

## SPADA'S RESPONSE TO

## NZ ON AIR DISCUSSION PAPER: PLATFORM CONTRIBUTIONS REVIEW

13 December 2019

## EXECUTIVE SUMMARY

1.1 SPADA would like to thank NZ On Air for this opportunity to provide comments on its platform contributions review discussion paper.

1.2 Whilst the issues detailed in this paper are complex they have been articulated clearly and concisely.

1.3 SPADA supports NZ On Air's key principles framing this issue:

- **Equity:** a system that is fair for platforms, producers, and taxpayers
- **Proportionality:** the bigger the funding request, the higher our expectation for co-investment.
- **Simplicity:** a simple, generally-accepted approach that streamlines negotiation to assist both producers, platforms and NZ On Air staff
- **Incentivisation:** the system needs to encourage both platforms and producers to support and create great content and secure co-investment where possible

1.4 Taking these principles into account, whilst discussing the pro's and con's of the options detailed in the paper, SPADA supports "Option A: staying with the status quo".

## BACKGROUND

1.5 In coming to this conclusion, SPADA took the following into consideration:

1.5.1 The short period of time the 'status quo' has been running. NZ On Air established the NZ Media Fund ('NZMF') in 2017, and as illustrated in Table 1, Page 3 ('Trends Pre and Post Launch of NZ Media Fund') and articulated in the paper, the NZMF is delivering on its original stated intent:

*This is a good outcome because part of our intention in developing the NZMF was to increase the diversity of the platforms, content and content makers we fund. This increase required us to be flexible in assessing the appropriate levels and types of platform contributions eligible under the NZMF.*

1.5.2 Whilst Option A has the potential for some smaller platforms to fall out of the market – leaving less doors for producers to take their projects to, SPADA believes the positive outcomes of supporting Option A outweigh the negative: which is the importance of ensuring NZ On Air funding remains focused on local content creation, and not – in a sense – on funding platforms themselves.

SPADA would also argue that if a platform is unable to contribute a five percent contribution in a competitive and crowded market they are not robust or sustainable enough to be operating in the audio video content sector.

1.5.3 Table 5 in the discussion paper clearly illustrates that the other options lead to a reduction in platform contribution, which would in turn increase NZ On Air's contribution, which would in turn lead to a reduction in overall spend for the sector.

NZ On Air's funding is finite and highly contestable. It has not received a substantive increase to its base funding for over 10 years. SPADA strongly believes that further erosion to that funding through a reduction in platform contribution would be detrimental to the overall health and sustainability of local content creation.

1.6 SPADA has not ranked the six options as requested; as we would prefer to use this opportunity to stress our support and preference for just the one option - Option A. Having said that, Option F would be SPADA's least favoured option out of the six; as SPADA strongly believes that all platforms should have to make a contribution of funding or, at least, resource. The only exception to this should be for programmes for a niche targeted audience, e.g. children's shows, Attitude, Tagata Pasifika, etc.

## **SUPPORT FOR OPTION A**

2.0 In recommending Option A, SPADA would provide the following support to NZOA:

- \* pushing back on platform commissioner/executive producer work, or marketing and promotion being counted as a contribution

- \* making it very clear what NZOA requirements are, so the case-by-case ad hoc work for NZOA staff reduces.

- \* pushing back on the larger broadcasters who are arguing the license fee is too much higher than for international shows. Local content is their point of difference and unique selling point, and they have to pay for that.

2.1 SPADA believes the point about incentivising for longer exclusivity periods is misdirected. Whilst exclusivity is important for platforms, in reality the opportunities for producers to sell content to other platforms in the NZ market is quite limited due to the size of that market.

## **OTHER ISSUES**

3.0 SPADA would also like to take this opportunity to raise a different, but related issue: the possibility of opening up NZOA funding to pay operators, rather than just free-to-air.

3.1 This idea was discussed at length at the recent SPADA AGM (October 2019), and there was considerable support for it, particularly with the threat of losing Three from the market.

3.2 SPADA believes New Zealand viewers/taxpayers would be less resistant to the idea now than they might have been in the past; as they are often watching at least some of their content on pay platforms these days. A view supported by

survey respondents in NZOA's recent discussion document on "NZ Identity, Culture and Media". Respondents stated they didn't want to watch ads, and wanted to see New Zealand content on the platforms they are on.

- 3.3 SPADA is unsure whether opening up NZOA funding to pay operators could be restricted to NZ-based businesses – Sky and Lightbox – or whether GATT regulations would mean it would have to be for all operators, e.g. Netflix, Amazon.
- 3.4 However, if NZOA insisted on a free-to-air screening somewhere along the line that would favour Sky (who could use Prime) and Lightbox (who could partner with someone), rather than the internationals who would be likely to require an exclusivity that NZOA could refuse. This is an area where exclusivity could come into play a little more, and there could be a higher license fee, some kind of a sliding scale.
- 3.5 SPADA appreciates that there is a "taxpayer has to pay twice" argument against what we are proposing, but there is already some precedent for that with the New Zealand Symphony Orchestra and the New Zealand Ballet.
- 3.6 To open the possibility of New Zealand drama finding a home on Soho or Lightbox; comedy finding a home on Sky's Comedy Channel, documentaries finding a home on the Living Channel or the Arts Channel seems like something that would be very positive for the local production community at a challenging time.
- 3.7 SPADA encourages NZOA to seriously consider this option, and looks forward to the opportunity to lend its support to any discussion on the matter.

END.