

MediaWorks Television: Death of a thousand cuts?

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This analysis is part of an ongoing series on urgent contemporary policy issues in Aotearoa New Zealand. This series is action-oriented and solutions-focused, with an objective of bringing academic research to bear on the economic, social and environmental challenges facing us today.

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MediaWorks Television: Death of a Thousand Cuts?

MediaWorks' announcements in October 2019 that it intended to sell off its struggling television business and cancel or cut back on several popular local programmes (including *New Zealand Today*, *Married at First Sight New Zealand* and *7 Days*) has sparked considerable debate about the future of the free-to-air television sector in New Zealand.¹

Although its radio and outdoor advertising arms are currently performing well, MediaWorks' television holdings, comprising *Three*, *Bravo*, *ThreeLife* and *Newshub*, have remained unprofitable despite relatively strong ratings in the 26-54 demographic and an increased share of the television sector advertising market. MediaWorks has become increasingly vociferous in its complaints that they face an 'uneven playing field' in the free-to-air television market, particularly since TVNZ's recent indication that it did not anticipate paying dividends to the Crown for the foreseeable future.² To that end MediaWorks' executives and even its celebrity presenters have been calling on the government to intervene and avert the possible closure of its television operations.

This paper critically assesses MediaWorks' claims and suggests that its diagnoses of the market challenges it faces are being shaped by both a public relations and investor relations agenda. Although the market position of its television channels is indeed serious (and possibly terminal), addressing these concerns requires a more complete account of the key structural factors underpinning the current state of the free-to-air television sector.

MediaWorks and public media policy

The tension between the interests of the private media sector, the public media sector and the government has been evident ever since the 1989 Broadcasting Act opened up the sector to competition. TVNZ (and initially, the RNZ radio network) became state-owned enterprises with commercial priorities while New Zealand On Air disbursed fee money as local content subsidies on a contestable basis.

TV3's rivalry with TVNZ dates back to 1989-1990 when the incumbent state-owned enterprise's market aggression toward its new rival quickly pushed it into receivership. This ushered in the legislative changes permitting foreign investment in the broadcast sector and enabling CanWest to rescue TV3 in 1991; with the subsequent acquisition of radio holdings, MediaWorks was formed. MediaWorks has never been shy of openly criticising government policies it found inexpedient: under the Labour-led governments of 1999-2008, they opposed local content quotas, the TVNZ Charter (notably the fact that it received public funding while still competing for advertising), and the continuation of TVNZ7.³ Former CEO Brent Impey even called for RNZ's funding to be cut after a decline in post-GFC advertising expenditure to level the playing field in line with its commercial rivals.⁴

¹ MediaWorks. (2019, October 18). MediaWorks to pursue a sales process for its television business. Media release. https://cdn.MediaWorks.nz/aem/corporate/MEDIA_RELEASE_MEDIAWORKS_TO_PURSUE_A_SALES_PROCESS_FOR_ITS_TELEVISION_BUSINESS.pdf

² Keall, C. (2019, August 29). TVNZ profit halves, cans dividend. *New Zealand Herald*. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12262975

³ New Zealand Parliament. (2011, May 3). TVNZ Amendment Bill (second reading). https://www.parliament.nz/en/pb/hansard-debates/rhr/document/49HansD_20110503_00000831/television-new-zealand-amendment-bill-second-reading

⁴ Thompson, P. (2011, June 22). Show me the money: Funding possibilities for public television in New Zealand. https://www.victoria.ac.nz/seftms/about/staff/peter-thompson/Show_Me_the_Money_Thompson-SPADA_2011.pdf ; Thompson, P. (2011). Running on empty? The uncertain financial futures of public service media in the contemporary media policy environment (pages 202-216). In D. Winseck and D. Y. Jin (Eds.). *The Political Economies of Media*. London: Bloomsbury.

Under National-led governments (2008-2017) MediaWorks had less to grumble about. The TVNZ Charter and TVNZ7 were abolished, the Charter money was diverted to New Zealand On Air, RNZ had its funding frozen for virtually the entire period, and MediaWorks itself benefited from a deferral on its spectrum licence payments. With Labour back in government since September 2017, public broadcasting is back on the policy agenda and MediaWorks has resumed its lobbying efforts.

In 2018, MediaWorks' CEO Michael Anderson warned that broadcasting minister Clare Curran's plans for a non-commercial RNZ television service, 'RNZ+', posed a risk that, 'we could accidentally be wiped into oblivion by a decision that hasn't been worked through.'⁵ He called for the restructuring of TV One as a non-commercial channel, to which Curran retorted that she would not be swayed by a 'Murdoch-Style Campaign.'⁶ In a 2018 submission to the Ministerial Advisory Group on Public Media, MediaWorks' blunt assessment was that, 'If the structural anomalies unique to the New Zealand market are not addressed, there is a genuine risk that the Government, through its owned media channels may become the only broadcaster in New Zealand.'⁷

The commercial television sector's opposition toward RNZ+ was arguably misplaced insofar as such a channel would not have competed for advertising revenue and offered a largely complementary range of content not aimed at the commercially-attractive demographics (much like TVNZ7 which ceased operation in 2012). The opposition here appeared to stem from a resentment of *any* public funding going into the media sector for which private commercial operators were not eligible, despite the fact that New Zealand's per capita level of funding for its public broadcasters is among the lowest in the OECD.⁸ In any event, the new government failed to back Curran with the level of funding promised pre-election and the proposals did not progress.⁹ The subsequent resignation of Curran in September 2018 saw Kris Faafoi take over the broadcasting portfolio.

Thus far, the new minister of broadcasting has not committed to any policy initiative, although the plans for an RNZ-operated television channel appear to have been shelved. Faafoi is concerned to make sure that whatever funding he is allocated for the portfolio is used to optimum effect and he has taken his time to weigh up the options for providing public media services in the rapidly-evolving digital ecology. However, a report on the possible

⁵ Jennings, M. (2018, January 23). Hit pause on RNZ+, urges MediaWorks CEO. *Newsroom*.

<https://www.newsroom.co.nz/2018/01/22/76973/hit-pause-on-rnz-urges-MediaWorks-ceo>; Peacock, C. (2018, January 28). Media boss hits out at government policy. Radio New Zealand *Mediawatch*.

<https://www.rnz.co.nz/national/programmes/mediawatch/audio/2018629415/media-boss-hits-out-at-government-policy>
Crawford, H & D. Garner. (2018, August 15). The problem with news in New Zealand; Duncan Garner AM show appeal to Kris Faafoi. Video. Newshub. <https://www.newshub.co.nz/home/new-zealand/2019/08/opinion-the-problem-with-news-in-new-zealand.html>

⁶ Claire Curran quoted in T. Coughlan (2018, July 26). MediaWorks CEO's Murdoch-style email. *Newsroom*.

<https://www.newsroom.co.nz/2018/07/25/166648/MediaWorks-ceos-murdochemail>

⁷ Anderson, M., & J. Matthews (2018, April 6). MediaWorks submission to the Ministerial Advisory Group on Public Media. <https://mch.govt.nz/sites/default/files/projects/Media%20Works%20submission%20Michael%20Stiassny%20Public%20Media%20Ministerial%20Advisory%20Group%2006042018.pdf>; Pullar-Strecker, T. (2018, July 24). Channel Three owner MediaWorks raises possibility it might have to pull out of television. *Stuff*.

<https://www.stuff.co.nz/business/industries/105706707/tv3owner-MediaWorks-raises-possibility-it-might-have-to-pull-out-of-television>

⁸ PWC. (2018, May). Research on public broadcasting models: Report commissioned for the Ministry for Culture & Heritage.

<https://mch.govt.nz/sites/default/files/projects/Public%20Media%20funding%20allocation%20PWC%20report.pdf>

⁹ Thompson, P. (2019). The return of public media policy in New Zealand: New hope or lost cause? *Journal of Digital Media and Policy*, 10(1), pages 89-107.

<https://www.ingentaconnect.com/contentone/intellect/jdmp/2019/00000010/00000001/art00008;jses>

permutations of the state sector media is under consideration and an announcement on policy is expected nearer the end of 2019.¹⁰

It is, of course, institutionally rational for MediaWorks to oppose state interventions in the broadcasting market which confer a disproportionate benefit on state-owned rivals. Nevertheless, it has long favoured restructuring TVNZ (or at least TV One) as a non-commercial public service operator because TV3 would be first in line to benefit from the advertising revenue TVNZ would forego. De-commercialising TVNZ would require a substantial amount of government subsidy; turning TV One non-commercial would cost at least \$150m per annum and making TVNZ wholly non-commercial would cost in excess of \$300m.¹¹ Labour has thus far shown little appetite for such expenditure. Implementing this policy would require the government to revisit many of the institutional contradictions which arose when a previous Labour-led government attempted to bolt the TVNZ Charter onto a highly commercialised television operation.¹²

MediaWorks' Public Relations offensive

Whether or not the television business finds a buyer, MediaWorks' interim goal is to inhibit the government from pursuing public media options liable to exacerbate the pressures on the commercial free-to-air sector. Were TV3 and Newshub to close down following the announcement of public media policies prioritising a boost for RNZ/TVNZ/Māori Television over stabilising the commercial sector, critics on the political right would seize on the specious line of argument that business investors were unsafe under Labour.

In addition to ongoing private communications with government, MediaWorks has been engaged in a very public campaign to win public sympathy for its position and to that end has hired Sky Television's former top lobbyist, Tony O'Brien. In July 2018, Newsroom reported the circulation of an internal email from Michael Anderson encouraging MediaWorks staff to be proactive in getting the message out about an uneven playing field and competition with TVNZ.¹³ This is apparent in several recent public commentaries.

Head of news, Hal Crawford, who will leave MediaWorks next year,¹⁴ published an indignant op-ed denouncing the government for excusing TVNZ from paying dividends:

I'm angry that the market for television advertising in New Zealand is distorted by this bizarre, anti-competitive set up. I'm angry that my newsroom, Newshub, is part of a business struggling to keep its head above such polluted waters. [...] Unfortunately, all the clichés about the free press and democracy are right:

¹⁰ Author's personal communications with the Minister for Broadcasting, Communications and Digital Media, and relevant officials.

¹¹ Television New Zealand. (2019). *Annual report financial year 2019*.

http://images.tvnz.co.nz/tvzn_images/TVNZAnnualReport2019_digital.pdf. From Treasury's point of view, the loss of advertising revenue from partly or wholly de-commercialised TVNZ would represent a significant loss to the Crown even before any subsidy of programming was contemplated.

¹² Thompson, P. (2011) Neoliberalism and the political economies of public television policy in New Zealand. *Australian Journal of Communication*, 38(3), pages 1-16. <https://search.informit.com.au/documentSummary;dn=776462787039801;res=IELHSS>

¹³ Coughlan, T. (2018, July 26). MediaWorks CEO's Murdoch-style email. *Newsroom*.

<https://www.newsroom.co.nz/2018/07/25/166648/MediaWorks-ceos-murdochean-email>

¹⁴ Edmunds, S. (2019, October 24). MediaWorks news director Hal Crawford announces resignation. *Stuff*.

<https://www.stuff.co.nz/business/116875222/MediaWorks-news-director-announces-resignation>

we need news to keep this lemon on the road. When markets fail, governments must step in, and this doesn't necessarily have to result in the Kremlin-controlled Pravda newspaper.¹⁵

The celebrity appeal of TV3's presenters has also been harnessed to the public relations strategy. In August, Duncan Garner used TV3's *The AM Show* to pitch a personal appeal to Kris Faafoi, highlighting unfair competition from TVNZ: 'The level playing field has disappeared - gone - It's much harder for [TV] Three to survive-but it's not just us [...] We can't compete when the other guy's rules are different.' To reinforce the point, the studio lights were turned off, indicating that this was a pre-arranged and presumably approved stunt.¹⁶

This was followed in October by Jesse Mulligan similarly using air-time on *The Project* to issue a direct public appeal to the government, blaming its lack of action and TVNZ's competitive advantage for putting TV3 in the position where programmes were being cancelled and the channel could be forced to close:

In the toughest market in media history our government has allowed a competitor to turn into a not-for-profit [...] The government is in competition with a private business and with an unlimited pot of taxpayer money to dip into, who do ya reckon's gonna win?¹⁷

Despite calling his television staff in for an emergency meeting to announce the October sale decision, and the (obviously sanctioned) appeals of its presenters, Michael Anderson quickly moved to deny suggestions that the closure of the MediaWorks television was imminent.¹⁸ It would certainly be difficult to envisage how any prospective buyer could perform their due diligence prior to the disclosure of the government's public media policy intentions when this could potentially have significant implications for investor expectations.

Viewed in that light, the concerted corporate line about the unlevel playing field and the need for the government to act immediately to save TV3 seems obtuse: on the public relations side, this cannot realistically be aimed at pressuring the government to bring forward its policy decisions as the Minister is presumably aware of MediaWorks' concerns via lobbying. On the other hand, as former head of news Mark Jennings has pointed out, drawing public attention to the commercial unsustainability of its television business is a dubious investor relations strategy if the aim to attract a buyer.¹⁹

¹⁵ Crawford, H. (2019, August 15). The problem with news in New Zealand. Newshub. <https://www.newshub.co.nz/home/new-zealand/2019/08/opinion-the-problem-with-news-in-new-zealand.html>

The sentiment here is in marked contrast from Crawford's stance in 2011. While head of news at NineMSN, he published a commentary titled 'Why quality journalism should be left to die', roundly rejecting the notion that governments should regulate media markets to ensure they fulfil their traditional democratic functions. See <https://mumbrella.com.au/why-quality-journalism-should-be-left-to-die-58311>

¹⁶ Garner, D. (2018, August, 15). AM show appeal to Kris Faafoi. Video. Newshub. <https://www.newshub.co.nz/home/new-zealand/2019/08/opinion-the-problem-with-news-in-new-zealand.html> ; Peacock, C. (2019, August 18). A media cry for help. Radio New Zealand *Mediawatch*. <https://www.rnz.co.nz/national/programmes/mediawatch/audio/2018708908/a-media-cry-for-help> ; Jennings, M. (2019, August 19). Garner's strange outburst fitted PR strategy. *Newsroom*. <https://www.newsroom.co.nz/2019/08/19/761576/garners-strange-outburst-fitted-pr-strategy>

¹⁷ Mulligan, J. (2019, October 16). Comments on the NZ Media Landscape. *The Project*. Video. <https://www.facebook.com/866977246772263/posts/1652753871527926> ; Stuff. (2019, October 17). Jesse Mulligan says Three 'could close down entire station'. <https://www.stuff.co.nz/entertainment/tv-radio/116651709/jesse-mulligan-says-MediaWorks-could-close-down-entire-station> ; Jennings, M. (2019, August 19). Garner's strange outburst fitted PR strategy. *Newsroom*. <https://www.newsroom.co.nz/2019/08/19/761576/garners-strange-outburst-fitted-pr-strategy>

¹⁸ Radio New Zealand. (2019, October 18). MediaWorks' TV channels not gone by Christmas – CEO. *Checkpoint*. <https://www.rnz.co.nz/national/programmes/checkpoint/audio/2018718368/MediaWorks-tv-channels-not-gone-by-christmas-ceo>

¹⁹ Jennings, M. (2019, October 24). Going public last play for Three. *Newsroom*. <https://www.newsroom.co.nz/2019/10/24/874730/three-go-public-or-go-home>

Although the decision to offload the unprofitable television arm separately from the radio and advertising operations (which remain profitable) is a shift in strategy, it would be reasonable to suppose that Oaktree, a private equity firm specialising in distressed assets which some critics regard as vulture capitalism, would already have explored various permutations for the disposal of its unwanted assets. In this regard, there would appear to be a disconnect between MediaWorks' public relations and investor relations strategies: why would MediaWorks embark on a campaign to position itself as a victim of government indifference in the face of unfair public sector competition while simultaneously trying to persuade buyers to acquire its financially weakest asset?

A scenario that might fit both public relations and investor relations imperatives would be the interim goal of framing an unsympathetic government as the villain should its forthcoming policy announcement be unfavourable to the private broadcast sector. Should RNZ or TVNZ gain additional subsidies while MediaWorks television channels were shut down without a sale, then the government would risk being blamed for contributing to their demise in the run-up to the 2020 election. If, however, this succeeded in nudging the government to adopt a more favourable - or at least commercially neutral - approach to public media policy (such as an increase in New Zealand On Air's contestable funding) then there could be an increased likelihood of finding an investor willing to pay something for the television assets.

Discerning the likelihood of the latter scenario requires a more nuanced analysis of how MediaWorks television arrived in its current predicament than their public relations offensive has thus far provided. Directly competing with free-to-air rival TVNZ for viewer eyeballs, content rights, and advertising is one long-standing challenge. Michael Anderson has suggested the current state of the free-to-air television sector and MediaWorks' position therein are attributable to 'structural anomalies' in the New Zealand media ecology. The point is valid, but factors like deregulation, financialisation and convergence extend well beyond concerns over an unlevel playing field with TVNZ.

Structural anomalies

Ever since the 'Rogernomics' revolution from the mid-1980s, the free market paradigm has remained the default outlook when it comes to media policy. Even the 'third way' Labour-led governments of 1999-2008 delimited policy interventions to the state sector (e.g. TVNZ Charter, Māori Television). By international standards, New Zealand has minimal restrictions on overseas or cross-media ownership, no statutory local content quotas or anti-siphoning restrictions, minimal controls on broadcast advertising, and, as noted, one of the lowest levels of investment in public media services in the OECD. Apart from complying with some Broadcasting Standard Authority codes, commercial broadcasters have no public service obligations and are eligible for (indeed, demand) New Zealand On Air subsidies for producing and distributing many local content genres.

Faced with a complex, evolving digital media market, the standard response from policy makers has been to 'wait and see' before contemplating intervention in the media market. While this avoids the problem of piecemeal regulatory/legislative provisions which constantly need revision or repeal, it also means the framework for media regulation has never caught up with new technological and market developments.

It was under this policy paradigm that Sky TV was permitted to become a de facto pay television monopoly, acquire a free-to-air channel (Prime), carry advertising on both its subscription and free-to-air channels, and provide carriage for other free-to-air channels without paying any licensing fees.²⁰ Interestingly, both MediaWorks and TVNZ were

²⁰ Thompson, P. (2017). Pie in the sky? The political economy of the failed Vodafone-Sky Merger. *Medianz*, 17(1), pages 28-73. <https://medianz.otago.ac.nz/medianz/article/view/180/181>

often united in their appeals to the government to rein in Sky and create a fairer TV market. Although Sky's dominance has now been diluted by the more recent arrival of Netflix and other online subscription platforms, the point is that market was distorted long before TVNZ found itself unable to maintain its dividend payments. In the evolving digital media market, the free-to-air channels all face a common set of pressures which have made their commercial sustainability increasingly difficult. The critical differences between TVNZ and MediaWorks (as well as Prime or Māori Television) stems primarily from their respective institutional responses to several key pressures which collectively constitute a 'perfect storm' for free-to-air television channels.

1. Declining advertising revenue

The television sector's share of the overall advertising spend in New Zealand has declined significantly over the past two decades. In 1998, advertising on linear scheduled television accounted for roughly 34% of the total advertising spend. In 2018, this had declined to around 21%, being \$556m from a total of \$2.6b.²¹ MediaWorks television still generates around \$130m in advertising income, just over 23% of the 2018 television advertising pot.²² Although hypothetical, it is important to bear in mind that had the television sector's share of the advertising market been sustained at 34%, then MediaWorks' current share of that revenue stream would be generating over \$200m income, and the business would be flourishing.

Digital/online advertising is now worth \$1 billion, representing 40% of New Zealand advertising turnover. Of that, \$660m is generated through search-based advertising, of which \$594m (90%) goes to Google alone. This is a sum greater than the entire television advertising sector, whose share of the digital advertising pot is just \$31m (or 3.1%).²³ The impact of the digital intermediaries like Google and Facebook on advertising is explained by two key factors: firstly, their access to a massive database of their users' personal information, likes/dislikes, and psychographic indicators means they can tailor advertising to target audiences far more precisely than the traditional mass media, offering 'more bang per buck'. Secondly, despite the fact that these intermediaries contribute nothing toward the production of local content, their search algorithms, news-feeds and recommendations have co-opted a critical part of the media value chain i.e. the architectures of content discovery. Such considerations fall completely outside the current frameworks of media regulation. Given that TV3 has been outperforming TVNZ in the most lucrative prime-time demographics, competition from the other free-to-air television channels is not the primary reason for the lack of profitability. However, the decline is not solely due to the impact of the digital intermediaries: evolving audience behaviour has also played an important role.

2. Audience fragmentation

The decline in advertising revenue is in part a response to changes in audience media preferences. In the case of the television market, one significant challenge has been the erosion of the guarantee for audiences as more and more people time-shift using personal video recorders to catch up online or move toward video-on-demand services on a range of new reception technologies such as smart phones, made possible by high speed broadband and mobile internet.

²¹ Advertising Standards Authority. (Various years). Annual Turnover Reports. <https://www.asa.co.nz/industry/asa-advertising-turnover-report/>

²² New Zealand Herald. (2018, December 10). QMS to pocket \$35m in merger with MediaWorks. *New Zealand Herald*. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12174336

²³ Venuto, D. (2019, March 15). How much Google and Facebook made in NZ in 2018. *New Zealand Herald*. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12212686 ; Myllylahti, M. (2018). *Google, Facebook and New Zealand news media*. Auckland: The Policy Observatory. <https://thepolicyobservatory.aut.ac.nz/publications/google,-facebook-and-new-zealand-news-media>

Despite the proliferation of news services and devices, and the current difficult position of MediaWorks, rumours of the imminent demise of traditional linear scheduled broadcasting has been overstated. A 2017 Nielsen report found that 77% of New Zealanders still watch linear schedule television every week, and these viewers spend 41% more time watching television than internet users spend online. Although half of television viewers have personal video recorders, 90% of television engagement was with linear scheduled broadcasts.²⁴

The 2018 New Zealand On Air *Where are the Audiences?* study found that although linear television viewing had declined from 95% weekly reach in 2014 to 82% in 2018, much of this was accounted for by the decline in Sky TV subscribers after the arrival of Netflix in 2015. Despite the huge increase in the number of weekly subscription video-on-demand viewers (from 12% in 2014 to 62% in 2018) the overall weekly reach of *free-to-air linear* scheduled television broadcasts had actually *increased* from 53% to 54%. Meanwhile the *daily* reach increased from 35% to 37% in the same period.²⁵

TV Audience Reach	Weekly Reach %			Daily Reach %		
	2014	2016	2018	2014	2016	2018
Total Linear TV (Pay + FTA)	95	86	82	83	73	66
Free-to-Air TV (e.g. TV3)	53	47	54	35	34	37
Pay TV (e.g. Sky)	68	60	52	58	49	39
Total Subscriber VOD	12	35	62	6	23	37
NZ SVOD (e.g. Netflix, Lightbox)	26	48	69	17	30	38
International SVOD (e.g. Hulu)	12	23	32	6	14	16
NZ Free VOD (e.g. 3Now)	29	40	44	12	18	19
Online video (e.g. Youtube)	49	64	72	30	45	52

Data derived NZ On Air *Where are the Audiences Report 2018*

This certainly challenges any over-generalised assumption that nobody watches linear television any longer. More people *are* viewing content on non-linear on-demand/on-line/mobile platforms, but this tends to *complement* rather than completely replace traditional television viewing. However, The New Zealand On Air report also found that between 2014 and 2018, there had been a decline in the daily reach of most of the free-to-air channels: TV One had dropped from 48% to 43%. TV2 had dropped from 27% to 20%. TVNZ's Duke was the only notable exception, rising from 1% to 4%. Sky's Prime, meanwhile, had dropped from 15% to 12%. But the largest decline was for MediaWorks' Three which dropped from 35% to 25% over that period. (MediaWorks' Bravo channel was on 3% but was a total re-brand of Four and so no earlier data was available).

The problem is that the *ratings* for programmes scheduled in prime-time slots, for which advertisers have traditionally paid a premium, has also been declining. A Think TV report found that of the top 20 programmes among the 18-54 demographic in 2018, 5 out of the 20 were screened on TV3 (including the top-rating programme, a documentary about singer Stan Walker), but none of the 20 gained over a 10% audience rating.²⁶ A *Spinoff* comparison of TV One's *Shortland Street* and TV3's *The Block* found that the audiences for both top-rating

²⁴ Nielsen. (2017). *New Zealand Multi-Screen Report*. Quarter 1 2017. <https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/nz-multi-screen-report-october-2017.pdf>

²⁵ New Zealand On Air. (2018, August). *Where are the audiences? 2018*. <https://www.nzonair.govt.nz/research/where-are-audiences-2018/>

²⁶ Think TV. (2018). *Fast facts: What you need to know about TV viewing in 2018*. <https://thinktv.co.nz/wp-content/uploads/2019/05/Fast-Facts-New-Zealand-TV-Viewing-.pdf>

programmes had declined since 2015, the year Netflix arrived, with both rating just over 200,000 in 2017, but only 150,000 in 2019.²⁷

A 2018 Newsroom report pointed out that while TV One's 6pm News has managed to sustain an audience of around 650,000, Three's 6pm Newshub has experienced falling ratings since it lost its popular 5.30pm run-in soap, *Home and Away*.²⁸ In 2018, TV3's 6pm news bulletin was pulling in an audience of less than 200,000, a mere 31% of its rival's. Meanwhile in the 7pm slot, TV One's *Seven Sharp* was generating over twice the audience of Three's *The Project* (435,000 compared with 175,000 respectively). As Tim Murphy surmises, 'Where [TV3] once measured a good night's audience at close to 200,000 viewers aged 25-54, it is now less than half that number.'²⁹

What these examples indicate is a trend toward lower prime-time ratings across the free-to-air television sector which helps explain the decline in advertising. However, there appears to be a widening gap between the performance of the top programmes on MediaWorks' Three and TVNZ's One and Two. This obviously invites questions about the content that Three is able to provide.

3. Competition for premium content rights

A significant challenge for the free-to-air television sector is that there has been a significant increase in competition for content rights, especially from subscription services which need to offer exclusive, premium content (notably first-run movies, high-end drama, or live sports) in order to ensure there is an audience willing to pay for them. Sky was for a long time the dominant player the wholesale television content rights market, and until recently virtually monopolised premium live sports rights. Since the arrival of Netflix and other subscription video-on-demand services there have been more actors seeking the rights to the best international content with a predictable effect on prices.

The details of content-rights deals are closely-guarded commercial secrets, but as the advertising revenue from free-to-air audiences declines, the channels are obviously less well-positioned to bid for the top-end content the subscription providers are chasing. With a few exceptions (TVNZ won the rights to televise the Rugby World Cup, albeit in partnership with Spark) the free-to-air channels are primarily competing for second tier international content or licensed format rights for local production, such as TV3's *Married at First Sight New Zealand*.

In 2013, during a period of receivership (see below) MediaWorks took the opportunity to discontinue its content contract with Fox and negotiate variations in its deals with NBC Universal, CBS and Sony Television, dissolving financial obligations worth over \$172.7m.³⁰ As (then) chair of MediaWorks Holding Ltd, Rod McGeogh observed,

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.³¹

²⁷ Greive, D. (2019, July 11). What you learn about TV from five years of ratings for The Block and Shortland St. *The Spinoff*. <https://thespinoff.co.nz/media/11-07-2019/what-you-learn-about-tv-from-five-years-of-ratings-for-the-block-and-shortland-st/>

²⁸ MediaWorks terminated the content rights as part of its restructuring while under receivership in 2013, allowing TVNZ to acquire it.

²⁹ Murphy, T. (2018, August 28). MediaRoom: The TVNZ ratings machine. *Newsroom*. <https://www.newsroom.co.nz/2018/08/27/210125/mediaroom-the-tvzn-ratings-machine>

³⁰ McBeth, P. (2018, July 11). Oaktree Capital ups MediaWorks stake as Rabo exits. *National Business Review*. <https://www.nbr.co.nz/article/oaktree-capital-ups-MediaWorks-stake-rabo-exits-bd-148801>

³¹ Quoted in: Throng. (2013, November 7). Fox shows to vanish from TV3/Four TV schedules. <http://www.throng.co.nz/2013/11/fox-shows-vanish-tv3four-tv-schedules/>

Although this manoeuvre reduced MediaWorks' financial commitments and allowed greater future selectivity in content options, it also underscores the Catch-22 logic of the double-sided free-to-air television market: seeking savings in the provision of the most costly part of the business – content – risks eroding the eyeballs needed to sustain the advertising revenue upon which the content ultimately depends.

4. Opportunity costs of providing local content

Intensified wholesale competition for premium international programming coupled with declining ratings and revenues leaves the free-to-air television channels in need of a point of difference to maintain (or at least slow down the decline of) their audiences. Local content has been a key strategy for the free-to-air channels because many genres rate relatively well and, from a domestic audience point of view, are non-substitutable insofar as they embody and reflect New Zealand society. The problem in a country of only 4.8 million is that economies of scale are difficult to realise.

From a purely commercial point of view, even popular local genres carry an opportunity cost relative to licensing an overseas equivalent which generates comparable audiences. In the case of drama, the cost of an hour of local content might be ten times greater than the cost of licensing a good quality overseas drama from the United Kingdom or United States. To this end, New Zealand On Air disburses around \$80m in contestable subsidies per year to help off-set costs. Although television commissioners and schedulers are keen to receive the public subsidies for local content genres they are confident will rate well, in the current environment they are usually reluctant to accept local programmes which represent any sort of commercial risk.³² New Zealand On Air has started funding some programmes for online-only distribution, but larger budget items are still expected to be nationally broadcast.

To complicate matters further, with the declining levels of prime-time audience ratings, the opportunity costs for broadcasters scheduling anything except the most popular genres has been increasing. Although MediaWorks had complained that TVNZ benefits disproportionately from New Zealand On Air funds,³³ MediaWorks has often turned down local content even when accompanied by public subsidy because the margins are insufficient. Although MediaWorks was happy to receive major subsidies for popular series, such as the \$10m it received for major drama series *Westside* and the forthcoming *Head High*,³⁴ it has been ruthless in declining or offloading local content which under-performs. For example, in October 2018 TV3 axed the popular comedy show, *Jono and Ben* because ratings had halved over the preceding three years.³⁵ The more recent decision to cut back the long-standing *7 Days* and discontinue *New Zealand Today*, both funded by New Zealand On Air, is indicative of the commercial intolerance for absorbing opportunity costs in a tight market.³⁶

³² Note that NZ On Air is only the funding agent. It is not vertically integrated and must therefore rely on third party distribution agreements prior to agreeing to fund production. However, this confers significant gatekeeping power on the commercial schedulers and exposes NZ On Air's contestable fund to the very commercial pressures for which it is supposed to compensate.

³³ Crawford, H. (2019, August 15). The problem with news in New Zealand. Newshub. <https://www.newshub.co.nz/home/new-zealand/2019/08/opinion-the-problem-with-news-in-new-zealand.html>

³⁴ Jennings, M. (2019, October 24). Going public last play for Three. *Newsroom*. <https://www.newsroom.co.nz/2019/10/24/874730/three-go-public-or-go-home>

³⁵ Newstalk ZB. (2018, October 11). 'We're gutted': Jono and Ben axed from TV. <https://www.newstalkzb.co.nz/news/entertainment/jono-and-ben-cancelled-by-tv3/>

³⁶ Peacock, C. (2019, October 16). Comedy cuts point to bigger TV problems. Radio New Zealand *Mediawatch*. <https://www.rnz.co.nz/national/programmes/mediawatch/audio/2018718406/comedy-cuts-point-to-bigger-tv-problems>

Not all local content is publicly funded, and reality television became a key part of MediaWorks' local content and branding strategy, especially while Julie Christie, whose company Touchdown (later Eyeworks) specialised in such formats, was on the board between 2013-17. However *licensed* local formats such as *Married at First Sight New Zealand*, *The Block New Zealand*, *Dancing With the Stars*, *The X-Factor* and *The Project*, are relatively expensive and if ratings do not justify the costs then even popular programmes will be dropped. News and current affairs are another key local content form. Newshub is also an expensive operation which is becoming harder to justify in commercial terms. The decision to cut *Campbell Live* in 2015 and subsequent cuts in the news budget were damaging to the TV Three brand and resulted in the loss of high profile and long-serving staff such as John Campbell, Hilary Barry and Mark Jennings.

The difficulty MediaWorks finds itself in is that, unable to compete with Sky or Netflix for premium content, its strategy had been to differentiate itself with popular local content, hence the direct rivalry with TVNZ. However, the opportunity costs of many local genres, including those that might have been commercially viable a decade ago, are becoming increasingly unattractive. Axing popular programmes and replacing them with cheaper ones or second tier overseas content, such as re-runs of older movies and dramas, damages brand value and risks destroying the appeal of the channel. In this respect, MediaWorks' drive to make savings in its television business has sometimes entailed institutional self-harm and perpetuated a vicious circle of declining ratings and revenue which then demands further cuts.

Shareholding and capital structure issues³⁷

MediaWorks' responses to the pressures highlighted above need to be understood in the context of its ownership arrangements and the management priorities which stem from this. Their recent public relations campaign has made much of the fact that TVNZ's public ownership insulates it from the commercial discipline to which its rivals are subject. However, in many respects, TVNZ is facing comparable pressures to MediaWorks as noted above. How long the shareholding ministers will tolerate TVNZ's non-payment of dividends remains to be seen. This is neither unprecedented nor a luxury afforded only to state-owned companies. National agreed to such an arrangement in September 2013, ostensibly to allow TVNZ to reinvest in office refurbishment following a controversial deal selling two Auckland properties to SkyCity Entertainment Group.³⁸ Meanwhile Prime TV operates at a loss,³⁹ while both Sky itself and NZME have recently suspended dividend payments.⁴⁰

³⁷ The author is grateful to William Earl for a helpful discussion on financial arrangements in the media sector (personal communication).

³⁸ McBeth, P. (2018, July 11). TVNZ dividend relief tied to refurbishment cost for no more than three years. *National Business Review*. <https://www.nbr.co.nz/article/tvzn-dividend-relief-tied-refurbishment-cost-no-more-three-years-bd-145405> ; Pullar-Strecker, T. (2013, September 5). TVNZ land deal doesn't pay dividends, say Greens. *Stuff*. <http://www.stuff.co.nz/business/industries/9127022/TVNZ-land-deal-doesn-t-pay-dividends-say-Greens>

³⁹ Jennings, M. (2019, October 18). Who can save TV3 now? *Newsroom*. <https://www.newsroom.co.nz/2019/10/18/866022/who-can-save-tv3-now>

⁴⁰ Keall, C. (2019, August 22). Sky TV shares dive as dividend axed. *New Zealand Herald*. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12260783 ; Business Desk. (2018, November 21). NZME warns investors not to expect final dividend. *Newsroom*. <https://www.newsroom.co.nz/2018/11/20/331005/nzme-shares-drop-as-earnings-fall-dividend-cut>

One important challenge affecting MediaWorks differently from its rivals has been its capital structure. In 2007, right before the global financial crisis began to materialise, CanWest sold MediaWorks to an Australian private equity firm via a leveraged buy-out (LBO). As Brian Gaynor explains:

Ironbridge, the new 100 per cent owners, geared MediaWorks up to its eyeballs with the company's debt surging from \$165 million before the 2007 acquisition to \$769 million immediately afterwards. As a result, MediaWorks' annual interest costs soared from \$13.8 million to \$92.8 million with the latter figure excluding \$14 million of capitalised interest. This was a crazy strategy and, unsurprisingly, MediaWorks was placed in receivership for the second time on June 18, 2013 after drowning in a sea of debt. [...] The company was reconstituted in August 2013 with new shareholders, mainly banks and private equity firms, and only \$90 million of debt.⁴¹

In 2013, the MediaWorks' creditors (including Westpac, RBS, and Rabobank) eventually ousted Ironbridge by placing it in receivership, a move that converted their debts into equity, thereby reducing the liabilities on the media company. This also allowed the cancellation/restructuring of its expensive content rights contracts and expediently sidestepped a potential \$22m tax bill from Inland Revenue. The restructure saw MediaWorks valued at \$285m, a large mark-down from Ironbridge's 2007 LBO valuation of \$741m.⁴² One of the key creditors was Oaktree Capital, a private US-based investment fund specialising in distressed assets, which had already started buying up MediaWorks debt at a 50% discount in 2012.⁴³ By 2015, it had become the majority shareholder and moved to buy out the other post-receivership creditors after it refused to accept a \$400m takeover offer from Sky Television,⁴⁴ a missed opportunity Oaktree may now regret. In 2015 and 2016, Oaktree injected \$27m into MediaWorks with the company issuing additional shares in return, primarily to cover its debt repayment obligations⁴⁵ while the new management set about trying to optimise its commercial performance.

More recently in September 2019, MediaWorks was merged with the New Zealand holdings of Australia-based QMS Media Ltd, a specialist in digital/outdoor advertising, with QMS taking a 40% stake while Oaktree retains 60%. Naturally Oaktree and QMS were up-beat about the potential cross-platform synergies, with QMS CEO, Barclay Nettlefold commenting that, 'The merged QMS NZ and MediaWorks business will be the first in market to realise the combined power of out-of-home, radio, television and digital as an unrivalled destination for advertisers to build brands and maximise audience reach.'⁴⁶ The fact that a month later, MediaWorks announced the sale of its television business suggests the synergies were perhaps not so seamless. Interestingly, QMS Media group has itself

⁴¹ Gaynor, B. (2016, May 7). Weldon wrong choice for MediaWorks. *New Zealand Herald*. https://www.nzherald.co.nz/brian-gaynor/news/article.cfm?a_id=14&objectid=11634836

⁴² McBeth, P. (2018, July 11). Oaktree Capital ups MediaWorks stake as Rabo exits. *National Business Review*. <https://www.nbr.co.nz/article/oaktree-capital-ups-MediaWorks-stake-rabo-exits-bd-148801>

⁴³ McBeth, P. (2012, August 10). MediaWorks takes \$241.6M charge as Oaktree emerges as debt holder. *National Business Review*. <https://www.nbr.co.nz/article/MediaWorks-takes-2416m-charge-oaktree-emerges-debt-holder-ck-125603>

⁴⁴ Greive, D. (2018, December 13). MediaWorks in 2018: Is the toughest kid in the media finally going to be released from private equity prison? *The Spinoff*. <https://thespinoff.co.nz/media/13-12-2018/MediaWorks-in-2018-starving-itself-to-prepare-for-a-sale/>

⁴⁵ Rutherford, H. (2016, March 4). Oaktree Capital said to be investing another \$10m in TV3 owner MediaWorks. *Stuff*. <https://www.stuff.co.nz/business/77551199/oaktree-capital-said-to-be-investing-another-10m-in-tv3-owner-MediaWorks>

⁴⁶ Newshub. (2019, September 3). MediaWorks completes strategic merger with QMS NZ. <https://www.newshub.co.nz/home/money/2019/09/MediaWorks-completes-strategic-merger-with-qms-nz.html>

agreed to a take-over by Quadrant Private Equity, although this is unlikely to have any immediate implications for its MediaWorks holdings.⁴⁷

Financialisation and MediaWorks operational priorities

From the Ironbridge takeover through to the post-receivership period, changes in MediaWorks' shareholding and debt structure translated into a significant shift in the company's operational priorities. Former NZX chief Mark Weldon was appointed CEO in 2014 but was apparently subject to strict limits on internal investment in the business, with any annual expenditure over \$2m needing board approval.⁴⁸ As Brian Gaynor has suggested, the new management structure probably came with significant performance bonuses linked to realising share price targets within limited time-frames.⁴⁹ It is therefore not coincidental that the hard-line stance on under-performing programmes from *Campbell Live* onwards commenced in this period.

A former MediaWorks source contextualised the changes thus:

The debt repayments were killing the company and Ironbridge's lack of knowledge of the media industry and the NZ economic landscape saw a lack of investment for years and pay freezes for staff for years. Eventually Ironbridge had to give MediaWorks to their banks as owning it was untenable for them. The banks wanted to recoup their money ASAP so sold MediaWorks to Oaktree - a vulture fund whose intention was to sell the company as quickly as possible. Mark Weldon was brought in with the intention of preparing the company for sale through an aggressive slash and burn policy to the books to give the appearance of the company being more profitable than it was.⁵⁰

At the point that Oaktree took over, ultra-fast broadband was taking off, Netflix had just arrived, and the telecommunication companies were starting to partner with content providers to provide triple/quad-play options. As audiences and advertising revenues for traditional media platforms began to fragment, anyone not able to find new revenue streams risked being left without a chair when the music stopped. Prime was safe insofar as it remained part of Sky's strategic plans. Māori Television continued to struggle with ratings but its public funding and non-commercial remit in promoting te reo insulated it from short-term market upheavals in the sector. TVNZ entered a pay television joint venture with Sky (Igloo) which proved unsuccessful, and of course more recently has partnered with Spark in covering the Rugby World Cup in Japan. Crucially, TVNZ has made a success of its free video-on-demand platform which now offers original new-release content and has even received New Zealand On Air funds for some local content, reflecting its potential to deliver a significant audience.

Given MediaWorks' transition out of receivership and its continued reliance on Oaktree to service its inherited shareholder debts, coupled with the constraints on new investment initiatives, it is perhaps understandable that its

⁴⁷ StopPress. (2019, October 30). QMS Media to be sold to Quadrant Private Equity. <https://stoppress.co.nz/news/qms-media-be-sold-quadrant-private-equity>

⁴⁸ Underhill, J. (2016, April 26). Oaktree wraps \$2m collar around Weldon's MediaWorks management. *National Business Review*. <https://www.nbr.co.nz/article/oaktree-wraps-2m-collar-around-weldons-MediaWorks-management-b-188183>

⁴⁹ Gaynor, B. (2016, May 7). Weldon wrong choice for MediaWorks. *New Zealand Herald*. https://www.nzherald.co.nz/brian-gaynor/news/article.cfm?a_id=14&objectid=11634836; See also Underhill, J. (2016, April 26). Oaktree wraps \$2m collar around Weldon's MediaWorks management. *National Business Review*. <https://www.nbr.co.nz/article/oaktree-wraps-2m-collar-around-weldons-MediaWorks-management-b-188183>

⁵⁰ Personal communication with author. Name withheld.

response to evolving market pressures focused primarily on the consolidation and rebranding of its current operations, including its television channels. One exception was the 2015 launch of *Scout*, an online site headed by the controversial Rachel Glucina, an ill-judged manoeuvre which was shut down within a year.⁵¹ Duncan Greive points to the budget priorities afforded *Scout* compared with the news operation:

One thing it didn't lack for was funding. *Scout* remained well-heeled compared to the asset-stripping happening in TV3's venerable newsroom. One staffer caught a \$45 company-funded taxi to work each day, another inadvertently drained all that remained of the site's \$9000 monthly Getty contract in an afternoon downloading fashion images. It wasn't a huge deal.⁵²

Indeed, despite the recent dire warnings of the democratic impact of TV3's potential closure on the New Zealand news ecology, it would be difficult to argue that such concerns have been a genuine priority of MediaWorks' management. Following a 2015 internal review of its news and current affairs, MediaWorks' canned the well-respected *Campbell Live* after the ratings slipped below 200,000 in its 7pm slot. Another new current affairs programme, *3D*, was cut and rescheduled twice, before being cancelled for failing to rate above 100,000. Meanwhile, *Story*, which had replaced *Campbell Live* in 2015, was itself replaced by *The Project* in 2017, underlining both a continuing drift toward populist/entertainment-style current affairs and MediaWorks' increasing impatience to find a commercially-sustainable format. In recent months, *The Project* has been outperforming TV One's *Seven Sharp* in the 25-54 demographic, but is still thought to be making a loss for the network.⁵³

Internal consolidation was another strategy. Newshub was formed from an internal restructure of the company's television, radio and digital operations in 2016. It was intended to differentiate (and redress the gap) between 3News and One News through a multi-platform approach to delivering news across television, radio, online/social media and mobile apps, including the leveraging the appeal of celebrity presenters across multiple platforms.⁵⁴ However, if the internal consolidation of the news operation has enabled savings, these are likely to be undone by the separation and sale of the television business.

In 2016, MediaWorks discontinued channel *Four* after poor ratings performance and replaced it with the reality-oriented *Bravo* in a joint venture with NBC Universal International Networks.⁵⁵ Although this helped enable MediaWorks to develop its own home-grown versions of reality-shows like *Real Housewives of Auckland* and *Married at First Sight*, the former was not renewed after season one⁵⁶ while the latter has just been cancelled (see earlier points about local content costs).

⁵¹ Radio New Zealand. (2015, September 20). Scouting for gossip and clicks. Radio New Zealand *Mediawatch*.

<https://www.rnz.co.nz/national/programmes/mediawatch/audio/201771194/scouting-for-gossip-and-clicks>

⁵² Greive, D. (2015, November 19). Anatomy of a corporate disaster – Inside Weldon and Glucina's gossip site *Scout*. *The Spinoff*.

<https://thespinoff.co.nz/media/19-11-2015/media-anatomy-of-a-corporate-disaster-inside-weldon-and-glucinas-gossip-site-scout/>

⁵³ Stuff. (2018, October 2). The Project wins important battle in 7pm ratings war. <https://www.stuff.co.nz/entertainment/tv-radio/107539412/the-project-wins-important-battle-in-7pm-ratings-war>; Jennings, M. (2019, May 24). MediaWorks: When winning is not enough. *Newsroom*. <https://www.newsroom.co.nz/2019/05/24/601890/mediaworks-when-winning-is-not-enough#>

⁵⁴ Venuto, D. (2016, February 2). 'A pretty complex monster': MediaWorks unveils major campaign for Newshub launch. StopPress. <https://stoppress.co.nz/news/newshub-launch?page=8>

⁵⁵ Venuto, D. (2016, May 3). An injection of reality TV: MediaWorks to replace Four with Bravo. StopPress. <https://stoppress.co.nz/news/injection-reality-tv-MediaWorks-replace-four-bravo>

⁵⁶ Stuff. (2018, April 5). No plans to make season two of the *Real Housewives of Auckland*.

<https://www.stuff.co.nz/entertainment/tv-radio/102855442/no-plans-to-make-season-two-of-the-real-housewives-of-auckland>

Mark Weldon stepped down in 2016 and was replaced by Michael Anderson. In February 2018, MediaWorks launched *ThreeLife*, a lifestyle-oriented channel aimed at diversifying the audience demographics for advertisers.⁵⁷ In commercial terms, MediaWorks management has been successful in realising efficiencies in the free-to-air television sector. However, despite improved performance in the key 25-54 demographic, the decision to sell off the television arm of the business suggests the post-receivership strategy has, ultimately, not been sufficient to make its retention commercially attractive.

Conclusions

MediaWorks has been subject to a range of historical and contemporary challenges which have threatened its survival. Its television service has survived thus far despite a media market characterised by its outgoing head of news as 'polluted waters'. Given that the MediaWorks' television business still generates a turnover of around \$130m, it was perhaps reasonable for Oaktree to suppose that cost-cutting and a better focus on delivering target audience to advertisers could turn its deficits around; in 2018, MediaWorks reported a loss of just \$5.5m, following a \$5.7m and \$14.8m losses in 2017 and 2016 respectively.⁵⁸ However, given the pressures of declining advertising revenue, audience fragmentation, intensified competition for premium content rights and the increasing opportunity costs of local content, MediaWorks has found this a difficult task even when, in commercial terms, it has been cutting costs and competing well against rival channels in the key demographics.

Although MediaWorks has made a concerted public related effort to frame TVNZ and the government as the source of its current difficulties, there are far more significant factors to consider. The structural anomalies facing the free-to-air television sector are not unique to MediaWorks. The pachyderm in the parlour is surely the recent history of MediaWorks' own shareholding and capital structures which have precluded its investment in initiatives to diversify its revenue streams and/or develop strategic partnerships with other major actors. Although the recent QMS deal may be a positive move, it may have accelerated rather than off-set the need to dispose of the television business. The internal restructures, rebranding exercises and sometimes ruthless cuts to under-performing programmes may well have been rational in the short-term given the pressures imposed on MediaWorks managers. Unfortunately, the declining offerings in key genres such as news, current affairs and comedy have arguably self-harmed the brand and underline the Catch-22 in a two-sided market where advertising revenue depends on eyeballs but eyeballs depend on content.

Meanwhile, the tension between the public relations and investor relations efforts raises questions about just who or what might be in the market for a television business which has self-announced its own imminent demise. Speculation about prospective suitors continues, but few domestic media actors are in a position where they would need MediaWorks television channels or afford the level of investment to make them profitable. Worryingly for MediaWorks, international investment groups have been divesting their portfolios of New Zealand media holdings: APN demerged from and dispersed of NZME via an IPO in 2016, while Nine Group is currently seeking a buyer for its news website Stuff following its 2018 takeover of Fairfax.⁵⁹

⁵⁷ Harris, H. (2018, February 16). 'A real range across the board': MediaWorks launches new lifestyle channel ThreeLife. StopPress. <https://stoppress.co.nz/news/MediaWorks-launches-new-lifestyle-channel-threelife?page=2>

⁵⁸ Venuto, D. (2019, May 22) 'MediaWorks financial results: Loss narrows to \$5.5m'. *New Zealand Herald*. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12233320

⁵⁹ Myllylahti, M. (2018). *New Zealand Media Ownership 2018*. AUT Research Centre for Journalism, Media and Democracy (JMAD). https://www.aut.ac.nz/__data/assets/pdf_file/0013/231511/JMAD-2018-Report.pdf

It would certainly be optimistic to suppose that the government would be willing to do MediaWorks the favour of turning TVNZ non-commercial. There is a strong argument for a review of the regulatory frameworks for the New Zealand media sector, but in this scenario, intervening to save TV3 and Newshub for cultural or democratic reasons expediently coincides with preserving its asset value for a private equity firm seeking to offload it at the earliest opportunity. Letters to Santa aside, MediaWorks' public relations offensive is more likely aimed at trying to ensure any forthcoming public media policy has minimal impact on the private media sector. Insofar as the government can be held responsible for the current situation, it is for permitting the evolution of the digital media ecology to be driven by corporate imperatives without adequate regulatory protections (such as reining in the digital intermediaries which contribute nothing to the provision of quality local content but siphon out advertising revenue through controlling audience content discovery). But one might also contend that allowing vulture capitalists to buy up media companies to extract short-term speculative profits was the ultimate regulatory problem in MediaWorks case. If their television business does close, Oaktree (and Ironbridge before them) must ultimately hold themselves responsible for inflicting death by a thousand cuts.

About the Author

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