



# JMAD NZ media ownership report 2014

## Key events and trends



1. Financialisation of mass media ownership confirmed
2. Substantial changes in Fairfax, APN and MediaWorks ownership
3. Competition heats up in online television and video markets
4. Turbulence at Maori TV
5. Blurred lines among politicians, bloggers, journalists and PR practitioners



## JMAD New Zealand Media Ownership Report 2014

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**Author: Merja Myllylahti**

This *New Zealand Ownership Report 2014* is the fourth published by AUT's Centre for Journalism, Media and Democracy (JMAD). The report finds that the New Zealand media market has failed to produce new, innovative media outlets, and that all the efforts to establish non-profit outlets have proved unsustainable.

The report confirms the general findings of previous reports that New Zealand media space has remained highly commercial. It also confirms the financialisation of media ownership in the form of banks and fund managers.

The report also observes that in 2014 convergence between New Zealand mass media and the communications sector generally was in full swing. Companies, such as Spark (former Telecom NZ), started to compete head-to-head with the traditional broadcasters on the online on-demand video and television markets. The American online video subscription service Netflix is entering the NZ market in March 2015.

Additionally, the report notes evidence of uncomfortable alliances between citizen media, politicians, PR companies and legacy media. As Nicky Hager's *Dirty Politics* book revealed, the National Party and PR practitioners used the *Whale Oil* blog to drive their own agendas. Also, events related to Maori TV, TVNZ and Scoop raise questions about political interference in media affairs. It is now evident that the boundaries between mainstream media, bloggers, public relations practitioners and politicians are blurring.

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

- Financialisation of mass media ownership confirmed
- Substantial changes in Fairfax, APN and MediaWorks ownership
- Competition heats up in online television and video markets
- Turbulence at Maori TV
- Blurred lines among politicians, bloggers, journalists and PR practitioners

The JMAD New Zealand media ownership reports are available here: <http://www.aut.ac.nz/study-at-aut/study-areas/communications/media-networks/journalism,-media-and-democracy-research-centre/journalists-and-projects>

## 1. Global media ownership 2014: major events

The year witnessed mega size deals in the global media, entertainment and technology sectors (EMT). According to the *TechCrunch* website, in early 2014 the number of global mergers and acquisitions in the technology sector were at the “highest level since 2000” (Penna, 2014). Merger activity had already been high during 2011-2012 when Google bought 36 companies, Yahoo 24, Apple 15, Facebook 9, Microsoft 8 and Twitter 7 (Penna, 2014).

During the first quarter of 2014, the American cable and broadcasting company Comcast announced that it was buying Time Warner Cable, an American cable and broadband service provider, for US\$46 billion. If the merger wins competition authorities approval, it will create the largest cable service company in the US with 33 million customers (Kang, 2014). The second quarter of 2014 saw a number of multibillion deals amongst entertainment, media and technology companies. The total value of the deals in these sectors reached US\$74 billion in the second quarter of 2014 (PwC, 2014). It is worth noting that a substantial number of these acquisitions were undertaken by private equity firms which have become more prominent also in the New Zealand media and entertainment sectors. During the second quarter, private equity firms were involved in 21 per cent of the deals done across the EMT sectors (PwC, 2014).

In February 2014 Facebook announced its purchase of WhatsApp, a cross-platform messenger company based in the US, for US\$19 billion. Also the American telecommunications company AT&T acquired an American digital television and

entertainment company DIRECTV for US\$48 billion. According to PwC, the deal gives AT&T “a significantly stronger presence in the pay TV space, and allows for the bundling of wireless voice/data service with satellite TV” (PwC, 2014).

In August 2014 Rupert Murdoch’s 21<sup>st</sup> Century Fox withdrew its takeover offer of \$75 billion to buy Time Warner Inc. which is a multinational media corporation headquartered in New York. If the takeover had gone ahead, the combined company would have been one of the largest media and entertainment corporations in the world. After pulling the bid Rupert Murdoch stated in a press release that “our proposal had significant strategic merit and compelling financial rationale and our approach had always been friendly. However, Time Warner management and its Board refused to engage with us to explore an offer which was highly compelling” (21<sup>st</sup> Century Fox, 2014). In Europe, Murdoch’s British pay-TV group BskyB obtained a 57 per cent stake in Sky Deutschland in Germany and 100 per cent of Sky Italia for US\$9 billion. After the takeover in June, BskyB owned 87 percent of Sky Deutschland shares (“BSkyB to own 87 percent of Sky Deutschland”, 2014). After the pan-European pay television channel has been created and approved by the European competition authorities, Murdoch’s 21<sup>st</sup> Century Fox will maintain its 39 per cent stake in BskyB. The new pan-European Sky TV network had 20 million customers, and annual sales of £11.2 billion in October 2014 (“BSkyB to own 87 percent of Sky Deutschland”, 2014). These events reveal that most of the substantial media deals during 2014 involved broadcasting companies.

The Western newspaper industry was still in turmoil, especially in the US. In August 2014, the American media corporation Gannet announced that it was separating its publishing business from its broadcasting and digital businesses and listing them on

the stock markets as two publicly traded companies. Earlier News Corporation, Tribune and Time Warner had split their assets in a similar manner. The trans-Tasman media corporations have not followed this global trend. APN for example is separating its New Zealand and Australian business arms instead of separating its print businesses from broadcasting assets.

Another American media company, Digital First, which is owned by a hedge fund Alden Global Capital, announced in September 2014 that it was considering whether to sell some or all of its newspapers or even the whole company (Alpert, 2014). The company owns 76 daily newspapers in the US including *the Denver Post* and *San Jose Mercury News*. The company's Chief Executive John Paton said that "the news information industry in America is undergoing a period of seismic change... The companies that will succeed are those which have meaningful scale and digital expertise" (Alpert, 2014). In order to gain new advertising streams newspaper publishers started to acquire listing and directory services. For example, in September 2014 News Corporation announced that it was buying Move Inc. which operates real estate listing websites in the US. The deal was valued in US\$950 million in cash (De La Merced & Steel, 2014).

In New Zealand, ownership of certain directory services were also changing hands. New Zealand Post sold its directory business Localist to a group led by the company's chief executive officer Christine Domecq for an undisclosed sum (New Zealand Post, 2014). The directory business group employs around 115 people. In 2011 Localist emerged as an online and print directory service, but it also promised to provide local news and information. In 2011 the site stated that it differed from its competitor Yellow Local as it "hired a professional editor-in-chief, Nigel Horrocks ...

plus a team of paid writers” (Keall, 2011). However, the site never emerged as a proper hyperlocal news site. New Zealand Post chief executive officer Brian Roche commented that

we are now strongly focused on core services and developing growth initiatives across our parcels, financial services and network businesses. The Localist business is no longer a part of that future strategy (New Zealand Post, 2014).

There was some consolidation also in the New Zealand telecom sector. For example, in 2014 CallPlus bought its rivalling internet service provider Orcon (“Internet shake-up as CallPlus buys rival Orcon”, 2014). The combined company is the third largest internet company in New Zealand with 15 per cent market share and 220,000 customers (“Internet shake-up as CallPlus buys rival Orcon”, 2014).

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

During 2014 the market structure of New Zealand media did not change substantially: the same corporations predominated as in 2013. As table 1 indicates, the leading media corporations in New Zealand include APN/NZME., Fairfax Media, MediaWorks, Sky TV, Bauer Media Group, TVNZ, Radio New Zealand, Maori TV, Scoop, Allied Press and *The National Business Review*. Some new entrants entered the New Zealand media market during 2014. These included the American entertainment corporation Discovery Channel and the privately owned Canadian media company Blue Ant Media.

**Table 1: Major media companies in New Zealand in 2014**

<b>Company</b>	<b>Ownership</b>	<b>Focus</b>	<b>Most important assets</b>
<a href="#">APN/NZME.</a>	Owned by shareholders	Commercial	ARN, TRN, <i>The New Zealand Herald</i> , GrabOne
<a href="#">Fairfax</a>	Owned by shareholders	Commercial	<i>The Dominion Post</i> , <i>The Press</i> , <i>Stuff</i>
<a href="#">MediaWorks</a>	Owned by financial institutions	Commercial	TV3, TV4, The Edge, RadioLIVE, The Breeze, The Rock
<a href="#">Sky TV</a>	Owned by shareholders	Commercial	Sky TV, My Sky, Prime, Igloo,
<a href="#">TVNZ</a>	Crown owned	Commercial	TV1 and TV2, TV1+ and TV2+, TVNZ OnDemand
<a href="#">Radio NZ</a>	Crown owned	Public service	Radio New Zealand National
<a href="#">Maori TV</a>	Funded by Crown & Te Mangai Paho	Public service	Maori Television Channel, Te Reo Channel
<a href="#">Bauer NZ</a>	Private, family ownership	Commercial	<i>The Listener</i> , <i>North &amp; South</i>
<a href="#">NBR</a>	Privately owned	Commercial	<i>The National Business Review</i>
<a href="#">Scoop</a>	Privately owned	Independent	Scoop website
<a href="#">Allied Press</a>	Privately owned	Independent	The Otago Daily Times, CTV, 39 Dunedin television

### ***Commercial versus crown owned entities***

In 2014, there were six major commercially operating media corporations in New Zealand. These included APN and its New Zealand media arm NZME, Fairfax Media, Sky TV, MediaWorks, TVNZ and Bauer Media. *The National Business Review* is a privately owned financial newspaper which funds its operations from

advertising income and print/digital subscriptions. APN, Fairfax Media, Bauer Media and MediaWorks are all foreign owned media outlets. APN is a trans-Tasman media corporation with Irish media corporation INM and Irish telecom billionaire Denis O'Brien as its substantial shareholders. Fairfax Media is an Australian headquartered media corporation with Australian mining billionaire Gina Rinehart as its largest shareholder. Bauer Media is a privately owned, global media conglomerate headquartered in Germany. In 2013 the group bought APN's New Zealand magazines including *The Listener*. MediaWorks ownership is also in foreign hands as the American private equity group Oaktree Capital is the largest shareholder in the company. Sky TV has been owned by financial institutions since Rupert Murdoch's News Limited sold its shares in the company in 2013.

New Zealand has three Crown owned companies: TVNZ, Radio New Zealand and Maori Television. TVNZ is owned by the state, but as 95 per cent of its operations are funded by advertising and it has no public service obligation, it is a commercially operating media corporation. Its charter was abolished in 2011, which means that TVNZ no longer has a public service role, and its primary mandate is to pay dividend to the government. During election year 2014 concerns about TVNZ's future were raised; New Zealand First and The Labour Party argued that the government was preparing TVNZ for sale (New Zealand First Party, 2014 & New Zealand Labour Party, 2014). However, the government have not disclosed any immediate plans to privatise TVNZ.

Other Crown owned companies include Maori Television and Radio New Zealand (RNZ), which is the only public service broadcaster in the country. Radio New Zealand states that its "aim is to provide reliable, independent and freely accessible



news and information, and to give expression to New Zealand's national identity and diversity" (Treasury, 2014). Additionally, the Treasury states that "RNZ is an independent Crown entity with public funding, and has a mandate to operate in the broad public interest in accordance with the RNZ Charter" (Treasury, 2014). Maori Television is funded by the government and Te Mangai Paho, and it has a specific interest in revitalising Maori language. According to Maori TV, its objective is to be "an independent Maori television service that is relevant, effective and widely accessible" (Maori TV, 2014).

### *Television market*

In 2014, TVNZ, MediaWorks and Sky TV were the leading media companies in commercial television broadcasting. MediaWorks owns in New Zealand, nationwide television brands TV3, TV 3 Plus One and Four. During 2014 MediaWorks strengthened its position in the television broadcasting market by launching two new channels: The Edge TV and the Four Plus 1 channel. The Edge TV, which is broadcasted on Freeview and Sky TV, is a music television channel. As the Edge Programme Director Leon Wratt put, it is a "radio with pictures on steroids" (MediaWorks, 2014a). While launching its music television channel, the company stated that a multi-platform approach is the future of entertainment broadcasting as it "offers a completely unique integrated media buy for clients" (MediaWorks, 2014a). MediaWorks' second plus channel, Four Plus 1, is a duplicate of its channel Four. The plus channel broadcasts the same programmes as Four, but on a delayed schedule. MediaWorks TV chief executive officer Paul Maher said that "adding a plus one channel will also boost Four's audience numbers, delivering increased value for our clients" (MediaWorks, 2014b). Clearly, the primary reason for MediaWorks'

launched new channels was commercial, as the broadcaster aims to expand its brand and to gain more advertising dollars.

Sky TV dominated New Zealand's pay-TV market, and in the financial year ending in June 2014 Sky TV had 865,100 subscribers. During that financial year, the total number of its subscribers grew only 1.1 per cent from the previous year, suggesting that the company's growth in New Zealand had stalled (Sky TV, 2014a). However, in 2014 Sky TV's profit grew 21 per cent to NZ\$165.8 million (Sky TV, 2014a). TVNZ also increased its profits. In August 2014 the company recorded a profit of NZ\$18 million, up 25 per cent on the same period in 2013 (TVNZ, 2014a).

In 2014 some new commercial players entered the New Zealand television market. The American media and entertainment corporation Discovery Communications bought The Living Channel New Zealand which operates pay TV channels The Living Channel and Food TV on Sky TV's digital channel 8. According to Discovery, the deal "solidifies Discovery's commitment to the New Zealand market, increasing its presence to a robust four-channel portfolio encompassing factual entertainment and lifestyle" (Discovery, 2014). Discovery Communications is one of the world's largest nonfiction media companies having 2.5 billion cumulative subscribers in over 224 countries (Discovery, 2014).

In November 2014, the privately held Canadian media company Blue Ant Media announced that it had acquired a majority stake in Choice TV, which is a privately owned, independent television network in New Zealand. The chief executive officer of Blue Ant Media, Michael MacMillan, commented on acquisition: "As a growing international media company we see this venture as a great opportunity to further diversify our asset base with a like-minded independent media company" (Choice

TV, 2014). Choice TV was launched in 2012 as a free-to-air TV channel which broadcasts nationally on Freeview and Sky TV.

### *Print and online news*

In 2014, NZME and Fairfax continued to dominate New Zealand print newspaper market with *The New Zealand Herald* leading in Auckland, Fairfax's *The Dominion Post* in Wellington, and *The Press* in Christchurch. In 2013 *The New Zealand Herald* had a circulation of 158,521 and *The Dominion Post* 78,643. In 2014 no New Zealand newspapers had introduced paid digital subscriptions. APN had earlier stated that its intention was to launch paid online content during 2014. APN/NZME now plans to launch paywall trials during 2015. In 2014 Fairfax indicated that it was not planning to put general news behind a paywall, but might start to charge for special content such as business news.

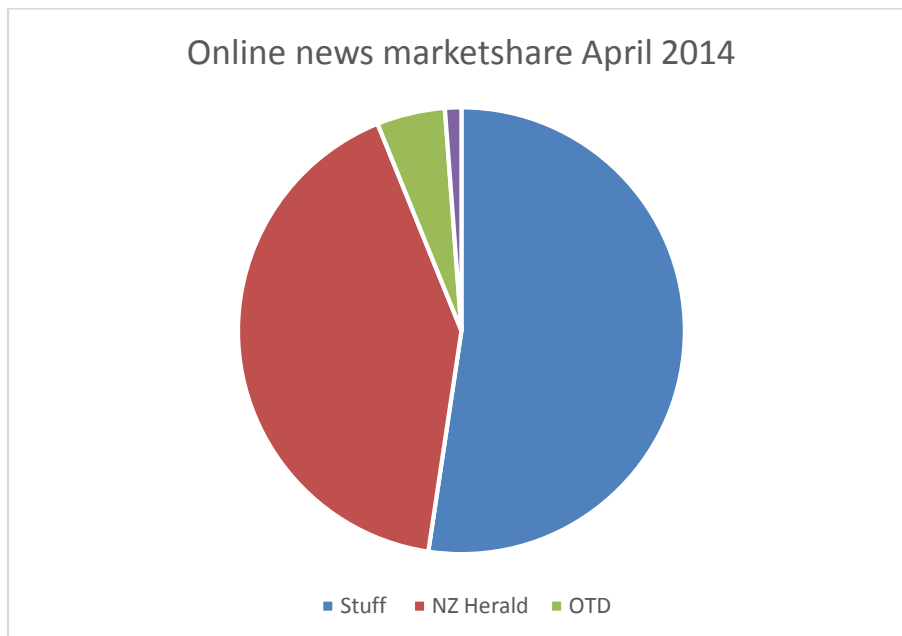
In 2014, *Stuff* was more dominant in the online news sphere than *The New Zealand Herald*. In September Amazon's Alexa, which measures internet traffic, ranked *stuff.co.nz* as the sixth most visited site in New Zealand, and *nzherald.co.nz* as the seventh most visited site in the country (Alexa, 2014). In April 2014 Fairfax's *stuff.co.nz* had a monthly unique audience of 1,540,000 compared to 1,277,000 in April 2013. NZME's *nzherald.co.nz* had 1,211,000 unique viewers in April 2014 compared to 986,000 in April 2013 (Goetze, 2014). In September 2014 APN, which owns NZME, stated that its news brands reached 2.2 million New Zealanders each month through its different media platforms (APN, 2014a).

Allied Press is an independent, Otago-owned media company, which publishes the *Otago Daily Times* and nine other publications. It also runs Dunedin and Canterbury

television channels. As the company states on its website, the *Otago Daily Times* “boasts the longest daily publication record of any newspaper in New Zealand” and it is “the only remaining New Zealand owned morning daily” (Allied Press, 2014).

As seen in graph 1, in April 2014 *Stuff* had 52 per cent market share in online news (compared to *nzherald.co.nz* 42 per cent and *The Otago Daily Times* online 5 per cent). In April 2014 the online site of the *Otago Daily Times* had 143,000 unique viewers representing a 50 per cent increase since the same month of the previous year (Goetze, 2014).

**Graph 1**

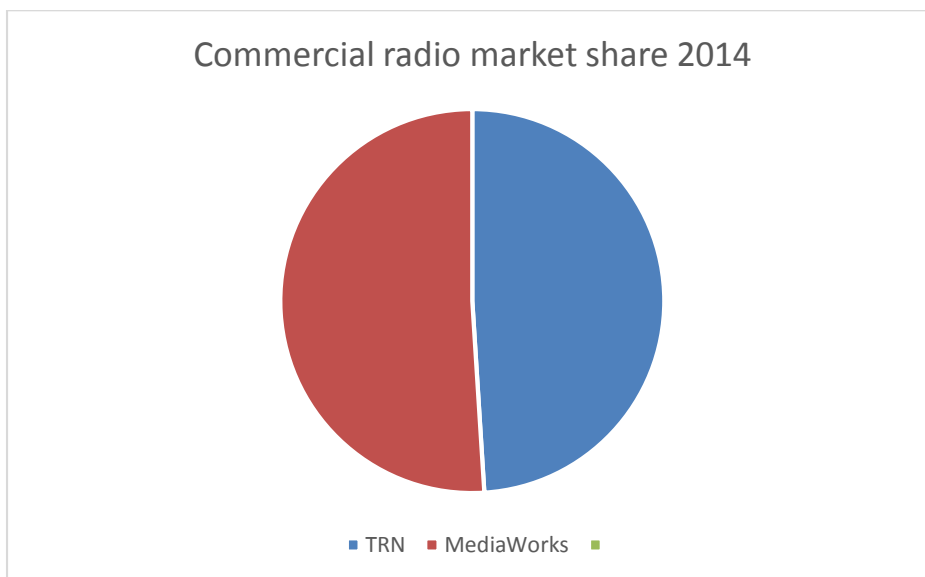


Source: Goetze, 2014

## Radio

In 2014, APN strengthened its radio portfolio by acquiring 100 per cent of the Australian radio network ARN and The Radio Network (TRN) in New Zealand. APN paid A\$246.5 million to purchase radio networks from its American joint venture partner Clear Channel. The deal was funded by raising equity from APN Outdoors proceeds and debt facilities. As a part of the deal APN also signed a ten year contract with Clear Channel to operate digital iHeartRadio in Australia and New Zealand. In New Zealand, The Radio Network operates seven radio brands including Newstalk ZB, Radio Sport, Coast, ZM, Classic Hits, Radio Hauraki and Flava, and they have an audience of 1.7 million each week (APN, 2014b). According to APN, in 2014 MediaWorks had a 51 per cent market share of the New Zealand commercial radio audience, and TRN a 49 per cent market share, as seen in graph 2 (APN, 2014b).

**Graph 2**



Source: APN

After purchasing full ownership of its radio assets, APN stated that “radio is key strategic asset for APN” and that “radio continues to grow as a medium and APN expects ARN and TRN to continue capturing a greater share of the market” (APN, 2014b). This clearly demonstrated why the company was not keen to follow the global trend of separating radio assets from print media, as these combined assets provide the company steady cash flow.

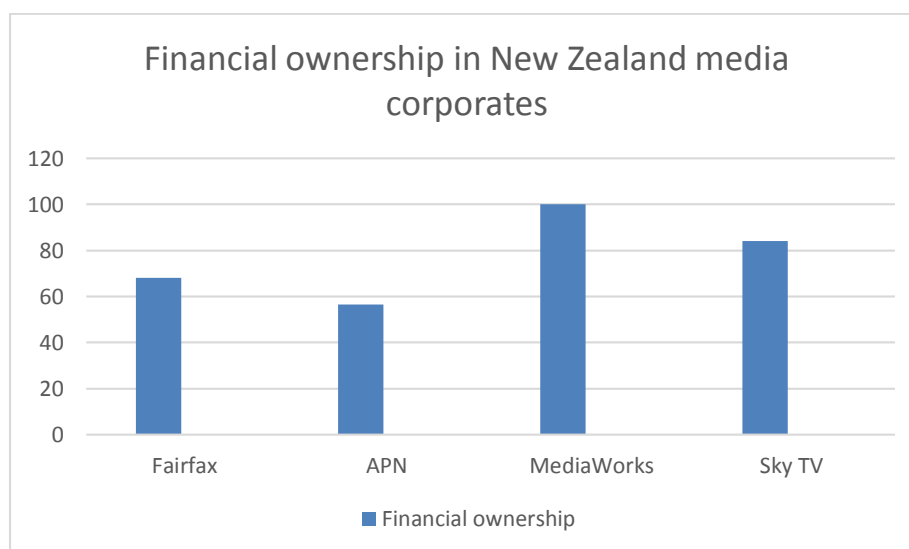
MediaWorks owns in New Zealand radio stations such as MORE FM, RadioLIVE, The Sound, The Edge, The Breeze, The Rock, LiveSPORT and Kiwi FM. According to the market research company TNS’ New Zealand radio survey, in April 2014 MediaWorks’ The Edge was the most popular commercial radio station with a weekly audience of 454,400. Second place went to NZME.’s Newstalk ZB which had a weekly audience of 376,200. MediaWorks’ The Breeze was third most popular with a weekly audience of 315,000 (Venuto, 2014a).

### ***Financialisation of corporate media ownership***

The general findings of the JMAD 2013 report concerning financialisation of New Zealand media ownership are confirmed. In 2013 Rupert Murdoch’s News Limited sold its Sky TV NZ shares, and as a consequence Sky TV became mainly owned by financial institutions. In 2014, Sky TV’s 20 largest shareholders were financial institutions. They held 84 per cent of the company’s shares, as seen in graph 3. MediaWorks went into receivership in 2013, and as the new company emerged, the lending banks and private equity firms obtained 100 per cent control of the company.

In 2012 financial institutions held 55.6 percent of APN News and Media shares and 56.5 percent of Fairfax Media shares. The financialised ownership of Fairfax and APN continued to increase during 2013. According to Fairfax's 2013 annual report, approximately 67.7 per cent of its 20 largest shareholders in 2013 were financial institutions (Fairfax Media, 2013). APN's 2013 annual report reveals that 58 per cent of its 20 largest shareholders were financial institutions (APN, 2013). In 2014, financial institutions held 100 per cent of MediaWorks's shares and 84 per cent of Sky TV's shares, as seen in graph 3.

**Graph 3**



In 2014, it was even more evident that New Zealand media companies were under the control of fund management companies and other unlisted financial institutions. In 2014, two financial corporations alone owned 23 per cent of APN's shares, and four financial institutions held 24 per cent of Fairfax's shares. Sky TV's four substantial shareholders were all investment management companies and they held

26 per cent of the company's shares. In 2014 MediaWorks was owned by five financial firms: one private equity fund, Oaktree Capital, held 43 per cent of the company's shares.

As the JMAD report in 2013 noted, financialised ownership is worrying because it intensifies corporate focus on revenue streams and profits. This ownership structure has made media organisations more vulnerable to restructuring as the financial owners maximise profits and returns. These profit imperatives were exemplified by Fairfax, as it continued layoffs during 2014, and by APN as the company contemplated a float for its New Zealand media assets. The drive for profit also compelled MediaWorks to introduce increasingly commercial, advertising friendly content for its programmes.

### ***Substantial ownership changes for Fairfax, APN and MediaWorks***

During 2014 Fairfax, APN and MediaWorks ownership changed substantially. APN raised new equity from capital markets to pay for its radio acquisition. As a result of this capital raising, Independent News & Media (INM) shareholding in APN was reduced from 29 per cent to 18.6 per cent. INM is a news media group which publishes newspapers in Ireland and Northern Ireland as well as in Australia and New Zealand. At the same time the Irish communication billionaire Denis O'Brien raised his direct holding in APN via his company Baycliffe from 1.9 per cent to 12.2 per cent. The Australian investment management company Allan Gray Australia remained the second biggest shareholder (table 2).



**Table 2: APN substantial shareholders 2014**

Independent News & Media	18.6%
Allan Gray Australia	15.6%
Bayliffe (Denis O'Brien)	12.2%
IOOF Holdings Limited	7.2%

Source: APN News and Media, Morningstar

As a graph 4 indicates, APN's share price rose 119 per cent between October 2013 and October 2014. The rise on its share price was seen as a positive sign for NZME's listing on the New Zealand stock market. The increased share price reflects the fact that APN has turned a profit. It also means that the current shareholders of the company receive a better price for their shares, if they decide to sell them once NZME is listed on the local stock market. In September *The New Zealand Herald* business editor Liam Dann commented on listing prospects; 'the timing makes sense. The New Zealand market is strong' (Dann, 2014).

However, according to the *Asia Insider* website, Allan Gray Australia sold down 50 per cent of its stake in Fairfax Media during 2014 ('Allan Gray unloads more of Fairfax Media (FXJ.AU), stake down by 50% since Feb', 2014). The data obtained from Morningstar shows that Allan Gray sold Fairfax shares five times during 2014, and as a consequence its holding was reduced from 11.4 per cent to 5.7 per cent (Morningstar, 2014).

**Graph 4**

**APN share price October 2013-2014**



Source: ASX

As table 3 shows, Gina Rinehart’s investment company Hancock Prospecting maintained its 14.9 per cent shareholding in Fairfax Media during 2014. In September the Australian media outlets were speculating that Rinehart was planning a full takeover of Fairfax Media with Rupert Murdoch’s nephew Matthew Handbury (Heffernan, 2014). However, Rinehart’s spokesperson stated that Rinehart was not planning any takeover (Heffernan, 2014).

**Table 3: Fairfax substantial shareholders 2014**

Hancock Prospecting (Rinehart)	14.9%
National Australia Bank	7.5%
Allan Gray Australia	5.7%
Maple Abbot Brown	5.5%
UBS AG	5.1%

Source: Fairfax, Morningstar

The merger and takeover rumours were clearly boosting Fairfax’s share price. As seen in graph 4, Fairfax’s share price climbed 43 per cent between October 2013 and October 2014, and was a reason for Allan Gray to reduce its holding in Fairfax.

**Graph 5**

**Fairfax share price October 2013-2014**



Source: ASX

Since Todd Corporation and Rupert Murdoch’s News Limited exited from Sky TV, the company’s ownership has been mostly controlled by financial institutions (table 4). In 2014, all four substantial shareholders of Sky TV were financial institutions holding 25.6 per cent of the company’s shares (financial institutions generally held 84 per cent of all the company’s shares). In June 2013 MediaWorks was put into receivership, and consequently sold to a new holding company MediaWorks Holdings Limited; a syndicate of banks, hedge funds and private equity companies. As seen in table 5, the American hedge fund firm Oaktree Capital has emerged as

the largest shareholder in MediaWorks. In November 2013 its ownership stake in MediaWorks rose to 43 per cent after acquisition of Rabobank’s 14.6 per cent holding in the company (“Us hedge fund ups stake MediaWorks – TV3”, 2013).

**Table 4: Sky TV substantial shareholders in 2014**

Hyperion Asset Management Ltd	9.7%
Cooper Investors Pty Ltd	5.6%
Arnhem Investment Management Ltd.	5.3%
Matthews International Capital Management	5.0%

Source: Sky TV as in June 30 2014

**Table 5: MediaWorks major shareholders 2014**

Oaktree Capital	43%
RBS	21.9%
TPG Capital	15.7%
Westpac Banking	14.6%
JP Morgan	6.5%

Sources: NZ Herald 2014, JMAD 2013

### ***APN prepares to sell its New Zealand media assets***

In 2014 the trans-Tasman media corporation APN started preparations to float or sell its New Zealand media arm NZME during 2015. Its assets include *The New Zealand Herald*, The Radio Network and GrabOne, a group buying site. In September the company announced that it was planning to sell 60 per cent of its New Zealand media assets in an initial public offering (IPO), and that the company would be listed on the local stock market NZX (APN, 2014a). In November the Australian media

speculated that APN had cancelled the stock market float, but this was denied by APN. The company stated in a market announcement that it “continued to assess strategic options for NZME, including a possible initial public offering” and that after a strategic review “consideration will be given to further progressing the transaction in the New Year” (APN, 2014d). The valuation of APN’s Kiwi assets was expected to be around AUD\$308 million. The company was planning to use revenue from asset sales to reduce its debts (APN, 2014a). The sale of assets is interesting since APN’s revenue is more dependent on New Zealand than Australian markets. In 2013, 53.5 per cent of APN’s publishing income came from New Zealand and 46.5 per cent from Australia.

APN already signalled its desire to sell its New Zealand media holdings in 2012 when it appointed Deutsche Bank to strategically review its New Zealand assets. In November 2014, APN appointed investment banks Credit Suisse/First NZ and Forsyth Barr to lead a possible stock market float in New Zealand. APN has already sold assets including some of its South Island newspapers. In 2013 the company also sold its magazines including *The Listener* and *North & South* to the German media corporate Bauer Media. However, the timing of its announced sale of New Zealand media assets was a surprise. As previously outlined, the company had just raised new equity to buy out its Australian and New Zealand radio assets. At the time of the radio acquisitions APN’s chief executive Michael Miller stated that “radio continues to grow as a medium in both countries” (APN, 2014b). APN’s own media outlets were convincing audiences that the timing for the Kiwi asset float was right. *The New Zealand Herald* published an article in September with a headline “APN bang on with asset float timing, says analyst” supporting company’s efforts for listing (Adams, 2014). However, some of the fund managers and bankers interviewed by

the paper were somewhat cautious about the stock market listing. For example, Milford Asset Management executive director Brian Gaynor warned that “there’s a lot of challenges ahead to convince people that this is a good investment” (Adams, 2014). He pointed out that the price of APN’s float in New Zealand depended on multiple factors such as the structure and pricing of *The New Zealand Herald* paywall. In a market disclosure note APN confirmed that it was planning to introduce a paywall for its flagship paper in 2015. The company has already delayed introduction of paid online news content for *The New Zealand Herald* a couple of times. The note stated that

a metered paywall will be progressively introduced for retail customers who will be charged for content above the meter, with a range of digital subscription offers being put to the market to drive digital revenues while current newspaper subscribers will receive a digital subscription at no additional cost (APN, 2014a).

In November, APN remarked in yet another market statement that it was “considering digital subscriptions” and contemplating the “launch of a targeted digital subscription model in 2015” (APN, 2014c). APN also said that it was investing in new revenue areas such as digital, e-commerce and events that would bring NZ\$55 million in annual revenue over full year of 2015. At the same time the company announced that it was writing down value of its New Zealand newspapers for NZ\$54 million after it had already made considerable writedown of its Kiwi newspapers in 2012 (APN, 2014c).

In the event that APN might abandon its Kiwi float idea and instead aim for a trade sale, questions arise about potential buyers of its New Zealand media assets. In September, the *Australian Financial Review* mentioned Fairfax as a potential buyer

(“Fairfax no comment on APN speculation”, 2014). However, Fairfax has declined to comment on any speculation.

In anticipation of a stock market listing APN New Zealand was rebranded as NZME. The company’s chief executive officer Jane Hastings explained that as the company has “2.9 million people connecting with our brands every week” rebranding gave the company a better leverage with advertisers (“APN NZ rebrands as NZME”, 2014). In October the newly named NZME hired Sir John Anderson as head of the company’s board. Sir John is a former head of ANZ National Bank and National Bank of NZ and has headed the board of TVNZ (“Sir John Anderson to chair a listed NZME.”, 2014). The company also appointed Michael Boggs, a former Tower executive, as the new chief financial officer.

### ***Fairfax continues job cuts amidst merger and takeover rumours***

In 2014 it was far from clear where the trans-Tasman media corporation Fairfax Media was heading. Fairfax is more dependent on Australian markets than APN; in 2013 75 per cent of its revenue came from Australia. In 2014 Fairfax continued laying off workers and closing down local newspapers in Australia as rumours about mergers, takeovers and the selling of its radio business lingered. However, in February the company’s radio merger deal with an Australian Macquarie Radio Network failed. Instead, the company formed an on-demand video joint venture with Nine Entertainment, yet again triggering speculation about the possible merger between the two companies. In October 2014 *The Australian* reported that Fairfax chief executive Greg Hywood had met with the Australian broadcasting company

Ten's chief executive officer Hamish McLennan. This fuelled speculation about the two companies' merger and as a consequence their share prices spiked ("Merger talk lifts Fairfax, Network Ten shares", 2014). Rinehart, who owns almost 15 per cent of Fairfax shares, is also a major shareholder in Ten. She was a board member of Ten until November 2014 when she resigned from the board. The board seat was given to John Klepec, who has "increasingly attended board meetings on Mrs Rinehart's behalf" (Ten Network Holdings, 2014). The press release further noted that Rinehart left the board because of "her expanding responsibilities in the Hancock Prospecting group" (Ten Network Holdings, 2014).

In 2014, one of Fairfax's most substantial announcements concerned its long-term chairman Robert Corbett. The company announced that "the board's succession plan anticipates ... that Mr Corbett will stand down at an appropriate time during his forthcoming term" (Fairfax Media, 2014b). Corbett has allegedly had strained relationship with Rinehart. In 2012, Corbett and Fairfax's board refused to give Rinehart a seat on the board after she refused to sign Fairfax's charter of editorial independence. Corbett was also mentioned as a reason for the failing radio merger between Macquarie Radio and Fairfax's radio stations. After the negotiations over a AUD\$200 million merger between Fairfax and Macquarie were buried, John Singleton, Fairfax's former shareholder and owner of Macquarie Radio, attacked Fairfax's CEO and chairman very publicly. According to *The Guardian*, Singleton claimed that Fairfax's board and its leaders were "weak, out of touch and duplicitous" adding that "I'm going to watch it [Fairfax] die slowly" (Meade, 2014b). Corbett's departure from Fairfax was seen as a positive move by the stock markets as Rinehart has more freedom to pursue deals with other companies, including selloffs



Fairfax holdings. Rinehart had already held discussions with Matt Handbury about full takeover of Fairfax in 2013 (Markson, 2014b).

As the speculation about Fairfax's future was growing, the company continued to implement cost cutting measures. In May 2014, Fairfax was proposing approximately 70 redundancies in Australia in order to reduce costs. These involved journalists working in its editorial production, *Life Media* and photographic services (Fairfax Media, 2014a). The company was outsourcing its photographic services to Getty Images resulting in job losses for 30 full-time employees (Venuto, 2014b). Already in 2012 Fairfax had announced 1,900 job cut, and in 2003-2014 the company shed 28 per cent of its workforce. In May, the latest round of redundancies compelled 600 Fairfax's Australian journalists to strike, and action was regarded unlawful by the company.

In October Fairfax confirmed that it was planning to restructure its local newspapers in Australia in order to save around AUD\$40 million a year (Markson, 2014a). This restructuring meant that subeditors and photographers of some Australian regional newspapers were made redundant. As a part of its cost cutting drive Fairfax announced that in future, reporters of the papers would be expected to sub-edit their own copy, take photos and moderate online comments (Meade, 2014a). Paul Murphy, director of the journalists union MEAA, stated that the plan was unrealistic and would lead to quality problems in regional outlets (Meade, 2014a). Fairfax's chief executive Greg Hywood defended the action saying that "the new model involves reducing duplication and costs, delivering our journalism in the most effective ways possible and responding to changes in audience habits" (Markson, 2014a).

In November Fairfax confirmed that printing of the *Taranaki Daily News*, *North Taranaki Midweek* and *Taranaki Star* would move out of the region to Petone, in Wellington, where NZ\$20 million has been invested in an upgrade of its printing press. Closure of Taranaki printing facilities caused the redundancies of 24 staff. *Taranaki Daily News* commercial manager Adrian Sole told *Stuff* that the move was “a commercial reality and the new press facility would improve quality, capabilities, speed and flexibility” (“New era for Daily News, to be printed in Petone”, 2014).

While saving costs on local newspaper production, Fairfax was hoping to get into a more lucrative market. In August Fairfax and Nine Entertainment announced a new Australian video-on-demand joint venture StreamCo, which is due to be launched in 2015 (Nine Entertainment, 2014). StreamCo is equally owned by two companies, and each company will commit AUD\$50 million to the venture (Nine Entertainment, 2014). The company offers mainly international programs on-demand which are delivered to their audience via the internet. Subscribers can access the content with multiple devices including tablets, television screens and mobile devices. Fairfax’s chief executive officer Greg Hywood commented on the deal saying that “this is an opportunity to create value through participating in the next wave of media evolution. Nine is a fantastic partner and we look forward to working with them on StreamCo” (Nine Entertainment, 2014).

### ***MediaWorks shake up is expected***

As mentioned previously, in June 2013 MediaWorks was placed in receivership as it couldn’t manage its debts. Since 2007 it had been controlled by Australian private

equity firm Ironbridge Capital after it purchased shares from the Canadian media company CanWest. During the Ironbridge Capital reign the total debt burden of MediaWorks rose from NZ\$165 to NZ\$797 million. Just before its receivership, MediaWorks had assets of NZ\$329 million, but still owed NZ\$528 million to its lenders (Myllylahti, 2013). As a part of the sale of MediaWorks assets to the new MediaWorks holding company, its lenders wiped out NZ\$600 million of debts. After the new company emerged, banks and financial institutions had 100 per cent ownership of MediaWorks. As is now apparent, another private equity firm Oaktree Capital, emerged as the biggest owner of the company; it has a strong influence over decisions made about future of MediaWorks.

In 2014 MediaWorks appointed new managers as it started to reshape its businesses. In August, Mark Weldon, the former chief executive officer of New Zealand stock market operator NZX, was appointed as the head of MediaWorks. In June 2014 Sussan Turner resigned from MediaWorks after serving the company for 30 years. Weldon doesn't have any background in media industry, but he owns Terra Sancta winery, chairs the internet-based labour management company GeoOp, and serves in the board of software maker Diligent Board Member Services.

Weldon was most likely appointed in order to find new investors, and to prepare MediaWorks for the possibilities of a trade sale or stock market flotation. As Drinnan put it: "Weldon's aim is to find new investors who can take over MediaWorks shares held by bankers and creditors" (Drinnan, 2014a). A *Stuff* article revealed that in early 2014 MediaWorks held sale talks with the Australian Seven West Media, but the deal was never sealed because the two parties couldn't agree on price (Chessell & Mitchell, 2014). In October 2014 *Stuff* also reported that MediaWorks was

contemplating a stock market floatation in 2015 (“MediaWorks looks ready for 2015 float”, 2014). MediaWorks spokeswoman Rachel Lormier has denied that the company was planning a stock market listing. She stated that “MediaWorks has no immediate plans for an IPO – being focused on creating value for our owners – but are confident, however, that this business would be well supported if it were to pursue an IPO” (Grant, 2014). In 2014 this author doubted that the “New Zealand stock market would have room for two media companies” listing in the same year (Myllylahti, 2014).

Weldon indicated the changes to come in a press release: “for me the role offers the chance to be a key shaper of its future” (MediaWorks, 2014c). He was also keen to be part of the team to “develop a strategy to lead the change” (MediaWorks, 2014c). He also observed that MediaWorks was “a healthy organisation with a great team in place and a dynamic future ahead of it” (MediaWorks, 2014c). In October MediaWorks said that it would launch a new breakfast show headed by the controversial broadcaster Paul Henry. This would replace Firstline on TV3 and the existing breakfast programme on RadioLIVE. At the time of writing this report it was unclear what will happen to the employees of those shows. The new breakfast show will be broadcast on radio and television platforms simultaneously. According to Weldon this “is a significant move for MediaWorks and a major shift in the delivery of news and entertainment in the New Zealand market” (MediaWorks, 2014d). In fact, the move was planned to make MediaWorks more competitive against its main competitors; the format was designed to be more ratings and advertising friendly.

### ***Battles over online television and video audiences***

Digitalisation and the internet have affected news media audiences, as is exemplified by the increasing demand for online video content. During 2014 it was clear that the competition for online broadcast audiences had started in earnest.

Telecommunication companies and internet service providers emerged as challengers to traditional broadcasting corporations such as Sky TV, TVNZ and MediaWorks. Netflix, the American online video and movie subscription service also announced in November that it will enter New Zealand markets in March 2015. As the competition was heating up, old alliances between companies were ended and new ones were formed. For example, Spark (former Telecom NZ) broke its alliance with Sky TV and formed a partnership with its competitor Coliseum Sports Media. Sky TV on the other hand strengthened its alliance with the mobile phone operator Vodafone. Device makers also entered the broadcasting market as Coliseum Sports Media signed an alliance with the consumer electronics giant Samsung. The companies competing for online, subscription based on-demand video customers are illustrated in table 6.

This battle for subscription on-demand video customers is interesting in the light of recent findings from the Colmar Brunton & NZ on Air survey of New Zealanders' media consumption. The survey reveals television and the radio still "deliver the biggest audiences in New Zealand" (Colmar Brunton, 2014). Television reaches "nearly all New Zealanders over the course of week" whereas radio reaches more people than eight in ten (Colmar Brunton, 2014). However, the report observes that there is a growing consumer base for online videos. The on-demand sites have "a strong presence" as three out of ten New Zealanders use these sites over the course

of a week (Colmar Brunton, 2014). Interestingly, the survey found that 12 per cent of the 1,400 New Zealanders' surveyed used local on-demand sites each day; six per cent used overseas sites such as Netflix and Hulu each day, and seven per cent streamed or downloaded television shows from unauthorised sites each week (Colmar Brunton, 2014).

**Table 6: Major companies competing on online TV and video market**

<b>Company</b>	<b>Service provided</b>	<b>Price</b>
<a href="#">Spark</a>	Lightbox, subscription video on-demand service (SVOD)	\$15 a month
<a href="#">Sky TV</a>	Subscription video on-demand service (SVOD)	Not announced
<a href="#">Coliseum Sports Media</a>	Sports programming such as Premier League football	\$19.90 a month
<a href="#">Quickflix</a>	Online subscription video/movie service	\$12.99 a month
<a href="#">Netflix</a> (March 2015)	Online subscription video/movie service	n.a.
<a href="#">Slingshot Orcon</a>	Unblocking service to online video content on Netflix, Hulu	n.a.
<a href="#">Vodafone</a>	Vodafone TV, ultra-fast broadband internet service + TV	n.a.

As the demand for online videos and on-demand content has increased, traditional broadcasting companies such TVNZ and MediaWorks have responded. TVNZ chief executive Kevin Kenrick noted in August that its digital media services had a

“standout performance for the year” (as the TVNZ on-demand streams grew 78 per cent during 2013-2014) (TVNZ, 2014a). According to TVNZ, its on-demand service is used by more than one million New Zealanders’ per week (TVNZ, 2014a). Kenrick also stated that “an increased focus on publishing more and faster news online boosted onenews.co.nz video streams by 63 per cent” (TVNZ, 2014a). In September the broadcaster outlined its exclusive content for TVNZ Ondemand. These included a teen drama *Red Band Society* and comedy *Manhattan Love Story*. Thor Bayer, the head of TVNZ's digital media, commented that "Kiwis are increasingly viewing shows on multiple screens.... and it's all about first run premium content, delivered fast, and free to view" (“TVNZ fast-tracks international shows onto screens”, 2014).

In March 2014 MediaWorks launched 3NOW, its video on-demand service which made TV3 and Four television shows available on web, mobile and tablet.

MediaWorks director of programming Mark Caulton said that “we know our audience want to be able to watch their favourite shows on their iPhones, Android devices and tablets, and have access to a desktop online catch-up service” (MediaWorks, 2014e). In May the company declared that the *House of Cards* series had boosted on-demand viewing; in May more than 230,000 episodes of the series were watched via 3NOW (MediaWorks, 2014f).

The lure of online video and television audiences and advertising dollars has attracted other players to the market. Spark provides a case in point. In February Sky TV confirmed that it had agreed with Spark “not to renew the current agreement for resale of Sky’s services to Telecom customers” (Sky TV, 2014b). It was clear why the alliance came to the end in June 2014 once Spark launched its own subscription

based online video on-demand service (SVOD) Lightbox. Spark offers multiple hit shows to New Zealanders with a broadband connection. These television shows include *Outlander*, *Orange is the New Black*, *House of Cards* and *Modern Family*. Its customers are charged \$15 a month, and they can access service via multiple devices including laptops and iPads. Lightbox chief executive officer Kym Niblock said at the launch that "we're looking forward to showing New Zealand that we're a serious player in the entertainment space" (Spark, 2014).

Sky TV has long benefitted from its near monopoly position in the New Zealand pay television market; with more than 50 per cent of New Zealand homes use its services. Sky TV appeared unfazed by Spark's initiative. However, in anticipation of growing competition it was also planning to launch a subscription based video on-demand service in New Zealand by the end of 2014 (Sky TV, 2014c). The service is targeted to those who have not signed up for Sky TV's monthly pay-per-channel packages. Sky TV also expanded its partnership with Vodafone, as it planned to deliver its video on-demand services through the operator's broadband network. Sky TV's chief executive John Fellet pointed out that Sky TV has "a huge amount of experience working with local and international content suppliers" and that the company was "working hard to secure a top quality selection of content" (Sky TV, 2014c).

In October Vodafone announced the launch of "a new high-definition television service that is broadcast entirely over the internet" (Hutchison, 2014). The Vodafone TV service uses an ultra-fast broadband network that it is developing around the New Zealand. The mobile phone company states that it is not competing with broadcasters as it doesn't directly provide content. Its content is delivered within



partnership arrangements with Sky TV, TVNZ, MediaWorks and Maori TV.

Vodafone's consumer director Matt Williams states that the company has launched "the next generation of TV in New Zealand" enabling people to get content more easily (Hutchison, 2014).

The Australian online video streaming service Quickflix had entered the New Zealand market in 2012. The company offers movies and television series for streaming at the cost of \$12.99 per month. According to managing director Paddy Buckley, Quickflix has streamed "more than two and a half million movies and TV shows to Kiwis" in the past two years (Quickflix, 2014). The company was quick to welcome Spark to the subscription video on-demand market by commenting that "demand for streaming services is only increasing" and that Spark's marketing efforts were bound to "drive demand for all streaming services" (Quickflix, 2014). Quickflix has been less than impressed by the tactics of its American competitor Netflix and the New Zealand's third largest internet service provider Slingshot. The latter offers Global Mode service which enables New Zealanders to access online television and video streaming websites such as Hulu, Netflix and BBC iPlayer which are normally blocked for Kiwis. Netflix and Hulu offer movies and TV-series with the starting price of US\$11.40 a month (Fletcher, 2014).

In August Sky TV banned a series of Slingshot's advertisements because of its Global Mode services. Sky TV's spokeswoman Kirsty Way defended the decision by saying that "we are a business that pays people who create television so we are against any form of piracy or the undermining of intellectual property rights" (Pullar-Strecker, 2014). The internet service provider's advertisements were also banned from TVNZ and MediaWorks channels. Slingshot general manager Taryn Hamilton

attacked broadcasters by stating that “people are accessing content from around the globe - Global Mode or not. This is anti-competitive, undue censorship, and an example of old-school thinking” (Lynch, 2014).

In September the conflict between Quickflix and Netflix escalated as the chief executive officer of Quickflix published an open letter to Netflix’s chief executive officer. The letter from Quickflix CEO Stephen Lansford criticised the American company for giving Australians “unauthorised access” to its US service (Ryall, 2014). The letter stated that “have the courage to limit your service only to the territories where you have legally obtained the rights to operate ... And do so immediately” (Ryall, 2014).

In November 2014 Netflix announced that it will expand its services to New Zealand and Australia in March 2015 (Netflix, 2014). Netflix has more than 53 million members, and it is the world’s largest internet TV network. In a press release the company stated that the “internet-connected users in Australia and New Zealand will be able to subscribe to Netflix and instantly watch a curated selection of popular movies and TV shows”. The company states that it will offer New Zealanders some original series such as *Marco Polo*, *BoJack* and *Horseman*.

In 2013, Coliseum Sports Media entered the New Zealand broadcasting market as a challenger for Sky TV’s sports offering. The company delivers subscription based live and on-demand sports content. Coliseum Sports Media was founded by erstwhile advertising and marketing executives Tim and Kate Martin and ex-art director and copywriter Simon Chesterman. The company has strategic partnerships with Spark and TVNZ. In 2013, it outbid Sky TV to secure the English Premier League soccer rights. In 2014, the company won the rights to air the golfing PGA

Tour for the next five seasons (Plumb, 2014). Earlier this year the company partnered with Samsung Electronics New Zealand to offer English Premier League matches on Samsung's products such as smart televisions, smartphones and tablets (Samsung, 2014). However, in late 2014 Sky TV secured a new five-year deal for rugby broadcasting as it signed deals with the New Zealand Rugby Union and SANZAR for an undisclosed sum.

### **Radio New Zealand tunes in the digital world**

Radio New Zealand (RNZ) is getting more serious about its digital services as concerns about its funding continued. In June 2014 RNZ chief executive officer Paul Thompson pointed out that the broadcaster needed to prioritise its digital offerings. He stated that RNZ is “weak, almost irrelevant on the web... and as a radio broadcaster, we lack visual and digital storytelling skills” (Hill, 2014). According to Thompson, the radio market in New Zealand had declined 17 per cent in the past 13 years creating challenges for radio broadcasters (Hill, 2014). He said that “the future of content delivery is multimedia, multiplatform, personalised, mobile and social” and in order to grow, RNZ must become “a multimedia organisation” (Hill, 2014). Last year, RNZ launched its online-only network The Wireless “to a generation of New Zealanders who have grown up in a digital age” (RNZ, 2013). The Wireless exemplifies the technological convergence that is going on in the media industry; the platform uses video, text and audio content in order to attract younger audiences. As Marcus Stickley, project leader of The Wireless commented:

We live in an age where you can tell a story any way you want on one platform – the internet. Some will be told in two types of media, some will be told in all four, or maybe more depending on where technology takes us (RNZ, 2013).

In September 2014 RNZ hired new top level managers to boost its digital offerings. Carol Hirschfeld, the former General Manager Production for Maori TV, was appointed as the head of content. According to Drinnan, “she will have an important role in providing digital content, including video, to its upgraded digital arm” (Drinnan, 2014b). John Howson was also appointed to a new role as head of radio (RNZ, 2014a). RNZ stated that the “announcements complete the reorganisation of Radio New Zealand’s senior management team” (the *stuff.co.nz* editor Glen Scanlon had previously been appointed to the position of head of digital media) (RNZ, 2014a). RNZ is obviously heading toward a more digital future, but the national broadcaster is facing some tough challenges as its funding has been frozen since 2008. In May 2014 RNZ’s communications manager John Barr indicated that without extra funding the station would start to “suffer quite significantly” (Robertson, 2014). Yet in the same month, Thompson told the Parliamentary commerce select committee that despite the funding freeze, the radio station was doing fine in the short term. Thompson said that the broadcaster would “continue to be in decent financial shape for the next financial year” (“RNZ in ‘decent shape’ despite funds freeze”, 2014). He pointed out that RNZ needs to “come up with new ideas” in funding, and in order to double the size of its regular audience which currently stands at 500,000 regular listeners (“RNZ in ‘decent shape’ despite funds freeze”, 2014).

The Coalition for Better Broadcasting (CBB), which is a non-profit charitable trust, aims to rejuvenate New Zealand’s public broadcasting. CBB is lobbying for an advert-free television channel in New Zealand and wants to secure for RNZ a short

term increase in funding along with “future-proof funding that won’t cost taxpayers a cent” (CBB, 2014a). The coalition proposes a levy for commercial broadcasters such as TVNZ, MediaWorks and Sky TV, and internet service providers such as Spark, Vodafone and Slingshot. According to CBB, a small levy would be cost-neutral for taxpayers; just a one per cent levy would secure \$60 million funding for public service broadcasting (CBB, 2014b). CBB’s chief executive Myles Thomas points out that RNZ is seriously underfunded and understaffed, and has very little means to raise new funding for itself. As he comments: “apparently our national radio broadcaster has survived by selling land, grand pianos and other non-essentials but now they’ve run out of stuff to sell.” (CBB, 2014a). CBB is urging government to unfreeze the radio station’s funding which would cost taxpayers NZ\$10.2 million annually. According to RNZ, the latest results of its survey of listeners’ attitudes towards its service show that 88 per cent of New Zealanders agree that it is important to have a public service radio station in New Zealand. Also, 80 per cent of New Zealanders agree that “Radio New Zealand provides a valuable service for New Zealanders” (RNZ, 2014b).

### ***Restructuring Maori television broadcasting***

Maori TV, which receives most of its funding from the government and the Maori Broadcasting Commission, Te Mangai Paho, had a turbulent 2014. In March the channel appointed Paora Maxwell as its new chief executive (Maori TV, 2014a). He was not a popular choice inside Maori TV - two thirds of the Maori TV staff signed a petition opposing Maxwell’s appointment in 2013. The appointment process itself

was controversial as the channel's chairman Georgina Te Heuheu was accused of interfering with the process – a claim she declined.

In October 2014 Maxwell announced a restructuring of Maori TV which disestablished the roles of general manager of news and current affairs and general manager of production. These roles were held by Julian Wilcox and Carol Hirschfeld (who moved on to Radio New Zealand as mentioned earlier). In October Wilcox and the television channel's general manager of finance & administration Alan Withrington also tendered their resignations. Wilcox, Hirschfeld and Withrington were all said to be aligned with the channel's former chief executive officer Jim Mather (Drinnan, 2014c). Maxwell defended the need for restructuring stating that "the current structure is based on a traditional broadcasting model that does not sit well in the digital environment we now find ourselves in" (Maori TV, 2014b). According to Drinnan, the Maori Party is also pushing for changes that would see funding of Maori TV moved away from the state towards "the control of a new iwi-based authority" (Drinnan, 2014d).

However, MANA leader Hone Harawira argues that political agendas contributed to recent staff changes. In a press statement published in October Harawira stated that Maxwell was trying to "exert editorial control over both Te Kaea and Native Affairs, to get more favourable treatment of government policies" ("Political interference in the news 'happening at Maori TV'", 2014). Harawira also claimed that following his invitation to appear on the Native Affairs programme in November, Maxwell told the programme staff that he would not be allowed to appear. "When Maxwell found out he called in the Native Affairs team and told them point-blank that I would not be allowed on the show" he said. Harawira added that "it is clear that 'political

interference in the news' is exactly what is happening at Maori Television" ("Political interference in the news 'happening at Maori TV'", 2014).

Maori broadcasting is also facing changes within TVNZ. The broadcaster announced in October that it was planning to outsource the production of almost all of its Maori and Pacific programmes from 2015 onwards. The government owned broadcaster has so far produced Maori programmes such as *Marae*, *Waka Huia*, *Fresh* and *Tagata Pasifika*. The move alarmed independent programming companies and Maori advocacy groups. Lara Northcroft, producer for Rotorua-based VelvetStone Media, said that "it must be said that this announcement is a shock and it is a great loss for TVNZ and the New Zealand public, to lose the Maori and Pacific department that has been an integral part of TVNZ for many, many years" (Kinita, 2014). TVNZ chief executive officer Kevin Kenrick commented that the move was part of its general ambitions to move more programming outside of the organisation; "For some years now we've been moving away from internal production of non-news programming and partnering with external programme producers" (Kinita, 2014).

The Labour Party's broadcasting spokesman Kris Faafoi was critical of the government's decision. He stated that TVNZ was "washing its hands of Pacific and Maori programming" and forgetting "about serving Kiwi audiences programmes that reflect our own cultures" (New Zealand Labour Party, 2014). He also stated that TVNZ "just wants to be a content aggregator now. What next? Will it outsource its news and current affairs content?" (New Zealand Labour Party, 2014). Additionally Faafoi speculated whether the latest move to outsource programming was sign of government's plans to sell TVNZ (New Zealand Labour Party, 2014).

## ***Political machinations and the blogosphere***

The 2013 JMAD New Zealand media ownership report observed that bloggers had gained in prominence and influence in New Zealand as media space became increasingly commercial. Accordingly the report observed that “blogs have started to fill the gap in public interest journalism left by the commercially operated media corporates” (Myllylahti, 2013). The report specifically argued that

increasing commercial pressures combined with financialised 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 (Myllylahti, 2013).

After the revelations in Nicky Hager’s book *Dirty Politics*, it appears that blogs are not necessarily a counterweight to commercial media outlets. The capability of blogs to retrieve the principles of public interest journalism became questionable. This report finds increasing evidence of unethical alliances among bloggers, politicians, PR companies and legacy media.

Hager’s book, published prior to September general election, revealed links between blogger Cameron Slater and a range of collaborators including PR firms, National Party members, Beehive staff and journalists in mainstream media organisations. The book, which is based on hacked e-mails Hager received from an anonymous source “Rawshark”, reveals how Slater and his collaborators were using the *Whale Oil* blog as a platform to shape public opinion and mainstream media reportage. For example, journalist Matt Nippert revealed how Mark Hotchin, the former co-owner of Hanover Finance, paid Slater and another right-wing blogger Cathy Odgers (*Cactus Kate*) to attack and undermine the Financial Markets Authority and the Serious Fraud



Office, who were investigating Hanover's collapse (Nippert, 2014). The payments were made via public relations person Carrick Graham.

The issues concerning *Dirty Politics* have been covered extensively elsewhere. This report simply highlights the major revelations; how the politicians try to manipulate news coverage; how corporates and public relation practitioners advance their agendas in the blogosphere; and how blogs can influence news journalists. In the latter context, the Coalition for Better Broadcasting (CBB) observed that the ability of Slater, Judith Collins and David Farrar (a right wing blogger) to exploit mainstream media was due to the fact that "our media is weak, underfunded, highly competitive and almost entirely commercial" (CBB, 2014c). The coalition stated that

Interestingly, none of Cameron Slater's favoured journalists worked at Radio NZ, our country's last non-commercial news outlet. All were in the cut-throat world of commercial media. It strongly reinforces the argument that NZ desperately, desperately needs more non-commercial news media (CBB, 2014c).

Hager's book has cast a shadow over long established media organisations. After the publication of *Dirty Politics*, Jared Savage and David Fisher, journalists working for *The New Zealand Herald*, admitted their earlier collaborations with Slater. Jared Savage admitted that "information was shared, there was a bit of "horse trading", we talked about developments as the story rolled along (Savage, 2014). The paper's investigative journalist David Fisher admitted in his opinion piece that "Cameron Slater was a contact of mine - Nicky Hager made this clear in *Dirty Politics*"; before he stopped "dealing with Slater", he was "speaking to Slater as a contact and source" (Fisher, 2014). In this regard Fisher made the following retrospective observation:

Looking back, Slater kept journalists like he would have kept hunting dogs - hungry, leashed and fed with morsels until they are ready to be unleashed after whatever game he was hunting (Fisher, 2014).

The *Dirty Politics* fallout, which led to the resignation of Justice Minister Judith Collins, did also damage Cameron Slater's the *Whale Oil* blog alongside the reputation of the wider blogging community. However, the *Hard News* blogger Russell Brown remarked that "we're not all like that. The multitude of bloggers, political bloggers included, have no part in this" (Brown, 2014). The right-wing blogger David Farrar, who maintains direct links with the National Party, stated that he was keen to clean his own act by joining the Online Media Standards Authority. He admitted that the revelations of Hager's book had "shaken confidence in the wider blogosphere" (Satherley, 2014). However, it should be noted that Farrar remains a National Party pollster, and runs the market research company Curia (for a range of clients including those linked to the National Party).

Slater was not only blogger criticised for this political links. Some perceived that the left-wing blogger Martyn Bradbury as being too close to the labour unions and MANA Internet Party. He has confirmed that he did write an internal strategy document for the Internet Party, and stated on his *Daily Blog* that "I am a political consultant, this is what I do, this was a proposal I was asked to submit." (Bradbury, 2014). However, he also stated that "I stood down from my role as a consultant with the MANA Party last year" (Bradbury, 2014).

A similar episode occurred in January this year when the *Scoop* co-founder Alastair Thompson resigned from the publication after Slater revealed that he was the new secretary for the Internet Party. *Scoop* is a privately owned independent news

service in New Zealand, which has been funded by the Thompson family. At the time Scoop Media owner Selwyn Pellett was quoted saying: "We knew he [Thompson] was considering some involvement and the discussion was 'you can't do both jobs'. You can't be an editor and be actively involved in Dotcom's party" (Bennett, 2014). Ten days later Thompson resigned from the Internet Party and re-joined *Scoop*. A senior journalist Gordon Campbell, who was named as a *Scoop* Editor in February, was critical of Thompson's shortly lived involvement with the Internet Party as it harmed *Scoop* website. Campbell argued that as Thompson was an associate member of the press gallery, and was responsible for generating new business for the *Scoop* site, he should not have compromised the sites independence:

For a news outlet however, a *political* client is not just another business client. Especially in an election year, any potential conflicts had to be identified and dealt with beforehand in a way that maintained the necessary distance. Instead, the boundaries in this case were actively blurred (Campbell, 2014).

Boundaries were also blurring elsewhere. In February it was reported that Shane Taurima, TVNZ's General Manager of Maori and Pacific Programmes department, had organised Labour Party meetings on TVNZ premises. This triggered discussion about the state owned broadcaster's possible political bias. In response to the alleged misconduct, an independent panel was set up by TVNZ to investigate the matter. In May TVNZ published the findings of the panel stating that Taurima (who had earlier resigned) "failed to adequately disclose extensive party political activity" (TVNZ, 2014c). The report did not find any evidence of bias. It stated that there was no evidence that "he or the other Labour Party members within the team influenced any TVNZ programming in a partisan way" (TVNZ, 2014c). In a press release TVNZ's chief executive Kevin Kenrick said that "what happened was completely

unacceptable. It's an absolute necessity for our news and current affairs service to operate free from political influence" (TVNZ, 2014d). The broadcaster said that it was taking additional steps in order to "protect the integrity of news coverage" (TVNZ, 2014d). The report noted that certain roles inside TVNZ "carry significant editorial influence" including those of political reporters, senior content producers, editors and news managers, and the chief executive as editor in chief. In light of this TVNZ pledged to

ask anyone who reports, edits or produces political content to be upfront with us if they're a member of a political party. Anyone who creates news content for TVNZ should disclose any political activity beyond passive party membership (TVNZ, 2014d).

These cases concerning the restructuring of Maori TV, exemplify how the lines and boundaries between political and commercial operators and media outlets have become blurred. The role or rather, status of independent media outlets – which operate outside of mainstream media corporations - has become vulnerable as their independence has been contested.

### **Commercial media space vs public sphere principles: trends and prospects**

During 2014 it became evident that New Zealand media corporates were facing increasing commercial pressure due to market and audience fragmentation. They were also becoming more profit focused as their financial shareholders exerted influence. New Zealand commercial media corporations are mostly owned by fund managers, banks and wealthy media moguls (such as Rinehart and O'Brien) who are prepared to restructure whenever necessary. In 2015 the New Zealand media landscape faces some major ownership changes if APN goes ahead with its NZME

stock market listing. MediaWorks and Fairfax are also likely to pursue changes which might reshape their organisational structures.

**Table 7: Key events in New Zealand media market 2011-2014**

Year	Company	Development
2011	NZPA	Closed after 130 in operation
	Yellow Pages Group	Launch of hyperlocal site Yellow Local
	New Zealand Post	Launch of hyperlocal site Localist
	Fairfax	The company sold its 34 per cent stake in auction site Trade Me in initial public offering (IPO)
2012	TVNZ	TVNZ7 Channel closed after government stopped its funding
	APN	Increased its stake in group buying site GrabOne to 100 per cent
	Sky TV	Todd Communications sold its entire stake, 11 per cent, in Sky TV
	Bauer Media	Took over ACP and its magazines such as <i>Metro</i> and <i>North &amp; Sound</i>
	Fairfax	Sold rest of its Trade Me shares
	NBR	Barry Colman sold the newspaper to Todd Scott
2013	APN	Sold south island newspapers <i>Christchurch Star</i> and <i>Oamaru Mail</i> to Mainland Media
	APN	Sold its New Zealand magazines including <i>The Listener</i> to Bauer Group
	TVNZ	Closed its youth channel TVNZ U
	Sky TV	Rupert Murdoch's News Limited sold its entire 44 per cent stake in Sky TV
	MediaWorks	Entered into receivership, sold to a new holding company owned by financial institutions
2014	APN	INM's ownership shrinks in the company to 18.6 per cent
	APN	Rebranding as NZME. and preparing for stock market float of the company on NZX
	Fairfax	Joint venture StreamCo with Nine Entertainment

Looking over the past four years, some major events have occurred across the New Zealand media landscape (table 7). These include closures of news agency NZPA and non-commercial television channel TVNZ7. As previous JMAD reports have indicated, New Zealand media space is increasingly commercial, and public interest journalism remains under threat. Public spheres continues of communication and had not been substantially expanded by citizen or alternative media.

### ***Lack of innovation and funding***

One of the major concern about the New Zealand media market is that it lacks in innovation and new digital ventures. The hyperlocal directory sites introduced in 2011 never developed proper local news outlets. Also, all attempts to establish non-profit journalistic platforms have come to nothing due to the lack of interest and funding. In 2013 Bernard Hickey buried his non-profit journalism project [journalism.org.nz](http://journalism.org.nz) due to lack of funding, and in 2014 the Public Eyes project stalled. Public Eyes is a foundation for public interest journalism in New Zealand, and in November 2014 it was expecting clarification from the Charities Commission about possible charity status. Its three Trustees are Margaret Thompson, Rod Oram and Alison McCulloch.

It seems that the New Zealand media market is either too conservative, too small – or both - to support new digital media ventures. However, media academic and former editor of *The New Zealand Herald* Gavin Ellis argues that the future of journalism is dependent upon the success of new digital news outlets. He notes that a new trust based news venture could be set up and run with an annual budget of

NZ\$250,000 (“NZ: Academic calls for trusts to run non-profit news outlets”, 2014).

He states that New Zealand’s size is a "poor excuse" to argue that the country could not support new innovative news outlets: “If we say we're too small for that, then we're too small to do heart transplants” (“NZ: Academic calls for trusts to run non-profit news outlets”, 2014).

### ***Lack of diversity, some signs of improvement***

The New Zealand media space in general lacks diversity, although blogs and social media have somewhat expanded the range of viewpoints. However, revelations from Nicky Hager’s *Dirty Politics* suggest that citizen based media might not necessarily act as effective alternative voice.

Some new voices emerged during 2014. For example, the first Maori newspaper within mainstream media was launched in October. Te Arawa editors Kereama Wright and Marisa Balle launched *Mangai Nui* in collaboration with the *Rotorua Daily Post* (NZME, 2014). Initially, the newspaper will be published monthly, and move to a “weekly frequency very shortly” (NZME, 2014). Balle commented that “we felt it was time to work in partnership with the local newspaper where we could capitalise on their readership of 10's of thousands daily, and share our stories with our iwi as well as the general public” (NZME, 2014).

But the general media landscape doesn’t reflect social diversity. As the founder of Niche Media Marty Powers puts it “ethnic media is not only an important channel for news and stories of general interest, but also for those communities to learn more about society, government and how they could contribute” (Unitec, 2014). According

to the 2013 census, almost one eighth of New Zealanders were Asian, and Hindi was the fourth most common language in the country (Statistics New Zealand, 2014). The mainstream media's daily reportage doesn't reflect this ethnic diversity. Publications such as the *Indian Weekender* are hardly known to most of the New Zealanders. The lack of diversity has also been highlighted by David Robie, director of the Pacific Media Centre at AUT. He states that "The Asia-Pacific region is poorly reported and under reported in the New Zealand media and has been for years" (Kumar, 2014). He argues that because of the "poor level of reporting" people are "frequently misinformed or get a one-dimensional view of developments" (Kumar, 2014).

### ***Journalism under threat***

In 2014 Hannis et al. found in their survey of 320 journalists that most were satisfied with their work. There were, however, some interesting findings relevant to this report. Many journalists noted that "profit-making pressures" had strengthened in the past five years (Hannis et al., 2014). They commented that cost cutting was "undermining the quality of journalism" and that news copy was over reliant upon public relations material (Hannis et al., 2014). Some respondents were quoted as saying that journalism in New Zealand is "too productivity-driven" (in regard to the number of stories expected per day). Others remarked that journalism had "been captured by trivia" as newsrooms were employing fewer journalists, and that there was pressure "for everyone to be first with something on websites" (Hannis et al., 2014).



Clearly, the profit driven culture is felt in most newsrooms. In this context, it is concerning that public service journalism in New Zealand has shrunk as non-commercial television channels such as TVNZ7 have been shut down.

Radio New Zealand remains as the only national broadcaster with a public interest reporting mandate. However, as the national broadcaster expands its offerings on digital platforms, public funding is likely to remain at present levels. Thus RNZ may be forced to operate more commercially as has happened with TVNZ.

### ***Repeats and reality-TV dominate local television content***

The 2013 JMAAD report described the New Zealand television market as being “littered with talent shows, reality-TV series and light hearted current affairs programmes” (Myllylahti, 2013). The trend is continuing. MediaWorks’ 2015 programme line up exemplifies the dominance of foreign reality TV formats within domestic programming schedules. Audiences will be offered local versions of *The Bachelor* and *Grand Designs*, which were declared by the company as “the biggest investment in local programming in MediaWorks’ history (MediaWorks, 2014g). The company says that these programmes “will sit alongside smash hits *The Block NZ* and *The X Factor NZ*’ (MediaWorks, 2014g).

The 2013 NZ On Air report observed that local content comprised 32 per cent of scheduled content across six free-to-air channels. These channels included Maori TV, TV1, TV2, TV3, Prime and Four. A concerning observation was that repeat screenings accounted for 44 per cent of all local content (NZ On Air, 2013). The report states that “this indicates reduced spending on new productions, and is a

reflection of the ongoing difficulties faced post-global financial crisis by free-to-air broadcasters” (NZ On Air, 2013).

## **Conclusions:**

During 2014 there were some encouraging signs of media diversity as new competitors emerged in the on-demand online video market to circumvent Sky TV’s dominance in paid television content, and as the first Maori newspaper *Mangai Nui* was launched in partnership with a mainstream newspaper. Behind the scenes, however, media ownership remains dominated by fund managers and other financiers who are not interested in maintaining newsrooms and news products. As seen here, financial institutions are the most substantial shareholders in APN, Fairfax, MediaWorks and Sky TV. These institutions hold 67.7 per cent of Fairfax shares, 58 per cent of APN shares, 84 per cent of Sky TV shares and 100 per cent of MediaWorks shares.

Financialised ownership fundamentally shapes newsrooms and journalistic practices. Within Fairfax Australia for example, journalists are now expected to edit their own copy, take photographs and moderate online commenting. This is potentially eroding the quality of media content as journalists are given even less time to produce more material.

The lack of alternative media ventures to take on mainstream media means that New Zealand is falling behind in digital media development. In other similar size countries digital journalistic ventures have started to gain ground. For example, in Finland,

Long Play which publishes long-form, in-depth investigative stories, has proved sustainable after it was launched in early 2013.

Taken together, the trends described in this report suggest that the public sphere in New Zealand is shrinking as public interest journalism declines.

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