comedy	4	275	279	0	0	
Children's Drama	0	0	0	0	0	
Children's Programmes	32	0	32	0	0	
Documentary	7	0	7	0	0	
Maori + Maori language	0	0	0	0	0	
Performance	7	0	0	0	0	
Totals:	50	275	318	0	0	0

NZ hours source: NZ On Air
Australian hours source: SPADA estimate

Notes:

- Only total Australian figures have been made available, not first run. Therefore for the purposes of this document, an allowance of 75% of the total hours has been used (namely an assumption of a repeat rate of 25% has been employed)
- Australian hours seem high, and need to be checked.

APPENDIX TWO**ASSUMPTIONS USED TO ESTIMATE ADDITIONAL QUOTA COSTS IN
APPENDICES 3 - 9**

Many assumptions have been made in costing the impact of the New Zealand model, based on information which is publicly available. All assumptions need testing as further data becomes available from broadcasters. Should any prove significantly inaccurate, the quota points levels will need to be considered again.

To calculate the average additional cost of programmes produced in New Zealand and purchased from Australia which make up the quota programmes, three steps are needed.

Step One: calculate the average hourly production cost of both *genre programmes* and *all types of programmes* produced in New Zealand.

Step Two: calculate the weighted average hourly production cost of both *genre programmes* and *all types of programmes* produced in New Zealand *and* purchased from Australia.

Step Three: calculate the average hourly cost of the *overseas programming that is substituted*.

Step One:**The average hourly production cost of genre programmes produced in New Zealand:**

Sourced from NZ On Air (1999) and Te Mangai Paho (1998) annual reports:

Table 13: Calculation of Average Hourly Cost of NZ-Produced Genre Programmes

Genre	Total Hours	Total Cost	Average Hourly Cost	% Public Funding	Average Public Funding Per Hour
Drama	66.5	\$29,057,670	\$436,957	44%	\$192,261
Children's Drama (note)	1	\$300,000	\$300,000	100%	\$300,000
Children's Progs.	367	\$12,828,589	\$34,955	79%	\$27,615
Documentary	104	\$13,774,036	\$132,443	70%	\$92,710
Maori	194	\$4,227,000	\$21,789	100%	\$21,789
Performance	116	\$4,967,768	\$42,826	71%	\$30,406
TOTAL/AVERAGE	848.5	\$65,155,063	\$76,789	62%	\$47,609

Note:

No children's drama made in 1999. Estimate only.

The average hourly production cost of all programmes produced in NZ:

This average hourly cost is difficult to calculate for two reasons.

- Other than for programming funded publicly by NZ On Air and Te Mangai Paho there is no public disclosure of programming costs.
- The average will be affected by the mix of programmes and their relative costs. e.g a high proportion of high-cost programming like drama, documentary and sport will push the average up. A high proportion of low cost programming such as magazine and game shows will push the average down.

NZ On Air has estimated that the production cost of all New Zealand-produced programming on TV One, TV2 and TV3 in 1997 was around \$160 million. In the same year there were 5,601 hours of local content on those channels giving an average rounded production cost of \$30,000 per hour. This cost includes genres not funded by NZ On Air & Te Mangai Paho, such as news and sport, as well as the genres which are. (Source: *New Zealand Television and the Future of Local Content*. NZ On Air, March 1998, p19).

This estimate of **\$30,000** per hour is the latest publicly available and has been used as part of the calculations.

Step Two:

The weighted average hourly production cost of both genre programmes and all types of programming produced in New Zealand and purchased from Australia

Because of the current high levels of Australian programmes screening in New Zealand, it is assumed that New Zealand broadcasters will need to commission mostly New Zealand programmes to fulfil quota obligations (as there seems to be little more suitable Australian material unpurchased). Therefore for additional quota programming, the weighted average hourly cost of qualifying genres is reduced using a ratio of 80:20 New Zealand to Australian. An assumed average cost of \$10,000 has been used for purchased Australian programmes:

Drama ¹⁴	
Serials screening more than 1 hour per week	\$200,000
Series screening one hour a week or less	\$375,000
Children's drama	\$242,000
Children's programmes	\$ 29,964
Documentary	
One hour programmes	\$130,000
Half hour programmes	\$ 70,000
Maori (assume 100% New Zealand produced)	\$ 21,789
Performance	\$ 36,260
Weighted average hourly cost of all types of quota programming	\$26,000¹⁵

Step Three:

The average hourly cost of the overseas programming that is substituted.

Over a 24-hour schedule, taking into account the very cheap programming which screens overnight, for example, the average price is probably close to \$5,000 per hour. However quota programmes largely screen in the more lucrative parts of the schedule, and the average purchase price of foreign programmes will be consequently higher.

Therefore an allowance of **\$10,000** has been used.

¹⁴ The costs for Drama and Documentary have been re-estimated to take into account the two categories in each genre. These re-estimates include the 80:20 provision.

¹⁵ Average cost of NZ programmes = \$30,000. Average cost of Australian programmes = \$10,000. Using an 80:20 ratio: \$24,000 + \$2,000 = \$26,000.