



## JMAD New Zealand Media Ownership Report 2013

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This *New Zealand Ownership Report 2013* published by AUT's Centre for Journalism, Media and Democracy (JMAD) outlines how the financialisation of New Zealand media intensified as News Limited pulled out of Sky TV, and as lenders took 100 percent control of MediaWorks.

In 2013, controversy erupted when it was revealed that a journalist's phone records had been handed to a ministerial inquiry without her consent. The move was condemned by over 300 journalists as the government's invasion of privacy was seen as a threat to media freedom. The government also passed legislation giving extra surveillance powers to the Government Communication Security Bureau (GCSB). This represented an institutional threat to journalistic autonomy.

The report also finds that the bloggers and blogosphere gained prominence and influence in relation to the commercially driven mainstream media. In October 2013, there were 280 ranked blogs in New Zealand, and the top political blogs recorded high visitor numbers.

### **Key events and trends concerning New Zealand media ownership**

- Financial institutions take control of Sky TV and MediaWorks
- MediaWorks goes into receivership, keeps losing content rights
- Bauer media grows in influence, buys *The Listener* and other magazines
- Sky TV stirred, but not shaken by the Commerce Commission and new competitors
- Leading newspapers stall paywalls, local papers launch them
- APN and Fairfax newsrooms shrink, profit boosted by asset sales and job cuts

**This New Zealand Media Ownership Report is the third published by AUT's Centre for Journalism, Media and Democracy (JMAD). The reports are available here:**

<http://www.aut.ac.nz/study-at-aut/study-areas/communications/profile/media-networks/journalism,-media-and-democracy-research-centre/journalists-and-projects>

## 1. Global media ownership – 2013 trends

In 2013, a number of global media corporations maintained core operations by selling and divesting their print news assets. In February, Independent News and Media (INM), the largest owner of APN News and Media, sold its South African unit Independent Newspapers SA (“Breaking up is not so very hard to do”, 2013). Also in April, Pearson, which owns *The Financial Times* and *The Economist*, sold its 50 percent stake in Business Media for Education (BDFM) in South Africa. Additionally, in August *Newsweek* was sold to IBT Media which publishes the *International Business Times*. Last year *Newsweek* went online-only, ending its 80-years history as a print magazine (Byers, 2013).

In June, Rupert Murdoch’s News Corporation was split in two companies: the new 21<sup>st</sup> Century Fox and News Corp. The former hosts Murdoch’s more profitable entertainment assets such as television networks and BskyB, while the latter consists of 130 newspapers including *The Wall Street Journal* and *The Times*. News Corporation was not the only company splitting or selling assets. For example, Tribune Co. moved its newspapers to a separate company in order to focus on television and internet operations. The new publishing company is called Tribune Publishing, and includes titles such as *The Los Angeles Times* and *The Chicago Tribune* (Hamilton, 2013). Also Time Warner is in the process of selling its magazine unit, Time Inc., by the end of this year.

As *The Economist* points out, the recent “disposals of non-core assets have helped win over distrustful shareholders.” (“Breaking up is not so very hard to do”, 2013). Major shareholders within media corporates increasingly believe that owning

diverse media assets such as television networks, newspapers, music labels etc. add little value to a company. Moreover, diverse assets may hinder media corporates financial performance. In this context, divestments and sell-offs are partly driven by the fact that newspaper publishers are struggling to make sufficient profits for shareholders. The global consultancy company PwC (2013a) expects this trend to continue as media corporates exit non-core assets. This is done as a “means to improve liquidity, increase profitability, and allocate capital to those business units that best reflect their go-forward strategy.” (PwC, 2013a, p.7).

Also during 2013, a new cluster of media moguls gained prominence. In August, The New York Times Company sold its stake in the *Boston Globe* to businessman John W Henry. He is a principal owner of an American baseball team Boston Red Sox and English Premier League football team Liverpool FC. Henry was expected to pay \$US70 million for his stake in a media outlet which The NYT Company purchased for \$US1.1 billion in 1993 (Dart, 2013). The NYT Company had been keen to close the *Boston Globe* from 2009 because of heavy losses. During the same month *The Washington Post* was sold to another emerging media mogul, Amazon founder and multi-billionaire Jeff Bezos. This longstanding newspaper was seeking to “survive the onslaught of the Internet.” (“Amazon founder buys Washington Post”, 2013). The paper was sold by its principal owner Donald Graham for US\$250 million. Bezos stated that his purchase was made one of “personal capacity”. He was hoping to effect the transformation from a print news to digital news. In a post to *The Washington Post* employees, he noted that

The Internet is transforming almost every element of the news business: shortening news cycles, eroding long-reliable revenue sources, and enabling new kinds of competition, some of which bear little or no news-gathering costs. There is no map, and charting a path ahead will not be easy. We will need to invent, which means we will need to experiment. (“Amazon founder buys Washington Post”, 2013).

Before Henry and Bezos, the billionaire investor Warren Buffett acquired print newspapers. In 2012, his company Berkshire Hathaway bought 28 daily papers in the United States for a total of \$US344 million. More recently Buffet purchased his hometown newspaper the *Omaha World-Herald* as well as some newspapers from Media General for an additional US\$142 million (Benoit, 2013). Media General is an American media corporate with affiliations to television networks. These include FOX, 9 NBC, 7 ABC and 12 CBS stations.

In the trans-Tasman context, mining billionaire Gina Rinehart has an almost 15 percent stake in Fairfax Media, a substantial owner of print media interests in Australia and New Zealand. In July 2013, Rinehart was reportedly backing Fairfax’s print newspapers as long they made commercial sense (Davidson, 2013).

The new cluster of media moguls seem to have bought into the print news industry cheaply. There has been speculation about their motivations because the newsprint industry is struggling to create substantial revenues. As Fairfax’s chief operating officer Greg Hywood put it in a speech:

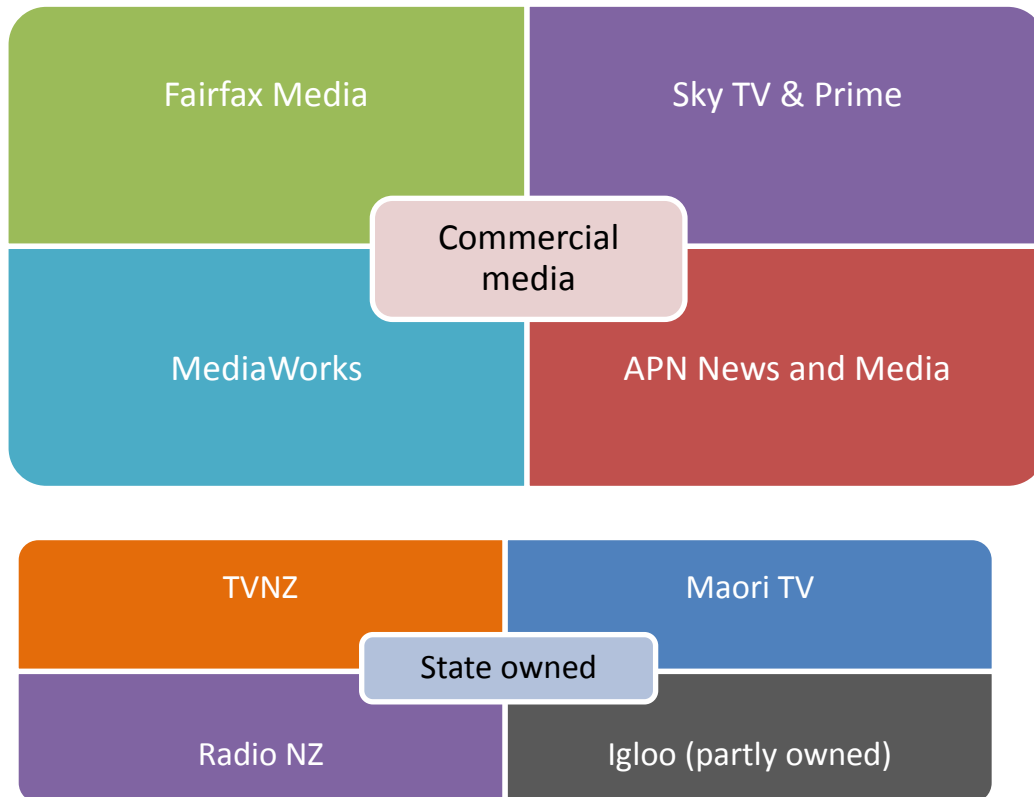
The mass newspaper business which rode a technology called print for 500 years – a pretty good run – is in its last years. The revenues are weak and the sheer cost of physical production and distribution is too great. The numbers show the newspapers that do exist will be bespoke products – expensive and narrowly distributed. That means just one thing – we are all changing our business models as fast and furiously as we can... (Fairfax, 2013a)

2013 also saw major ownership changes in the global mobile phone industry. In September the American software giant Microsoft bought the Finnish Nokia's mobile phone business and licences for US\$7.2 billion after Nokia had had lost its dominant position in mobile markets (Ando & Rigby, 2013). With this purchase Microsoft was seen to strengthen its position against competitors such as Apple (Ando & Rigby, 2013).

Shortly after the deal was announced, the loss making Canadian smartphone manufacturer Blackberry announced that it would be sold to a consortium led by Fairfax Financial for US\$4.7 billion ("Blackberry in \$4.7bn takeover deal with Fairfax", 2013). Mobile devices and smartphones are increasingly important to news outlets because news consumption is migrating to mobile platforms. For example, in 2012 51 percent of Americans read news on their mobiles, 56 percent on their tablets, and 70 percent on their laptops (Mitchell et al., 2012). Researchers have observed that "people use mobile devices for news more often and for longer sessions." (Mitchell et al., 2012).

## 2. New Zealand media ownership – structure, patterns, events

### NZ Media Sphere



At first glance, the structure of New Zealand media market has barely changed over the past three years. As in 2011 and 2012, there are four major media companies in New Zealand: APN News & Media, Fairfax Media, MediaWorks and Sky TV (Myllylahti 2011; 2012). Additionally, New Zealand has state owned broadcasters TVNZ (which has TV1, TV2, TV1 Plus); Maori Television and Radio New Zealand. Low-cost pay television company Igloo is also partly owned by TVNZ. Igloo was formed as a joint venture by TVNZ and Sky TV in 2012 (TVNZ obtained 49 percent of the joint venture.) In 2013 TVNZ reduced its stake in the company to 34 percent.

As in 2012 and 2011, APN and MediaWorks continued to have a duopoly in New Zealand's commercial radio markets as the Sky TV, MediaWorks and TVNZ controlled television markets. Sky TV maintained near monopoly in the pay television market having 52 percent of households paying for its services. The company had 847,000 subscribers in December 2012 (Sky TV, 2013a).

In 2013 the New Zealand print newspaper market, and the online news arena, was dominated by trans-Tasman corporates APN and Fairfax. In the regional newspaper market APN's position changed somewhat when it sold some papers to independent operators. In April the company sold the *Christchurch Star* and *Oamaru Mail* to the Christchurch-based independent media company Mainland Media. The company is privately owned by Pier and Charlotte Smulders, and chaired by Nick Smith who is the director of Allied Press, another independent media company. It owns the *Otago Daily Times* as well as *Hurunui News*, *Ashburton Courier* and Canterbury Television (CTV).

In November APN announced that it would sell its New Zealand magazine business to the German Bauer Media Group (APN, 2013a). The German media giant already owns *Metro* and *North & South* in New Zealand. If the sale gets clearance from the authorities, established brands including *The Listener*, the *New Zealand Woman's Weekly*, *Simply You*, *Simply You Living* and *Crème* will become Bauer staples. According to APN's release, the company will continue to publish *New Idea*, *That's Life* and *Girlfriend* under its licence from the Australian Pacific Magazines Group.

In July it became apparent that TVNZ was planning to shut down its youth channel TVNZ U for commercial reasons. The channel came off air in August 2013. The TVNZ chief executive Kevin Kenrick commented that "Despite our best efforts, we've

not been able to make it work financially.” (“TVNZ to shut down youth channel”, 2013).

Some newcomers became also part of the New Zealand media landscape. For example, the pay television company Coliseum emerged as a challenger for Sky TV on sports content, and the video streaming company Quickflix made some headway in video content services. The internet service provider Slingshot as well as telecom companies Vodafone and Telecom became more active players in video content and pay TV markets.

**Newcomers in New Zealand media markets**



***Financialisation of media ownership gains momentum***

During 2013, the financialisation of New Zealand media ownership intensified. As Rupert Murdoch’s News Limited pulled out of Sky TV, the company’s shares were sold to financial institutions. MediaWorks was put into receivership, and then sold to a new holding company 100 percent owned by its lenders. Financial institutions which don’t have any inherent interest in media now hold 55.6 percent of APN News



and Media shares and 56.5 percent of Fairfax Media shares. Three financial firms own 19.6 percent of Sky TV's shares. The only New Zealand media corporate substantially owned by another media corporate is APN, as the Irish media company INM retained its major stake. However, even in this case APN's financial holdings are significant (table 1).

The financialisation of New Zealand media ownership has been noticeable since 2010. Over the last three years stock market listed financial institutions such as major banks and unlisted financial institutions such as private equity firms, have increased their ownership shares within New Zealand based media companies. This is a worrying development since the financial owners "have no inherent interest in any particular media industry or sector." (Hope & Myllylahti, 2013). The main objective of financial owners, especially private equity firms, is to maximise their returns. In the current economic environment this is done throughout cost cutting and debt reduction programmes. The short-term imperatives of financially owned media corporates has forced them to cut thousands of journalism and editorial related jobs. This has exacerbated the trend toward more commercial content (Myllylahti, 2012).

The case of APN is instructive. In 2010, 22.6 percent of the company's substantial shareholders were financial institutions, but in 2012 financial institutions held 55.6 percent of the company's shares (Hope & Myllylahti, 2013). As indicated in table 1, the Irish media corporation INM remains the biggest shareholder in APN with a 28.9 percent stake. This stake also includes its holdings through News and Media NZ (11.3 percent).

The private equity firm Allan Gray owns 19.9 percent of the company's shares. Other major shareholders include unlisted financial institutions such as Maple-Brown Abbot and Dimensional Fund Advisors.

In the case of Fairfax Media, financial institutions held 24.1 percent of the company's shares in 2010 compared to 52.7 percent by the end of 2012 (Hope & Myllylahti, 2013). As seen in table 2, the mining billionaire Gina Rinehart holds a 14.9 percent stake in Fairfax through her company Hancock Prospecting. Allan Gray is the second biggest shareholder in Fairfax with 8.3 percent of the company's shares. Other major shareholders include financial institutions such as Maple-Brown Abbot, IOOF Holdings, AXA Group, National Australian Bank (NAB) and Lazard Asset Management.

Tables 3 and 4 illustrate major ownership changes in New Zealand during 2013. As said, News Corporation sold its entire 44 percent stake in Sky TV for NZ\$815 million ending the company's corporate ownership structure (McBeth, 2013a). The sale of shares was underwritten by Deutsche Bank and Craigs Investment Partners, and these were later sold to other financial institutions. In October, the three biggest shareholders in Sky TV were Hyperion Asset Management, Cooper Investors and BNP Paribas. Together they hold 19.6 percent of the company's shares (Sky TV, 2013b). Previously in November 2012, New Zealand's Todd Corporation sold its entire 11 percent stake in Sky TV for NZ\$218 million (Myllylahti, 2012).

**Table 1: APN News and Media major shareholders as of June 2013**

|                              |       |
|------------------------------|-------|
| Allan Gray Australia Pty Ltd | 19.9% |
| Independent News & Media     | 17.6% |
| News& Media NZ               | 11.3% |
| Maple-Brown Abbot            | 5.5%  |
| Perpetual Investments        | 4.7%  |
| MLC Investment Management    | 3.3.% |
| NBIM                         | 2.4%  |
| Dimensional Fund Advisors    | 1.8%  |
| Baycliffe Limited            | 1.3%  |
| Argo Investments Limited     | 0.6   |

Source: APN, 2013

**Table 2: Fairfax Media major shareholders as of 31 August 2012**

|                                |       |
|--------------------------------|-------|
| Hancock Prospecting            | 14.9% |
| Allan Gray Australia           | 8.3%  |
| Commonwealth Bank of Australia | 7.5%  |
| AXA Group                      | 7.1%  |
| NAB                            | 6.5%  |
| Maple-Brown Abbot Ltd          | 5.8%  |
| Lazard Asset Management        | 5.1%  |
| IOOF Holdings Ltd              | 5.0%  |

Source: Fairfax Media Annual Report 2012

**Table 3: Sky TV major shareholders as of October 2013**

|                           |       |
|---------------------------|-------|
| Hyperion Asset Management | 8.52% |
| Cooper Investors Pty Ltd  | 5.62% |
| BNP Paribas               | 5.48% |

Source: Sky TV, 2013

**Table 4: MediaWorks major shareholders 2013**

|                 |       |
|-----------------|-------|
| Oaktree Capital | 26.7% |
| RBS             | 21.9% |
| TPG Capital     | 15.7% |
| Westpac Banking | 14.6% |
| Rabobank        | 14.6% |
| JP Morgan       | 6.5%  |

Source: “MediaWorks sale confirmed”, 2013

In August, MediaWorks, which runs TV3 and TV4 as well as half of the country’s radio stations, started to transfer its assets to a new company. As seen in the table 4, the new holding company is owned by American private equity firm Oaktree Capital (26.7 percent), Royal Bank of Scotland (21.9 percent), private equity firm Texas Pacific Group Capital (15.7 percent), Westpac Banking Corporation and Rabobank each hold 14.6 percent, and JP Morgan holds 6.5 percent (“MediaWorks sale confirmed”, 2013).

As mentioned, in June MediaWorks was placed in receivership to reduce its debt burden. MediaWorks’ Managing Director Susan Turner noted that the “debt structure that was adopted when MediaWorks Limited changed hands in 2007 was unsustainable” but stated that the company’s “core business is strong and all divisions are trading well.” (KordaMentha, 2013).

As a new MediaWorks emerged, one major name was missing from the ownership structure: Ironbridge Capital (table 4). The private equity firm became the major owner of MediaWorks in 2007 when it purchased its shares from the Canadian media company CanWest. Ironbridge controlled MediaWorks for six years, during which time the total debt burden of the company rose from NZ\$165 to NZ\$797 million (Hope & Myllylahti, 2013). At the end of May, just before its receivership,

MediaWorks had assets of NZ\$329 million, but owed NZ\$528 million to its lenders (“MediaWorks' owed over half a billion dollars – receiver”, 2013). Once in receivership, MediaWorks sought to cut its debts from NZ\$ 700 million to less than NZ\$100 million.

The main problem with Ironbridge Capital was that it used debt rather than equity to finance MediaWorks operations. As a consequence MediaWorks became highly leveraged. Leverage helps both the investor and the company to operate, but it increases the likelihood of high interest expenses and credit default. As Gaynor observed, the “MediaWorks saga shows the high-risk nature of leveraged private equity acquisitions.” (Gaynor, 2013).

### ***MediaWorks emerges out of receivership, loses content***

On November 8, MediaWorks officially came out of receivership as its assets were sold to MediaWorks Holdings Limited. The restructuring of the company’s debts and changes in its ownership structure haven’t yet resulted in job losses, but the company’s board was transformed. In a media release MediaWorks group managing director, Sussan Turner, commented that the company’s capital structure was now right size and that the company’s “business is no longer burdened by crippling debt.” (MediaWorks, 2013a). MediaWorks is now chaired by the Australian businessman Rod McGeoch, and other board members include former Eyeworks Touchdown executive Julie Christie (who has extensive experience in reality TV) and ex-PBL director Martin Dalgleish.

During its period in receivership MediaWorks lost some valuable content. In July it became apparent that the company had lost the popular Australian soap Home & Away to state owned TVNZ (they won broadcasting rights for the programme.) The rights to the show were obtained from the European distributor Endemol.

KordaMentha's Brendon Gibson expressed disappointment saying that "it is regrettable that TVNZ has convinced the distributor to cancel our agreement. However, this business is much bigger than one show." ("TVNZ poaches Home & Away from TV3", 2013). The financial advisory firm KordaMentha was appointed by the MediaWorks lenders to oversee the receivership.

In November MediaWorks gave up its content arrangements with Fox, losing broadcasting rights to popular television shows such as The Simpsons, Glee, Family Guy and Homeland. The company renegotiated content deals with NBC Universal, CBS and Sony. McGeoch stated that in this "brave new world" the company needed "more flexible commercial arrangements with studios." (MediaWorks, 2013a). He also noted that:

In our view, full output agreements for the television business are outdated and don't make commercial sense in the New Zealand market. Instead we want our television and online businesses to have the advantage of selecting international shows that work for us (MediaWorks, 2013a).

Losing some of its most popular content is expected to hurt the company. As Drinnan points out "overnight MediaWorks has lost 25 per cent of the Four schedule and access to some of the best shows on TV3." (Drinnan, 2013a). According to MediaWorks it was working on a new arrangement with Fox, as well as making some free cash available for local programming (MediaWorks, 2013).

### ***Talent shows prevail, public affairs programmes start disappearing***

Over the last three years, the commercial imperatives of broadcasting have generated an increasing amount of talent shows and reality TV programmes. As Godfery (2013) notes, after TVNZ7's closure, Maori TV was left standing as the New Zealand's "only non-commercial public broadcaster." (Godfery, 2013). As he observes, Maori TV is committed to public interest television, but TVNZ's "commitment to the same is waning, if non-existent." (Godfery, 2013).

While winning the "Media brand of the year", TVNZ's head of sales Jeremy O'Brien commented that "by creating solutions that effectively prompt action we are able to deliver tangible results to our advertising partners." (TVNZ, 2013a). In July TVNZ launched Mitre 10 Dream Home programme. Effectively the programme is prolonged advertisement for Mitre 10 products and services.

In February, TVNZ replaced its flagship programme Close Up with a new "current affairs programme" Seven Sharp. The new show is targeted at younger audiences, and it is sponsored by the banking corporate Rabobank's subsidiary RaboDirect. Commenting on the partnership deal, general manager Melanie Templeton noted that "RaboDirect sees Seven Sharp as the perfect fit for a business that embraces straight talking." (TVNZ, 2013b) The programme was badly received immediately after its launch, and gained poor ratings. Selwyn (2013) noted that "there is just nothing memorable coming from 7 Sharp" and that "whatever the entrails at the marketing meeting have divined add up to an unconvincing show." (Selwyn, 2013). Edwards (2013) observed that Seven Sharp doesn't "qualify" as a current affairs programme since it has "anything that is of general public interest though not

necessarily in the public interest.” (Edwards, 2013). In November TVNZ also cut its current affairs show Sunday’s broadcasting time by half in order to make room for New Zealand’s Got Talent.

MediaWorks programming is increasingly comprised of reality TV series and talent shows. TV3 hosts the reality TV and house renovation programme The Block, which is sponsored by Bunnings Warehouse. The entire show is littered with product placements. The channel also runs The X Factor, which according to MediaWorks has taken “the crown as the most talked about show in TV3’s history, with record levels of audience engagement for a New Zealand television show.” (MediaWorks, 2013b). MediaWorks’ television chief executive Paul Maher noted that thanks to the talent show, New Zealanders were engaging with its brand “more than ever before” with 6.3 million page impressions online and 839,000 full episodes streamed on demand (MediaWorks, 2013b).

In November it was also reported that MediaWorks would replace TV3’s late-night news bulletin with a new show hosted by the controversial broadcaster Paul Henry (“Paul Henry replaces TV3’s nightline”, 2013). Mark Jennings, the director of news and current affairs, noted that “nightline has been a great programme for us over many years and produced some of our best broadcasters, but the landscape is due for change.” (“Paul Henry replaces TV3’s nightline”, 2013). As Vaughan observes, the public interest programmes are rapidly vanishing, meaning that

there may be no in-depth, prime-time, weekly current affairs programmes on TV3 or TV One next year, leaving the genre largely to the award-winning Native Affairs on Maori TV and TV2’s tabloid offerings on 20-20.”(Vaughan, 2013).



It is important to place these findings in historical context.

AUT's Dr Sarah Baker has researched current affairs TV programmes in New Zealand over the period 1984-2004. Her PhD thesis confirmed that current affairs programmes have turned from public affairs to infotainment even as the term "current affairs" remains in use (Baker, 2012). Her research found that the sources for stories on these infotainment programmes were increasingly celebrities and sportspeople rather than politicians and experts (Baker, 2012). She states that "the research demonstrates that deregulation and commercial pressures produced current affairs television programmes in New Zealand that no longer functioned in the way they were originally designed to." (Baker, 2012, xiii). As older current affairs programmes were elaborating news stories and had a public interest focus, the content is now more designed to boost ratings (Baker, 2012).

### ***TVNZ's business model shifts***

TVNZ is a publicly owned TV broadcaster, but not a public interest broadcaster. As mentioned previously, over time public affairs shows have been replaced with various infotainment programmes. Since the changes in its charter, TVNZ has been turned into a completely commercially focused company, dedicated to turning profit and paying dividends to the government (Myllylahti 2011; 2012). The new charter abolished TVNZ's provisions to public interest.

In 2012, New Zealand government ceased funding for the non-commercial channel TVNZ 7. It was then replaced by TV One's "plus one", a delayed duplicate of TV One's content, designed to lure more advertising income. As stated in the 2011

JMAD report, the “root of the problem is that TVNZ is publicly owned, but run as a commercial entity” (Myllylahti, 2011). With the demise of the original TVNZ Charter, it has been turned “into a nakedly commercial broadcaster that is focused solely on chasing ratings and advertising revenues and is indistinguishable from any other commercial broadcaster.” (Myllylahti, 2011). During 2013 there was a shift in TVNZ’s business model. It positioned itself as a video content provider, and moved away from previous arrangements with Sky TV. This signalled a clear end to TVNZ’s role as a public broadcaster.

In 2012 Sky TV and TVNZ formed the new low-cost pay television company Igloo. Sky owned 51 percent and TVNZ 49 percent of the company’s shares. Igloo provides a mix of free to air channels, paid channels, on-demand, pay-per-view movies, television shows and sports events. In September, TVNZ sold down its stake to 34 percent (Keall, 2013a). The sale followed TVNZ’s partnership deal with Sky TV’s competitor Coliseum Sports Media to broadcast English Premier League games in New Zealand. According to TVNZ, it reduced its stake in Igloo because the latter needed capital injection (Keall, 2013a). In April TVNZ said in a written answer to a parliamentary select committee that Igloo would take “a number of years to build a subscriber base and to reach a break-even position.” (McBeth, 2013). The company estimated that it could take 4-6 years before the joint-venture would make any profit (McBeth, 2013b). In the same written answer TVNZ told the committee that pay TV opens up the broadcaster to “consumer paid-for content” which would enable it to be less reliant on advertising revenue (McBeth, 2013b).

TVNZ is clearly changing under the new CEO Kevin Kenrick, the former Telecom NZ and House of Travel executive. He is contemplating content charges especially on its Ondemand platform. In an interview with *Stuff*, Kenrick indicated that the state owned

company could start to compete with Sky TV by acquiring pay television rights to certain shows produced outside New Zealand (Pullar-Strecker, 2013a). His vision is to turn TVNZ – the publicly owned broadcasting company – into a video content supplier: "All the indications are that consumers are increasingly choosing to get their content in video format. We think that is where the future is and that is also where our core competence is." (Pullar-Strecker, 2013a)

In June TVNZ reported slight increase in its 2013 profit, making NZ\$14.4 million after tax (TVNZ, 2013a). The company's advertising revenue dropped by two percent from previous year to NZ\$6.6 million. Commenting on results, Kenrick stated that "the standout performance for the year was TVNZ Ondemand and the 21 percent growth in digital media revenue." (TVNZ, 2013c). In April, TVNZ declared that there had been a "momentous shift in viewing behaviour", TVNZ Ondemand video streams had grown 34 percent in the first three months of the 2013, and the total video streams for in the first quarter had risen to over three million (TVNZ, 2013c). The most viewed programmes on demand were Shortland Street, My Kitchen Rules and The Big Bang Theory.

### ***Sky TV not challenged by newcomers or the Commerce Commission***

As detailed earlier, News Limited sold its complete Sky TV stake in March 2013. The sale of these shares happened before the Commerce Commission finalised its investigation to Sky TV's contracts with internet service providers. In October, after 17 months of investigation, the Commerce Commission issued Sky TV with a warning. The commission stated that "it believes certain provisions in Sky's contracts

with telecommunications retail service providers are likely to have previously breached section 27 of the Commerce Act 1986.” (Commerce Commission, 2013). Yet at the same time, it concluded that Sky TV’s current provisions “are unlikely to have the effect of substantially lessening competition and are unlikely to cause harm in the future.” (Commerce Commission, 2013). In 2012 Commerce Commission had found that Sky TV’s participation in the joint pay TV company Igloo didn’t lessen competition in the pay television markets. Then the commission stated “that a number of other potential competitors may enter the market” indicating that the competition from companies such as Quickflix would affect Sky TV’s dominant position (Myllylahti, 2012),

After twice ruling in favour of Sky TV, the commission decided to further monitor its contracts and conduct. The commission noted that the market situation in New Zealand had changed with the arrival of newcomers such as Coliseum Sports Media. Many media commentators and politicians believe that Sky TV, once again, got off lightly. Labour Party’s broadcasting spokesperson Kris Faafoi noted that

The ruling is a cop out from the Commission. A monopoly as powerful as Sky should not be able to get away with uncompetitive behaviour. It is a kick in the guts to consumers. (New Zealand Labour Party, 2013).

In June Sky TV announced that it had lost its live broadcasting rights to English Premier League football games in New Zealand. Sky’s share price immediately dropped by 8.3 percent. The rights were bought by Coliseum Sports Media, which is broadcasting all of the 380 English Premier League games live via its pay-per-view platform. Coliseum has signed a three year contract for broadcasting rights, and its partners include TVNZ and Telecom. Coliseum founder Tim Martin said that the site

would be "the most advanced internet pay-per-view sports platform in the world" and that "It will provide a level of service over the internet that really hasn't been seen before." ("English football games head online for Kiwi fans", 2013). Jeff Latch, TVNZ's head of TV One and TV2, said that "these are exciting times to be in the media business and this is a fascinating development for premium sports content." ("English football games head online for Kiwi fans", 2013). In response to this, Sky TV confirmed in August that it had signed deals with four individual Premier League clubs including Arsenal and Manchester City, to show delayed coverage of games (Sky TV, 2013b).

The loss of Premier League rights to all games triggered a public discussion about Sky TV's demise. Russell Brown stated in his *The Hard News* blog that "Sky can no longer be complacent about its hugely dominant position in the New Zealand TV market." (Brown, 2013). Chris Barton observed that Sky TV's position might be affected by the fact that "tech savvy consumers find their own conduit to content" and that the growth of internet-delivered TV could threaten the company's dominance (Barton, 2013). According to Barton, "pretty much anything you want to watch via the net" is now available for consumers (Barton, 2013). New Zealanders are able to get the most recent programmes faster on the net than on Sky TV. In June, Sky TV's annual report revealed that despite the competition, the company's profitability was intact. In the financial year ending in June 2013, Sky's profit increased seven percent from the previous year to NZ\$137 million. The company's subscriber base increased to 855,898 (most of these are residential digital subscribers) (Sky TV, 2013c).

However, the broadcasting landscape is changing rapidly, and television companies worldwide confront internet television providers and on-demand programming. In the United States, selling television content through websites like Netflix and Hulu is

increasingly common (it was Netflix that made the *Breaking Bad* series a global hit). In New Zealand, the Australian video streaming and on-demand video supplier Quickflix launched its services in March, and is soon expected to launch on a free-to-air portal. The company is not able to offer HBO's programmes to New Zealanders because Sky TV has exclusive rights to this content. Quickflix chief executive officer Chris Taylor told *The National Business Review* that its subscriber base in New Zealand is "marginally ahead of expectations" without giving exact numbers (Allison, 2013). Recently, the company introduced 300 hours of children's television, and it is planning further investment in this area stating that "we have a bunch more deals we are working through." (Allison, 2013).

New Zealand internet service provider Slingshot is also testing markets, and has launched a Global Mode service which allows its customers to access online services such as Netflix in the United States. The service makes customers internet provider addresses appear as though they are based in the US. By doing so, Slingshot's service may collide with major copyright holders such as Hollywood film studios (Ahmed, 2013a).

In October, the mobile phone operator Vodafone launched New Zealand's "first – and only – full television service using the new ultra-fast broadband network." (Vodafone, 2013). The operator has partnered with Sky TV, TVNZ, MediaWorks and Maori TV for the content delivery. The company offers a choice of delivery via Freeview/HD or via Sky TV channels, and its offering includes 36 pay movie channels. Vodafone TV and UFB will initially be available in parts of Auckland, Wellington and Christchurch, and the company's ultra-fast broadband plans are also available in Whangarei, Palmerston North and Dunedin. Sky TV's shares quickly rose after Vodafone's announcement. Sky TV's chief executive officer John Fellet commented that "Sky

has long embraced the roll out of ultra-fast broadband – it's great to see Vodafone TV using the digital rights we've purchased. Kiwis now have even more choice when it comes to watching television." (Vodafone, 2013). Vodafone's initiative doesn't seem to challenge Sky TV's near monopoly in content delivery since it partners with the pay TV provider.

In regard to the launch of Vodafone TV, New Zealand's technology news agency Digitl asked that "have New Zealanders been tricked into buying a spanking new delivery network for Sky?" ("Did we just spend \$1.5 billion on a network for Sky TV?" 2013). The news agency observed that the New Zealand government had invested NZ\$1.5 billion tax payers' money to set up the UFB network. Digitl then posed some awkward questions: "Was all this just so that Sky can save on replacing its satellite and sell its content via fibre? Have we strengthened the monopoly?" ("Did we just spend \$1.5 billion on a network for Sky TV?", 2013). In October Sky TV announced that its customers should be able to view Sky TV content on their iPhones and iPads by the end of the year (Meadows, 2013).

### ***Major changes in boards and management***

2013 saw major board and management changes within trans-Tasman media companies. In February, APN announced that its Chairman Peter Hunt, CEO and managing director Brett Chenoweth, plus three independent directors had resigned after failing to gain support for capital raising. The company stated that "while the board agreed the company needed to reduce its debt, it was unable to agree on methodology." (APN, 2013b). APN's major shareholders INM and Allan Gray, who hold 51 percent of the company's shares, opposed the capital raising strategy

favoured by Chenoweth. In May APN appointed Michael Miller as a new CEO. He has worked for the Rupert Murdoch's News Limited since 1997, and is also "familiar with the New Zealand media landscape having been a director of Sky Network Television Limited for ten years." (APN, 2013c). Miller commented that

I strongly believe that The New Zealand Herald is leading the way in the transformation of metropolitan media, and regional newspapers will continue to have an important role in their communities for many years to come. (APN, 2013b).

TVNZ management has experienced turbulent times. In January Ross Dagan, the head of TVNZ news and current affairs, left the company after ten months in the job. Dagan was behind the closure of the TVNZ's current affairs programme Close Up in favour of the new primetime show Seven Sharp. The resignation came as a surprise to TVNZ's staff, and at least one commentator speculated that the "growing pressure to make more profits" was one of the key reasons behind his departure (Drinnan, 2013b). In June, John Gillespie, the editor for TVNZ's daily programmes, took over Dagan's job. Gillespie is an insider having worked in the company for the past 16 years. He commented that "I'm committed to delivering outstanding news and current affairs that calls on the special talents of the people we have here." (TVNZ, 2013d).

Radio New Zealand also obtained a new leader. In June, the Radio New Zealand board appointed Paul Thompson as the new chief executive and editor-in-chief (Radio New Zealand, 2013). Thompson was formerly the group executive editor of Fairfax Media in New Zealand, and a former editor of the Christchurch Press and the Nelson Mail. *The Listener* observed that "Radio New Zealand has chosen somebody with no broadcasting experience to lead it into an uncertain future" (Cohen, 2013). In an interview with *The Listener*, Thompson didn't elaborate any clear objectives for



Radio New Zealand. As a magazine put it, “he won’t spell out what may be in store.” (Cohen, 2013). Radio New Zealand receives \$35 million a year in public funding, and has around 300 employees.

Also in June, the television producer Julie Christie was appointed to the MediaWorks board, and she is now the sole female board member. John Drinnan commented that “MediaWorks is about to turn into the Julie Christie media show.” (Drinnan, 2013c).

She has strong background in reality TV, and has produced some of the most popular reality television shows in New Zealand including *The Block*. Her appointment raises questions about MediaWorks’ future programming as well as concerns over TV3 and TV4’s commitment to public interest content. During 2012 it was already obvious that MediaWorks’ content was becoming more commercial, and most of its local content was based on reality TV formats adapted from overseas (Myllylahti, 2012).

In September, Sky TV brought new technological expertise to its board. The company announced two key appointments: Geraldine McBride and Derek Handley (Sky TV, 2013d). McBride is CEO and co-founder of technology company MyWave Holdings, and is also a former vice-president of computer company Dell. She has also previously worked for software company SAP (Sky TV, 2013d). Derek Handley is the Chairman of mobile advertising network Snakk Media, founding CEO of the global non-profit leadership collective The B Team, and co-founder of Hyperfactory.

The management of Fairfax Media in New Zealand was also revamped during 2013. In April, Allen Williams, managing director of Fairfax NZ, was appointed to a new position in Australia. In September he was replaced by Simon Tong, the former CEO of Paymark which processes the majority of New Zealand’s EFTPOS transactions.

Tong had an 18-year career in the information technology industry before joining the media corporation. Commenting on the appointment, Fairfax's CEO Greg Hywood said that Tong "has played a key role at Paymark in developing mobile payment leadership in the New Zealand market" ("Fairfax names new managing director", 2013). At the time of writing this report, it was not clear if his knowledge was going to be used to monetise Fairfax's online content. Fairfax has launched paid online content in Australia, and is expected to launch paywalls in New Zealand as well.

In August it was announced that Sinead Boucher was to take the role of group executive editor for Fairfax Media New Zealand. For the past six years Boucher has presided over Fairfax's digital content. In her new role she will be responsible for "the editorial strategy and integrated editorial operations as well as contributing to the continued development of Fairfax newspapers, magazines and digital platforms." ("Fairfax Media NZ gets new boss", 2013).

Women also made some headway within APN in New Zealand when an Auckland journalist Miriyana Alexander was appointed as *The Herald on Sunday's* fourth editor. She has a 24-year career as a journalist in different newspapers, and was recently head of news at Fairfax Media in Auckland ("Herald on Sunday appoints new editor", 2013). In August, APN's CEO Michael Miller said that the media industry needs more women in senior roles. In an industry forum he stated that "I'd be hopeful that we are seeing, through weight of numbers, more females coming through and that in future years we would see better representation." (Christensen, 2013).

In September Maori Television was left without any chief executive after its board was unable to decide on a new appointment. According to the company's media release, the "board faced considerable pressure throughout the recruitment process,

but remains confident that it has been handled appropriately.” (Maori TV, 2013). The recruitment process was controversial, and the Chairman of Maori TV, Georgina te Heuheu, was accused for favouring her friend Paora Maxwell for the position – a claim she denied (Rutherford, 2013). Maori Television staff signed a petition against Maxwell’s appointment. At the time of writing this report, the channel is still without a chief executive.

### ***Newspaper profits improve, newsrooms keep shrinking***

The global consultancy group PwC forecasts that despite the introduction of paywalls and growing digital subscriber numbers, newspaper revenues globally will keep falling, at least until 2017 (PwC, 2013b). The consultancy group estimates that during the next four years digital advertising revenue will increase 3.8 percent per year and that digital circulation spend will increase by 38 percent over the four year period.

In November *The New Zealand Herald* celebrated 150 years of existence. While releasing its most recent half year results APN stated that *The New Zealand Herald’s* “total brand audience has been growing three percent per year over past three years.” (APN, 2013d). It also noted that print readership lingered around one million, and that growth was “almost entirely through its digital readership.” (APN, 2013d). This has given the media company the confidence to introduce paywalls for its online news content next year. According to News Works, *stuff.co.nz* and *nzherald.co.nz* are the leading news websites, reaching 1.6 million New Zealanders every month (News Works, 2013).

In 2012, both Fairfax and APN launched a combat format for their masthead newspapers *The Age*, *The SMH* and *The New Zealand Herald*. The purpose was to reduce printing costs and attract new readers. In the case of *The New Zealand Herald*, the new format hasn't boosted its print readership. During 2012 *The NZ Herald's* reader numbers fell 39,000 from the previous year (News Works, 2013). In the first quarter of 2013, the daily circulation of *The New Zealand Herald* stood at 148,702, whereas it stood at 162,181 in the end of 2012 and 170,833 in the end of 2011 (News Works, 2013). The trend has been similar in Australia where "Fairfax's metropolitan papers continue to bleed sales, despite the shift to commuter-friendly compact formats." (Knott, 2013).

In the second quarter of 2013, the circulation of *The Sydney Morning Herald* fell to 141,699, a fall of 17 percent compared to the same period in previous year, and *The Age's* circulation decreased by 16.2 percent to 142,050 (Knott, 2013).

**Table 5: Newspaper readership in New Zealand (Monday to Saturday average)**

|                   | August 2011-2012 | August 2012-2013 | Gain/Loss |
|-------------------|------------------|------------------|-----------|
|                   | '000             | '000             | '000      |
| NZ Herald         | 670              | 620              | -50       |
| Dominion Post     | 274              | 269              | -5        |
| Waikato Times     | 103              | 104              | 1         |
| The Press         | 239              | 235              | -4        |
| Otago Daily Times | 108              | 105              | -3        |
| Southland Times   | 68               | 64               | -4        |
| Sunday Star Times | 477              | 446              | -31       |
| Sunday News       | 155              | 136              | -19       |
| Herald on Sunday  | 354              | 324              | -30       |

Source: Roy Morgan, 2013

Falling print circulation numbers and decreases in advertising revenue have forced trans-Tasman media companies to run substantial cost saving programmes. During

the period 2011-2013, Fairfax and APN cut thousands of journalistic jobs. They also sold key assets in order to reduce their vast debt burden. The newsrooms of both media companies have shrunk considerably as previously indicated in JMAD's 2011 and 2012 reports. In 2013, Fairfax cut 16 photographer jobs in New Zealand, and announced a loss of 45 jobs across its publishing units in Australia. These mainly concern Fairfax's business media unit, including the business newspaper *The Australian Financial Review* (Heffernan, 2013a). Fairfax also continued outsourcing work to New Zealand. An extra 25 subediting jobs were moved from Australia, mainly because of New Zealand's lower exchange rate. In August APN's newly appointed CEO Michael Miller didn't rule out further job cuts. "I can't say no to that. Unfortunately, that's business." ("APN looks for more costs savings", 2013). In October APN announced that it was closing its Wanganui printing plant with the loss of 21 jobs.

As stated, during 2013 both Fairfax and APN continued their asset sales. In November APN announced the sale of its New Zealand magazines. A month earlier APN was reportedly selling its remaining stake in outdoor advertising unit Adshel to private equity firm Quadrant Private Equity for A\$69 million (Molloy, 2013). The two companies had jointly operated the advertising firm since May 2012. APN sold the first half of the company last year for A\$190 million. After the sale it held a 50 percent stake in the Australian outdoor advertising company. In October it was also reported that APN and Fairfax were considering a joint venture for their New Zealand printing operations, and that Fairfax was planning to merge its radio division with John Singleton's Macquarie Radio Network. The merger of radio assets would create in Australia a national radio network worth more than \$150 million in annual revenue

(Heffernan, 2013b). The two parties considered the merger of their radio stations two years ago, but the talks allegedly broke down.

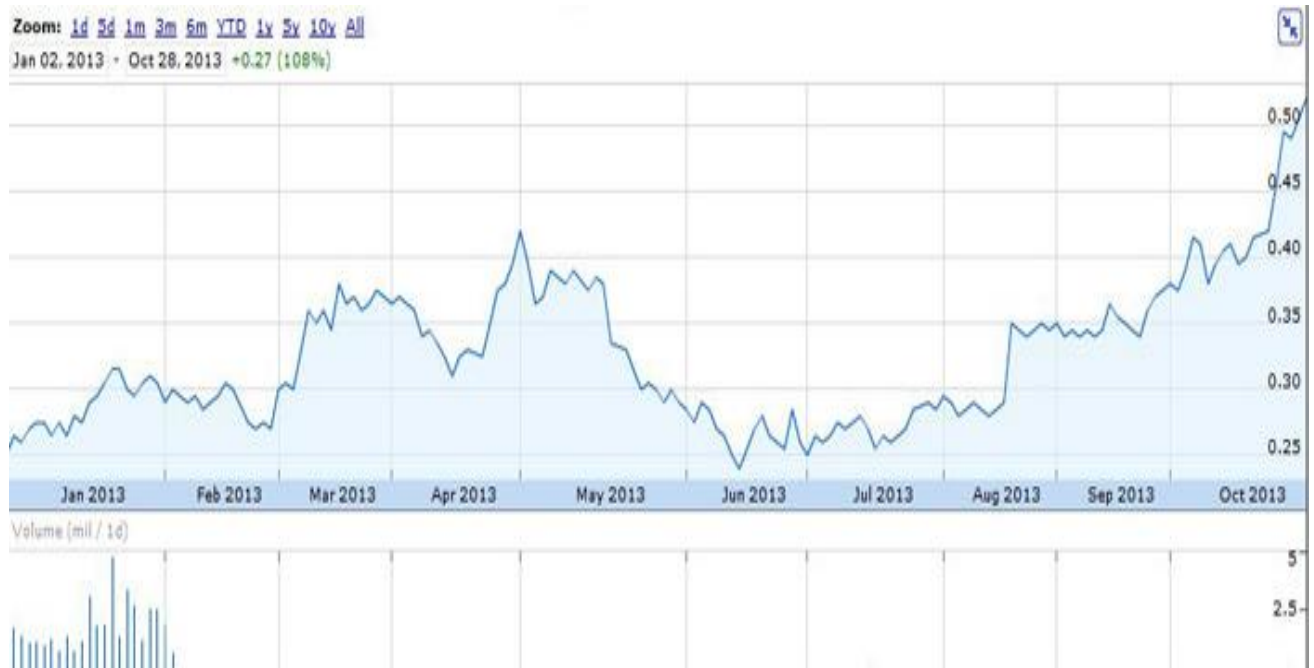
In 2012 both Fairfax and APN incurred heavy losses after they wrote down the values of their mastheads, including *The New Zealand Herald*. Fairfax reported an annual loss of A\$2.8 billion because of write-offs, and APN recorded a half year loss (after writing down A\$485 million of its New Zealand media assets) (Myllylahti, 2012). APN eventually returned to profit in the first half of 2013. The company reported a net profit of A\$12.8 million for the six months ending in June (APN, 2013b). According to company's CEO Michael Miller, APN is focusing on "a balance sheet that positions us to have options to pay dividends, invest for growth, or pay down debt." (APN, 2013b). The company's New Zealand media segment, which contributes the most of the total revenue, increased its profits for one percent to \$23 million.

In the financial year ending in 2013, Fairfax Media made a net loss of a\$16.4 million, and its revenue fell 8.2 percent from the previous year to A\$2.0 billion (Fairfax Media, 2013b). Commenting on these results, CEO Greg Hywood noted that "in our traditional publishing businesses we're pulling the levers hard to reduce costs. We are also investing in digital and new business growth." (Fairfax Media, 2013b). In New Zealand, the company's 2013 revenues fell 4.7 percent from the previous year.

The share price of APN has recovered this year as seen in the chart which follows.

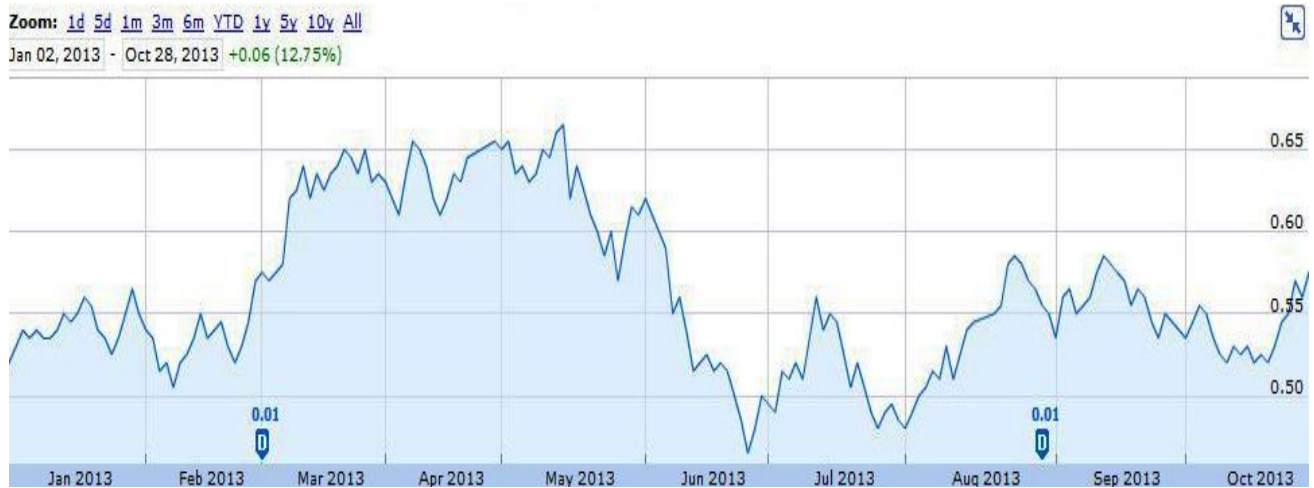
The Fairfax share price hit its peak in May, but by the end of October its shares were trading at a similar level to the start of year.

### APN News and Media share price January-October 2013



Source: Google finance

### Fairfax Media share price January-October 2013



Source: Google finance

## ***Paid content on online news***

In 2013, PwC forecasted that online advertising would grow as money moved away from traditional newspapers. This forces print publishers to monetise on their digital content such as online news. PwC's partner and technology specialist Paul Brabin noted that "pleasingly, our newspaper publishers are following global trends seen in mature markets by building digital paywalls. Paying for our online news content will become the new normal." (PwC, 2013c).

Newspaper paywalls have entered Australia and New Zealand. However, the largest New Zealand online news sites *stuff.co.nz* and *nzherald.co.nz* have not yet introduced paid content. In July, Fairfax launched metered paywalls for its Australian newspapers *The Sydney Morning Herald* and Melbourne based *The Age*. The readers can access 30 articles per month for free after which they need to pay a A\$15 monthly subscription fee in order to access the content. Both papers offer free website access for their print customers. Commenting on the company's 2012 results, Hywood warned that the data regarding its digital subscriptions "should be treated with some caution as we haven't experienced the full impact of early churn." (Fairfax Media, 2013b). According to Hywood, the two papers achieved their targets for digital subscriptions in the first month after the July launch. In his view paywalls haven't dented the two papers visitor numbers (Fairfax Media, 2013b). At Fairfax's annual general meeting In November, Hywood confirmed that *The Age* and *The Sydney Morning Herald* had obtained 86,000 new digital subscribers, and more than 102,000 bundled subscriptions (Fairfax Media, 2013c). Based on the cheapest digital-only option, Fairfax would make around A\$16 million annually from its paywall,



and the bundled packages would earn an additional A\$54 million (Myllylahti, 2013a). Based on these figures bundled and digital subscriptions would earn Fairfax Media A\$70 million revenue per year, presenting roughly 3.3 percent of the media corporation's annual revenue (Myllylahti, 2013a).

Fairfax has indicated that it is considering paywalls for *stuff.co.nz*, but the company has not made a decision about it yet. In August Hywood commented that "we've certainly got nothing on the cards right now but that's not to say it won't occur in the future." (Harris, 2013). APN on the other hand has confirmed that it will introduce digital subscriptions for *The New Zealand Herald* next year (Delic, 2013). The most likely model to be introduced is a metered model which allows readers to access certain number of articles for free. APN's CEO Michael Miller stated that

"In the next 12 months, I'm happy to tell you, we will launch a digital subscription model into The New Zealand Herald. It's a strong brand with strong content and very strong engagement digitally." (Delic, 2013).

Myllylahti (2013b) argues that paywalls are not a viable business model for newspapers in the short term. Her study of paywalls in the US, the UK, Slovakia, Slovenia, Poland, Finland, New Zealand and Australia, found that paywalls provide roughly ten percent of news publishers' total publishing/circulation revenue (Myllylahti, 2013b). She estimates that in New Zealand, *The National Business Review* makes roughly NZ\$652,253 out of its paid digital subscriptions (Myllylahti, 2013b). Ahmed (2013b) on the other hand estimates the figure is higher: "in a best-case scenario [there will be] around NZ\$900,000 per year from digital subscriptions, with advertising revenue on top of that." (Ahmed, 2013b).

In June, the *NBR* published a lengthy article in defence of paywalls (Keall, 2013b). In the article titled “Paywalls – what are they good for?” Keall argued that “a paywall encourages sharper stories” and “helps fund a professional newsroom.” (Keall, 2013b). He also stated that “I hope mainstream news websites survive and thrive. But I’m not sure a paywall will work for them.” (Keall, 2013b). In *The Daily Blog* Martin Bradbury on the other hand commented that

what the corporate media in their desperate scramble to monetize online content don’t see or understand is that paywall rob newspapers ultimately of the only real power they have – the power to influence the public.” (Bradbury, 2013).

He also stated that digital subscription will “help limit the negative agendas most newspapers espouse while empowering the blogs.” (Bradbury, 2013). While the New Zealand’s biggest media companies are still contemplating paywalls, local newspapers the *Ashburton Guardian* and *Whakatane Beacon* have introduced paid content. The *Whakatane Beacon* has put its online content behind a paywall and offers free website access only to its print subscribers. People who want to read the online-only version can pay a digital subscription. According to the *Whakatane Beacon*’s managing editor Mark Longley, the paper has “around 4,000 digital subscribers” but this figure includes bundled print and digital subscription. The paper has around 300 digital-only subscriptions (M. Longley, personal communication, September 15, 2013).

According to Longley, the papers website “has been very successful” and it has not dented its advertising revenue (M. Longley, personal communication, September 15, 2013). The main reason for the website’s success is that it only covers the Eastern Bay area and therefore offers value for its local readers and advertisers (M. Longley,

personal communication, September 15, 2013). The paper has 24,000 readers for each issue.

### ***State threats to media freedom and democracy***

In 2013, New Zealand government actions raised concerns about media freedom. In any democratic society, the media's watchdog role – an ability to report freely and to hold the powerful into account - is seen as a critical element of democracy. In July, it was revealed that the phone records of Fairfax journalist Andrea Vance were given to a ministerial inquiry investigating the leak of a report concerning the Government Communications Security Bureau (GCSB). The records handed to the inquiry detailed three months of Vance's phone calls made within parliament. Surveillance of this parliament gallery journalist led to the resignation of Geoff Thorn, the head of parliamentary services.

In August, Vance wrote in her *Stuff* opinion piece that she was “mad as hell” and that “anyone who has had their confidential details hacked and shared around has the right to be angry.” (Vance, 2013). She also stated that “it has become rather obvious that this government has a casual disregard for media's true role as an independent watchdog.” (Vance, 2013). The government's actions were widely condemned by New Zealand journalists. The Kiwi Journalists Association's Facebook group strongly condemned “the open assault on media freedom”, and 315 journalists supported the condemnation. The Kiwi Journalists Association is a closed group, and accepts only former or current journalists as its members. In the middle of the scandal, Prime

Minister John Key said that the New Zealand journalists were not subject to surveillance. He stated that

we have enormous respect for the Fourth Estate. We think journalists have freedom of information. We don't think that they should be subject to surveillance, and they are not." ("Journalist's freedom seen as under attack", 2013).

However, in July, investigative journalist Nicky Hager wrote that the New Zealand military, aided by the US spy agencies, had monitored the phone calls of New Zealand journalist Jon Stephenson and his associates while they were working in Afghanistan (Hager, 2013). Earlier this year Stephenson brought a defamation case against the head of the Defence Force, but the jury was not able to reach a verdict in the court case. Stephenson brought a civil case against the chief of Defence Force General Rhys Jones about his statement concerning articles published in 2010 and 2011. The General claimed that Stephenson had never entered the base in Afghanistan referred to in his articles. In court Jones changed his view and accepted that Stephenson had visited the base he was reporting on (Quilliam, 2013).

In August, the New Zealand parliament passed legislation that allowed GCSB to spy on New Zealand residents and citizens despite of nationwide protests. The parliament voted 61 to 59 in favour of legislation which expands the powers of GCSB. The agency was earlier allowed only to spy on those people who did not have the legal right to reside in New Zealand. The legislation was passed after GCSB was found illegally surveilling internet mogul Kim Dotcom. Opponents of the bill have argued that it gives the New Zealand government even more powers to surveil journalists and media organisations. This threatens freedom of speech, although some argue that the media's watchdog role already been compromised by commercial imperatives. As Kemp (2013) notes, the public needs a news media

which is committed to a public service role even though “the irony is that the public as a body cannot insist on the Fourth Estate “promise” being fully redeemed.” (Kemp, 2013). He argues that since the media operates in a certain legal system and under certain commercial pressures, it is able to keep its public service role only “whenever it can.” (Kemp, 2013). Minto notes that the freedom of press is compromised, because “despite this freedom we get a very massaged and managed view of political issues from most mainstream media outlets.” (Minto, 2013) He notes that those who control the information, shape also the discussion in public sphere (Minto, 2013).

### ***Bloggers gain prominence, public interest journalism a new foundation***

Increasing commercial pressures combined with financialized media ownership, have created a national media environment where the content is driven by profits, ratings and clicks. In these circumstances, it is not surprising that citizen journalists and bloggers have started to take a more active role in the media domain. At the same time, interest in public interest and long form journalism has increased, and a new foundation was started in 2013 to accommodate these needs. During 2013 the New Zealand blogging community became even more prominent. The New Zealand government’s actions and resulting controversies offered prime material for political bloggers. The most popular blogs now have substantial audiences and page views. As Bradbury notes, “global trends continue to point to blogging and social media as key influencers of mainstream media reporting as well as public opinion.” (The Daily Blog, 2013).

In September, the *Open Parachute*, which ranks New Zealand blogs, listed 280 blogs (Open Parachute, 2013). It only ranks those blogs from which it can automatically obtain data and statistics. If the blogs do not have the necessary site meter, they are not included in the rankings. For example, the *Hard News* blog written by journalist Russell Brown is not included in rankings even though the blog had, in November, 262,817 page views and 73,873 unique visitors (R. Brown, personal communication, November 11, 2013). According to Brown, the blog is “consistently the leading site in the country for the proportion of readers who are active contributors to internet message boards and discussions.” (R. Brown, personal communication, November 11, 2013). Some of the Brown’s blogs are receiving a very high number of comments.

Six out of the ten most popular blogs ranked by Open Parachute are concerned with politics: the right-wing *Whale Oil Beef Hooked*, right leaning *Kiwiblog*, left-leaning *The Standard*, left-wing *The Daily Blog*, liberal *NewZeal* and *The Dim-Post*. As seen in table 6, *Whale Oil Beef Hooked* is the highest ranking blog in New Zealand with 762,184 visitors per month, followed by the *Kiwiblog* with 397,034, *The Standard* with 186,573 and *The Daily Blog* with 161,845 visitors. Compared to September 2012, the *Whale Oil Beef Hooked* blog more has more than doubled its visitor numbers, *Kiwiblog* and *The Standard* have seen some increase in their traffic numbers as well (Open Parachute, 2012). *The Daily Blog* is not in last year’s rankings because the site was launched in March 2013, but it has rapidly developed an influence.

**Table 6: The top ranking blogs in New Zealand in September 2013**

| Blog                    | Visitors per month | Page views |
|-------------------------|--------------------|------------|
| Whale Oil Beef Hooked   | 762184             | 1617628    |
| Kiwiblog                | 397034             | 693466     |
| The Standard            | 186573             | 439096     |
| The Daily Blog          | 161845             | 263151     |
| Auckland Transport blog | 131086             | 136856     |
| Throng New Zealand      | 58612              | 108632     |
| NewZeal                 | 47652              | 58621      |
| Sciblogs                | 41989              | 58521      |
| The Dim-Post            | 38470              | 53633      |
| Liturgy                 | 31831              | 46933      |

Source: Open Parachute

In October, *the Whale Oil Beef Hooked*, run by Cameron Slater, exposed Auckland Mayor Len Brown’s extra-marital affair giving the blog prominence. Slater stated that he exposed the affair because the Mayor “is out of control morally and fiscally”, and “used functions he was attending in his official capacity to entertain his mistress.” (Slater, 2013). In the local 2013 body elections, Slater’s father was a campaign manager for right-leaning candidate John Palino, closest rival to Len Brown. Slater has denied that exposing Brown’s affair was politically motivated (Satherley, 2013a). According to Slater, his blog covers “any issue or thing I find interesting. This is mostly news, current affairs and politics, but also quite a bit on technology and firearms.” (Whale Oil Beef Hooked, 2013). On the other side of the political spectrum is *The Daily Blog* edited by Martyn Bradbury. According to *The Daily Blog*, the site “unites over 42 of the country’s leading left-wing commentators and progressive opinion shapers to provide the other side of the story on today’s news, media and political agendas.” (The Daily Blog, 2013). Bradbury states that the blog aims to widen political debate in the lead up to the 2014 New Zealand election:

New Zealand has 270 000 of its children in poverty, an unemployment rate in the double figures and the highest level of inequality recorded. There is a serious lack of critical public media services available and it's up to the blogs to fill the gap. (The Daily Blog, 2013).

Chris Trotter, one of *The Daily Blog* contributors, observed that the Len Brown scandal was a good example of how blogs might break a sensational story which traditional media might not run. Once such stories are out in the public domain, the main media can't ignore them:

obviously, the rise of the political blog has allowed those who do think that a politician's private behaviour cannot – and should not – be separated from his or her public role, to make an end-run around the gatekeepers of the so-called “mainstream” news media (Trotter, 2013).

In April, Alastair Thompson, *Scoop's* editor and general manager, launched the Scoop Foundation project to fund public interest journalism in New Zealand. In 2012 Bernard Hickey launched journalism.org.nz for the same purpose, but he shelved his site after not being able to raise sufficient funding. The Scoop Foundation will get \$100,000 annual support for two years to set up the foundation. Thompson's initiative is based on the same non-profit principle as Pro Publica's in the US. Thompson observes that "journalism as we have known it in New Zealand is under very significant threat" and that "further layoffs will follow and the limited experience pool which remains in our newsrooms will be even further eroded. And this erosion is reaching critical levels." (Thompson, 2013).

In November, the Scoop Foundation project was officially named Aotearoa New Zealand Foundation for Public Interest Journalism (PIJ, 2013). According to its statement, the foundation aims to operate through two entities: a trust and a company. Members of the steering committee of the foundation include Scoop's



general manager Alastair Thompson, journalist Peter Griffin, journalist Chris Barton, journalist Alison McCulloch, independent media consultant Gavin Ellis, Chair of Scoop Media Margaret Thompson and freelancer Stephen Olsen (PIJ, 2013).

Also in April the former University of Canterbury student Ben Uffindell launched his satirical online newspaper *The Civilian*. In October it had 26,314 likes on Facebook. Uffindell encourages his audience to participate in content, and writes that “together, I believe that we can better inform the public and, much more importantly, make this newspaper New Zealand’s pre-eminent source of news.” (The Civilian, 2013).

Immediately after the newspaper was launched, it tested online publishing boundaries by running a satirical story about Conservative Party leader Colin Craig with fake quotes. Craig threatened the site with a defamation suit because the article it published made him look “ridiculous.” (Satherley, 2013b). *The Civilian* retracted and issued an apology.

## **Conclusions:**

Over the past three years JMAD’s report has revealed a major structural trend in New Zealand media ownership. There has been a shift from corporate to financial media ownership. APN News and Media is now the only major media company in New Zealand with a substantial corporate owner. Financial ownership has brought an exclusive focus upon revenue streams and profit rates.

This shift has increased commercial pressures within media companies. Instead of concentrating on public interest stories, main media outlets produce even more

commercially driven content. There is an urgency to maximise page views and clicks for the online stories in order to attract advertisers.

In the past three years the trans-Tasman media industry has seen major cost cutting programmes, thousands of jobs have been lost in newsrooms and elsewhere. In 2012 the leading newspaper companies APN and Fairfax suffered hefty losses as they wrote down the values of their main newspapers, including *The New Zealand Herald*. In 2013, APN improved its profit performance due to heavy cost cutting and asset sales. Despite this further job cuts have been indicated.

During 2011-2013, New Zealand television market became littered with talent shows, reality-TV series and light hearted “current affairs programmes”. Many of these were sponsored by corporates such as Toyota, Rabobank, Mitre 10 and Bunnings Warehouse. Television content is increasingly influenced by corporate sponsors and rating figures. This turns programmes into prolonged advertisements.

On a positive note, the media domain beyond commercial media corporations has started to gain more prominence, offering alternative views and content. Blogs have started to fill the gap in public interest journalism left by the commercially operated media corporates.

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