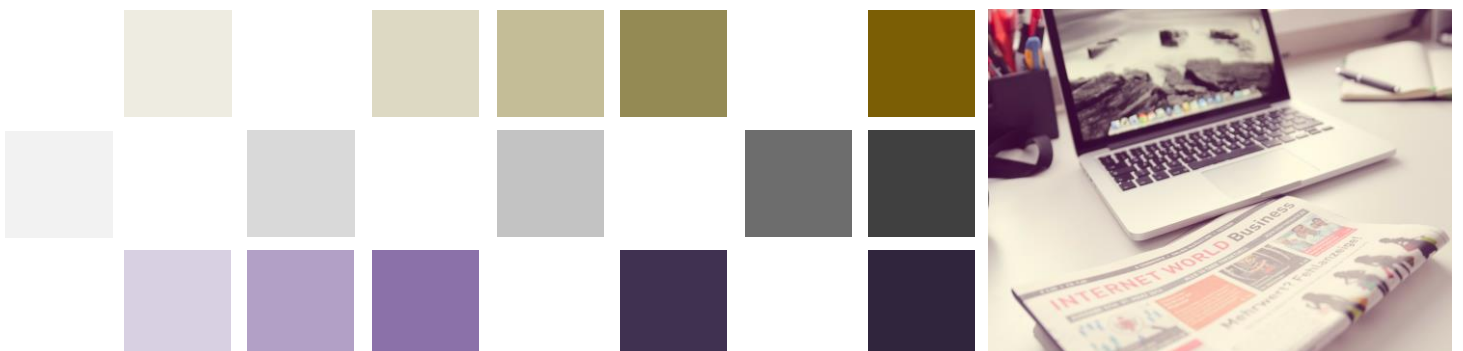


The implications of competition and market trends for media plurality in New Zealand

A report for the Ministry for Culture and Heritage

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- The New Zealand Media Council
- The Otago Daily Times / Allied Press
- The Radio Broadcasters Association
- Radio New Zealand
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Executive summary

Media plurality matters because a well-functioning democratic society requires that its citizens are exposed to a wide range of viewpoints. Plurality also limits the ability of any one media owner from exercising too much influence over the political process or public opinion. A lack of plurality not only has implications for democratic engagement and accountability but can also have negative consequences for a society's cultural expression and development.

This report examines the state of media plurality in New Zealand, focusing on how competition and market trends have affected the media, and whether public policy interventions may be necessary to address specific issues or market barriers.

The media sector in New Zealand has been transformed

The digital transformation of the media sector has fundamentally reshaped how content is created, disseminated, and consumed. The reduction in production and distribution costs has seen a fragmentation of audiences, with consumers able to access a wider range of content than ever before. Online channels are now essential delivery mechanisms, with 54 per cent of New Zealand news being consumed online.¹

It has been clear for some time that the shift in consumption patterns is putting traditional media business models (particularly for news) under significant and ongoing pressure. A major reason for this has been the shift towards digital advertising, with expenditure on digital advertising growing from less than 1 per cent of total New Zealand advertising expenditure in 2002 to 51 per cent in 2020.² This marked shift in preferred advertising platforms has had a material impact on media markets in New Zealand. Since 2003, New Zealand news publishing firms have generated only \$1 in digital advertising revenue for every \$4 that they have lost in print advertising.³

This loss of advertising revenue, combined with an observed reluctance of New Zealanders to pay for local and national news content, has contributed to a significant reduction in the number of newspapers and journalists. Since 2000, the number of newspaper publishing businesses has declined by 32 per cent,⁴ while between 2000 and 2018 the number of journalists in New Zealand fell by 52 per cent.⁵

A key aspect of the digital transition for New Zealand media firms is that it has brought them into direct competition with global digital platforms for consumer attention and online digital advertising. There was a strong consensus among many media stakeholders we spoke to that the biggest concern for media plurality in New Zealand is the negative impact that global digital platforms (Google and Facebook in particular) are having on the sustainability of news production – through their dominance

¹ Commerce Commission, NZME Limited and Fairfax NZ Limited Authorisation Determination (2017).

² Advertising Standards Authority data.

³ Based on data from the Advertising Standards Authority.

⁴ Statistics New Zealand, data for newspaper publishing (J541100).

⁵ Statistics New Zealand census data.

of advertising markets and because they derive significant commercial benefits from the news content produced by others.

The increasingly important role that global digital platforms play in the dissemination of news content can give rise to plurality concerns, particularly through their ability to influence news consumption patterns and the lack of transparency around algorithms. However, the emergence of digital platforms has also been positive from a media plurality perspective by expanding and deepening the market for news and preventing any one media owner or voice having too much influence over public opinion and the political agenda. The impact of digital platforms on individual news firms will be uneven, and some firms will suffer substitution effects as consumers search for news content via digital platforms rather than visit that news outlet's front page.

Despite the challenges posed by the digital shift, the business model for supplying diverse and high-quality media content and news in New Zealand remains viable. What has become clear is it is not possible to simply transfer the traditional news business model to the digital age. There is evidence that traditional media firms are innovating and diversifying their revenue sources, and there are several recent examples of 'digital native media' firms successfully entering the market and carving out sustainable paths to growth.

It is generally too early to assess whether the impact of Covid-19 on the media sector will have enduring consequences. The 2020 lockdowns led to an overall growth in media consumption (particularly for online on-demand services); however, that growth was temporary. Covid-19 and the corresponding lockdowns also prompted a significant drop in advertising revenue across the industry, but it is not yet clear if this drop is permanent.

New Zealanders are currently well served by plurality in the media

New Zealanders now have more choice than ever before about the type of content they consume. The ubiquity and immediacy of digital content and the integration of technology in day-to-day life means consumers can access a wider range of content from a wider range of sources. Geographic limitations that may have previously restricted consumers to accessing a limited number of linear platforms such as local newspapers, TV broadcasts and radio stations are now non-existent.

No one we spoke to for this project thought there was a crisis for media businesses or for the state of plurality in New Zealand. There is still demand for high-quality domestic content, and there appear to be commercial models available to meet that demand.

We have identified some areas of concern with the state of media plurality

Although New Zealand consumers have access to – and are consuming content from – a broad range of media sources, we have identified some warning signs for levels of media plurality. The areas of concern for plurality in the news media include:

1. Despite the market for national news being generally well-served at the moment, New Zealanders rely heavily on two news firms for print and online news, and for a significant proportion of on-the-ground reporting (Stuff and NZME). Both news publishers still generate a significant majority of their revenues from print newspapers and, as print revenues continue to decline, we expect that continued financial pressures will result in

further consolidation of newsrooms and shrinking journalist numbers. This expectation creates some uncertainty as to whether current levels of public-interest news will continue to be available in the medium term.

2. Journalism in smaller population centres is clearly under pressure, and there will be further closures of print mastheads, reductions in journalist numbers and a trend towards focusing on national news.
3. The growth of social media and informal news channels has contributed to misinformation, which has the potential to undermine trust in the news, change consumption patterns, increase polarisation, and in some instances lead to harm.
4. The use of algorithms by digital platforms to prioritise news sources and content risks undermining plurality in the future by limiting the diversity of views that consumers are exposed to, impacting the business models of news firms, and placing those platforms in a unique role as content 'gatekeepers' for a significant segment of the population.
5. There is a lack of diversity within newsrooms, particularly with respect to Māori, Pasifika and Asian journalists. Cultural and ethnic diversity among those investigating and reporting the news is an important element of the internal plurality of newsrooms – helping to bring different perspectives on the news, increasing the likelihood the news reflects content important to all New Zealand communities, and ensuring the New Zealand population can see their communities reflected in newsrooms.
6. The education pipeline for journalists is under pressure, with fewer graduates entering the workforce.

We have identified fewer concerns about the state of plurality regarding entertainment and cultural content in the media. The risks we noted were:

1. the potential that uniquely New Zealand stories/content may become less relevant to New Zealand consumers in a global entertainment market, and
2. concerns about the future viability of access and iwi radio and the implications this may have for ethnic media.

The issues we identified with plurality regarding cultural content and entertainment media were risks only. These issues require monitoring and potentially more targeted research into these issues is warranted.

Policy options to support plurality in the news media

In this paper we canvass a range of potential policy options to address the identified risks to plurality in the news media. We conclude there are a range of measures that could be taken to address specific areas of concern, there is a case to formally monitor plurality concerns, and there are areas where additional policy work is required.

Supporting a sustainable market for national news

Although New Zealanders are well served in terms of plurality at present, there is some uncertainty about the future state of public-interest journalism in the market for national news. Determining

whether there is a case for policy intervention requires analysis of the potential likelihood and consequences of the identified plurality concerns eventuating, weighed up against the benefits and risks of potential policy interventions.

We examine whether policy interventions that have been adopted overseas may be suitable for addressing the risk that public-interest news may decline over the medium term. These policy options include the case for publicly funding news content, the recent example in Australia of requiring digital platforms to compensate selected news publishers for linking to news content, and an initiative adopted in Canada to amend charitable tax laws to support non-profit news firms.

We ultimately conclude that, given the state of plurality at present, there is not a compelling case for a structural intervention by the government to address the potential future risks to plurality in the market for national news. Instead we consider there is a need for a more regular and methodical approach to measuring the state of key media markets and media consumption patterns. There is a case for MCH to develop a formal plurality measurement framework in consultation with the industry, put in place a programme of work to capture appropriate plurality metrics, and regularly provide a transparent assessment of the state of plurality. Regularly monitoring changes in plurality and market trends over time will provide a firm foundation to inform future policy decisions.

Supporting the provision of local news

There is little doubt that the ongoing decline of original public-interest news in smaller urban centres will continue. One consequence of this is smaller population centres are less likely to receive accurate and reliable news about topics that directly affect them, especially where consumers can exercise their democratic rights by holding public institutions (such as local and regional councils and DHBs) and elected officials accountable for their decision making.

In our view there is a strong case for continued funding (and potential future expansion) of the Local Democracy Reporting (LDR) scheme, which publicly funds 20 journalists to report on local 'democratic' issues and makes that content available to all media firms. This initiative targets a clearly identified problem where there is a strong public interest, serves a defined purpose in providing a minimum level of news coverage in a highly targeted area of need, and the risks and consequences of crowding out private sector activity are relatively low.

Addressing 'newer' digital plurality concerns: misinformation, algorithms and the regulatory treatment of platforms

Our conclusions regarding other key digital issues that have implications for media plurality include:

- **Misinformation:** it is likely that misinformation and disinformation will become more of a problem and potentially undermine trust in the media and cause harm. Prior to any government regulation in this area, the industry should first be invited to develop a voluntary code of practice to address misinformation, including outlining a commitment to address the problem, requiring participants to have policies and tools to address misinformation, and improving transparency through regular reporting on the scale of the problem and measures taken. There is also scope for examining media literacy training through schools on a similar basis for what is currently done with online safety education.

- **Use of algorithms:** digital platforms play an integral part in news consumption in New Zealand and are responsible for driving 53 per cent of news websites' total traffic.⁶ The use of proprietary algorithms to prioritise certain news content and news firms could change consumption patterns and business models in a manner that undermines public policy interests in having a diverse media and range of voices. This is an issue that could give rise to significant plurality concerns, and further research and policy work is required on the implications of algorithms on plurality in New Zealand.
- **Uneven playing field:** current advertising restrictions prohibiting television and radio broadcasters from advertising on Sunday mornings and public holidays are outdated in a digital age and should be removed. Our analysis indicates these restrictions cost New Zealand broadcasters up to \$8m a year and hamper their ability to compete against global media firms. The Department of Internal Affairs is also leading an important workstream to address inconsistencies in content regulation between platforms.
- Reforming the **tax treatment** of multinational firms through the OECD workstream should remain a priority and would help level the playing field as technology firms in particular compete with New Zealand media companies for consumers' attention and advertising revenue.

Improving ethnic representation in the newsroom

Our analysis has shown there is significant underrepresentation within newsrooms of Māori (13 per cent of the population but only 7 per cent of journalists), Pasifika (6 per cent of the population and 2 per cent of journalists), and Asian populations (14 per cent of the population and 7 per cent of journalists).⁷ As well as different ethnicities bringing unique perspectives to the news, there is value for many in society in being able to see themselves and their communities reflected in those who are bringing them the important news stories of the day.

There is a case for the government to establish a dedicated funding stream (sitting alongside the LDR) where, in partnership with news firms, public funding is made available to part-fund the training and initial placement of Māori, Pasifika and Asian journalists. Such an initial placement has been trialled under the temporary Public Interest Journalism Fund (PIJF), but we consider there is a case for a dedicated funding programme to be developed with a ring-fenced budget, and with clear objectives, targets and monitoring in place.

⁶ Myllylahti, M. (2018) 'Google, Facebook and New Zealand news media: The problem of platform dependency', A report prepared for The Policy Observatory, Auckland University of Technology.

⁷ This work is based on our analysis of customised Stats NZ data which are licensed by Stats NZ for re-use under the Creative Commons Attribution 4.0 International licence.

1. Introduction

The media can play an important role in supporting the effectiveness of democratic systems and shaping the culture and character of a society. However, media markets worldwide have been undergoing significant and ongoing disruption, with significant shifts in consumer consumption patterns and traditional business models having to make readjustments following the loss of legacy revenue streams.

At issue is whether these changes may contribute to a reduction in the diversity and quality of the media in New Zealand. This report provides an analysis of the state of media plurality in New Zealand, focusing in particular on the implications that competition and market trends will have on the media industry.

Purpose and scope of this report

The Ministry for Culture and Heritage (MCH) has asked us to:

Assess the implications that competition and market trends will have for media plurality in New Zealand and make conclusions on whether public policy interventions may be necessary to address specific issues or market barriers.

A key area of focus is the state of the market for news and current affairs in New Zealand – a market in which there is a clear public interest in making sure that an informed population is able to hold public institutions and elected officials accountable.

However, this research takes a broader examination of the media system in New Zealand than just the news media. We examine whether there are any issues that might give rise to public policy concerns about how New Zealanders create, disseminate and consume media content more generally – and specifically how the media industry has changed in response to changing audience behaviour, digital technology, and the impact of global digital platforms. As such, our assessment of plurality focuses on two broad categories of media content:

1. News: local and regional news; national news and New Zealand perspectives on international news; and informal non-commercial news (e.g. blogs, podcasts), and
2. Cultural content and entertainment: individual/social content; community content; New Zealand heritage (including Māori and other ethnic content) and uniquely New Zealand stories.

This analysis examines key trends in these markets, assesses the extent to which there may be concerns with the diversity, scope and quantum of media content, identifies the extent to which these concerns overlap with legitimate public policy interests, and reaches conclusions on potential policy interventions.

This report is intended to provide an overarching picture of the state of media plurality and identify key areas of policy concern. We note there are other significant workstreams underway that will have implications for several key components of plurality – including, for example, the Strong Public Media

programme to create a new public media entity,⁸ the Māori Media Sector Review,⁹ and the Department of Internal Affairs' review of media and online content regulation.¹⁰

We note that the following issues are explicitly excluded from the scope of this project:

- matters relating to the business case for the new public media entity, including potential delivery options, funding streams and governance models, and
- the adequacy of current levels of public funding for media.

Our approach

The key inputs into this review have included:

- a scoping workshop with key public sector agencies to narrow down the range of key issues (MCH, the Ministry of Business, Innovation and Employment, The Treasury, and the Commerce Commission),
- a literature review focusing on identifying international approaches to assessing media plurality, international media developments and policy interventions, and previous work in New Zealand to review the state of the media,
- 28 interviews with representatives from a broad range of media firms, industry organisations, media academics and regulators, and
- data-analysis: there are a considerable amount of data on media production and consumption already available, and our data analysis focused on compiling the information to identify key trends (complemented by a data request to Statistics New Zealand).

Structure of the report

This report is structured as follows.

- Section 2 defines 'media plurality' and outlines the public interest in having a diverse and sustainable media sector.
- Section 3 examines the key trends and underlying drivers in media markets and some of the likely implications these will have for media plurality in New Zealand.
- Section 4 applies a 'plurality framework' to identify plurality concerns in key media categories and outlines several areas of concern where potential policy interventions may need to be considered.
- Section 5 focuses on specific risks we have identified regarding media plurality and outlines our conclusions on optimal policy responses.

⁸ See <https://mch.govt.nz/strong-public-media>

⁹ See <https://www.tpk.govt.nz/en/a-matou-kaupapa/te-ao-Māori/Māori-media>

¹⁰ See <https://www.dia.govt.nz/media-and-online-content-regulation>

2. What is media plurality and why is it important?

2.1 What is media plurality?

The media industry is different from many other industries. As well as providing content that is valued by the individuals who consume it, the media may also supply public goods that benefit society as a whole.¹¹ The media can support democratic functions (e.g. by helping to ensure a nation is informed about its government) and provide broader societal benefits (e.g. by helping a nation's populace to have informed debates about key issues and facilitating conversations about a nation's identity and place in the world).

A widely accepted definition of media plurality is:¹²

- a) ensuring there is a diversity of viewpoints available and consumed across and within media enterprises, and
- b) preventing any one media owner or voice having too much influence over public opinion and the political agenda.

Media plurality matters because a well-functioning democratic society requires that its citizens are exposed to a wide range of viewpoints. A diversity of views and media sources helps to ensure the public is informed about key issues in society and that public institutions and elected officials can be held accountable for their decision-making. A plurality of views also helps safeguard against any media entity exerting undue influence over public opinion and the political agenda.

The importance of maintaining plurality in the media has widespread acceptance, as the Commerce Commission observed in 2017:¹³

There is general agreement in the democratic world that news and other media play an essential role in informing citizens thereby enabling their participation in public debate and democratic decisions. A thriving news sector ensures that people have access to information about the events and decisions which affect their lives, and have a better understanding of the world in which they live. It exposes its readers to views and analysis which both support and challenge their own ideas, and – through its investigative reporting – can shed light on important issues of the day and hold the powerful to account.

The most important aspect of media plurality analysis is the market for news and current affairs. However, in today's digital environment there are a range of different media sources, beyond news

¹¹ The Commerce Commission's position, confirmed by the Court of Appeal, is that plurality of media ownership and control is a public good that needs to be protected. Commerce Commission, NZME Limited and Fairfax NZ Limited Authorisation Determination (2017). NZME Limited v Commerce Commission [2018] NZCA 389 [124-125].

¹² This is the definition of media plurality adopted by Ofcom in the UK and endorsed by the Commerce Commission (Commerce Commission NZME and Fairfax Determination (2017)).

¹³ Quote from Dr Levy and Mr Foster, Commerce Commission (2017).

and current affairs, that can also play a role to influence how we see ourselves as a society and shape political discourse. Other forms of media relevant to a plurality analysis include, for example, entertainment and cultural content provided in a range of formats.

In this paper we initially take a broad approach to assessing media plurality in New Zealand by focusing on identifying whether there are any enduring economic or regulatory barriers to the creation, dissemination and consumption of media content. In chapters 4-5, we focus in more detail on those specific risks to media plurality that have public policy implications.

2.2 What is the government's role in media plurality?

The government has typically recognised the unique role of the media in New Zealand

The government has regulatory, ownership, and funding interests in New Zealand media.

With regard to the regulation of media, the government regulates content, at least of mainstream media, seeking to prevent harm from exposure to damaging or illegal content. The current content regulatory system includes the Office of Film and Literature Classification, the Broadcasting Standards Authority and 'voluntary' self-regulation for the industry via the New Zealand Media Council and the Advertising Standards Authority. Foreign ownership of media entities that might impact on plurality is subject to satisfying 'a national interest' test,¹⁴ and media entities are subject to the generic competition provisions under the Commerce Act 1986 that proscribe cartel behaviour and arrangements that would substantially lessen competition.

The New Zealand government's ownership interests in media include Radio New Zealand, TVNZ and Māori Television. The government is currently considering a business case for the potential reorganisation of its ownership interests via a new public media entity, which would combine both Radio New Zealand and TVNZ. It is premature to speculate on whether this proposal will proceed and what the likely remit and functions of any new entity might include.

The government also funds content through public-service broadcasting (Radio New Zealand) and by providing funding to create content – via entities such as New Zealand On Air, Te Māngai Pāho, Creative New Zealand, and the Film Commission. The New Zealand government will spend over \$300m on media and broadcasting in 2021.

¹⁴ For a discussion of the requirements to satisfy the national interest test see the guidance note published by The Treasury, available at: <https://www.treasury.govt.nz/sites/default/files/2020-05/for-invest-policy-nat-interest-guidance-may20-v2.pdf>

Collectively these measures can be viewed as successive governments recognising the public interest in having a diverse range of content available to New Zealanders, particularly uniquely New Zealand content.¹⁵

There are clear public interest grounds to monitor media plurality

Plurality in the media has traditionally been protected through legislation enshrining freedom of the press,¹⁶ the application of competition law¹⁷ or media ownership limits to reduce risks associated with media concentration,¹⁸ and in some markets having a strong role for a public broadcaster and providing public funding for content. Competition between media firms was considered a necessary condition to generate valued and quality content and to ensure an informed population.

However, for a multitude of reasons, a market may operate in a manner that undermines media plurality. Market features that might impact on plurality might include, for example, high market concentration enabling a media firm to exercise undue influence over political processes, commercial pressures making it uneconomic for certain public-interest content to be produced, editorial processes limiting journalistic freedom, through to the growth of misinformation undermining trust in the media more generally.

A significant reduction in media plurality would affect all New Zealanders, regardless of their own individual media consumption patterns. There is therefore a clear public interest for the government to monitor plurality in the media and to regularly assess the extent to which policy settings may need to be adapted.

What should the role of government be?

As the Court of Appeal has recognised, ‘plurality cannot be quantified’¹⁹ – there is a significant degree of subjectivity involved in determining whether what the market will deliver is sufficient for the plurality needs of a liberal democracy.

The role of government will in large part depend on the nature of any observed problem in media markets and there being sufficient link between that problem and the plurality objectives we outlined

¹⁵ For example, NZ On Air had funding of \$144m available in 2020 to commission content to ‘reflect and develop New Zealand’s identity and culture’ (NZ On Air funding strategy). Radio New Zealand’s Charter requires it to ‘foster a sense of national identity by contributing to tolerance and understanding, reflecting and promoting ethnic, cultural, and artistic diversity and expression’. Te Māngai Pāho has a purpose to ‘promote Māori language and Māori culture by allocating available funds for broadcasting and the production of programmes to be broadcast.’

¹⁶ s14 of New Zealand Bill of Rights 1990 guarantees the right to freedom of expression, including the freedom to seek and impart information and opinions. s68 of the Evidence Act 2006 protects journalists from being compelled to disclose their sources.

¹⁷ As seen in NZME Limited and Fairfax NZ Limited Authorisation Determination (2017).

¹⁸ New Zealand does not have specific media ownership restrictions, beyond the application of horizontal competition law and the application of the Overseas Investment Act 2005. Australia for example prohibits an individual from controlling more than one commercial television licence in a licence area or more than two commercial radio licences in the same licence area.

¹⁹ NZME Limited v Commerce Commission [2018] NZCA 389 [30].

above (ensuring a diversity of views and limiting undue influence of media owners). Government interventions to address media plurality concerns are typically targeted at two perceived problems:

1. Market structure: concerns about media concentration or an organisation having too much influence in the market are typically addressed through application of competition laws and structural remedies (e.g. ownership rules and considerations to be applied in merger cases).
2. Content concerns: concerns about a lack of diversity or under-provision of content are typically addressed through public funding, public supply, and the use of behavioural incentives.

As our paper makes clear, we have not identified any fundamental problems with media concentration or influence that might justify government intervention (point 1 above); however, there are several areas of concern as to the lack of diversity and under-provision of certain types of media content.

Not all media content invokes public policy interests

Although there may be a public interest in having a diverse range of media entities and voices, it does not necessarily follow that all types of media *content* are in the public interest or that a decline in content or stories is inherently problematic. For example, public policy concerns would be invoked if local council reporting were no longer delivered in New Zealand, but there would not be similar policy concerns about the state of tabloid/gossip news.

We consider that there are two areas where the provision of media *content* in sufficient quality and quantity can overlap with legitimate public interest in maintaining media plurality:

1. Democracy-supporting content: having an informed populace on matters of public interest is necessary to hold public institutions and elected officials accountable and to effectively participate in political processes.
2. Uniquely New Zealand content: local stories and entertainment content can play a key role in helping to develop our cultural identity as a nation, to facilitate conversations about our place in the world and to shape political discourse.

3. New Zealand media markets have been transformed

The New Zealand media industry has changed considerably over a short period of time, with digital technology driving a shift away from linear media formats and fundamentally altering consumer consumption patterns.

There are numerous forces at play, which are resulting in significant changes in the:

- types of media New Zealanders consume
- quantity of media content New Zealanders consume
- number of sources New Zealanders consume media from
- business models commonly adopted by media companies
- revenues and profitability of the media industry
- level of trust New Zealanders have in the media.

This section examines key trends and underlying drivers in media markets and some of the likely implications that these will have for media plurality in New Zealand.

3.1 Digital disruption has transformed how New Zealanders are consuming media content

The major media trend has been digital disruption: the digital media domain has been developing rapidly, leading to significant changes in funding, production, distribution and consumption patterns.

The media ecosystem has been fundamentally reshaped, with this transformation accelerating over the past five years. Consumers now have much more choice as to what content they consume and the means by which they consume it.

The news media in New Zealand are firmly part of the 'attention economy'. New Zealand's major media producers observed in their interviews that they are no longer simply competing among each other but are competing against a much wider range of global entertainment content. As one interviewee noted, there is a 'war for attention' – firms need to provide a compelling reason for people to consume New Zealand media content as opposed to using Facebook, Snapchat, TikTok, Netflix, or any other form of global entertainment or news they now have access to at their fingertips.²⁰

New Zealanders are moving away from traditional media channels and have more choice about the content they can consume

The key shift in New Zealanders' consumption of media reflects a trend that is evident worldwide – New Zealanders are consuming less media content from linear mediums such as radio, newspapers

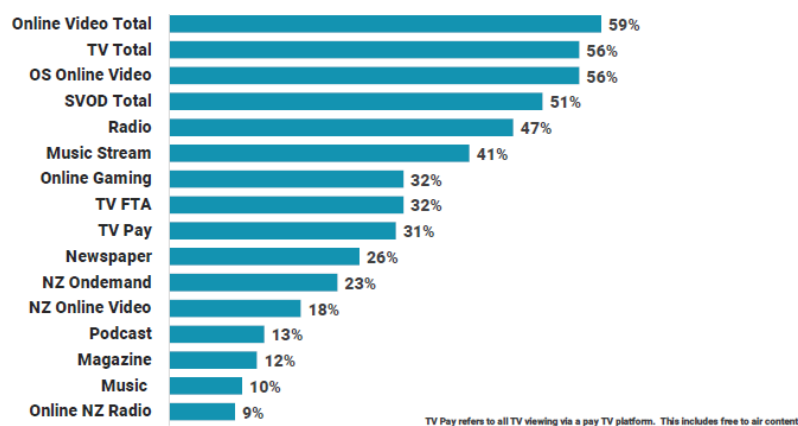
²⁰ Noting that platforms such as Facebook, TikTok etc can be the means by which New Zealanders consume New Zealand media content, especially informally produced content.

and television and are spending more of their time consuming media from digital mediums such as video-on-demand, online video, streamed music, and informal digital media.

New Zealand On Air has documented the daily reach of key media platforms:²¹

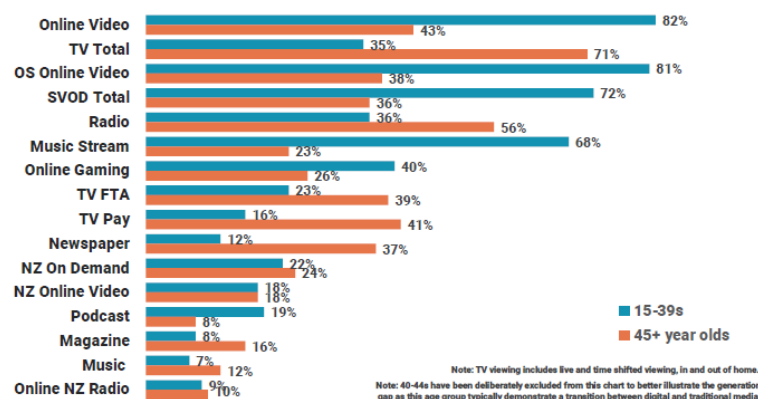
- **Online video:** used daily by 59 per cent of the population (29-point increase over five years).
- **Linear TV:** used daily by 56 per cent of the population (27-point decrease over four years).
- **Broadcast radio:** used daily by 47 per cent of the population (20-point decrease).
- **Subscription video-on-demand (SVOD):** used daily by 51 per cent of the population (45-point increase).

Figure 1: Percentage of population using daily in New Zealand, 2021²²



There are clear differences when media consumption patterns are broken down by age. Figure 2 below shows that older New Zealanders are the biggest users of traditional media channels – consuming the vast majority of their media and entertainment content via television and radio. By contrast, under 40 year olds consume most of their media and entertainment via online video, overseas online video, SVOD, music streaming and online gaming.

Figure 2: Time spent consuming media, by age (minutes per day)²³



²¹ NZ On Air, (2021) 'Where are the Audiences?'

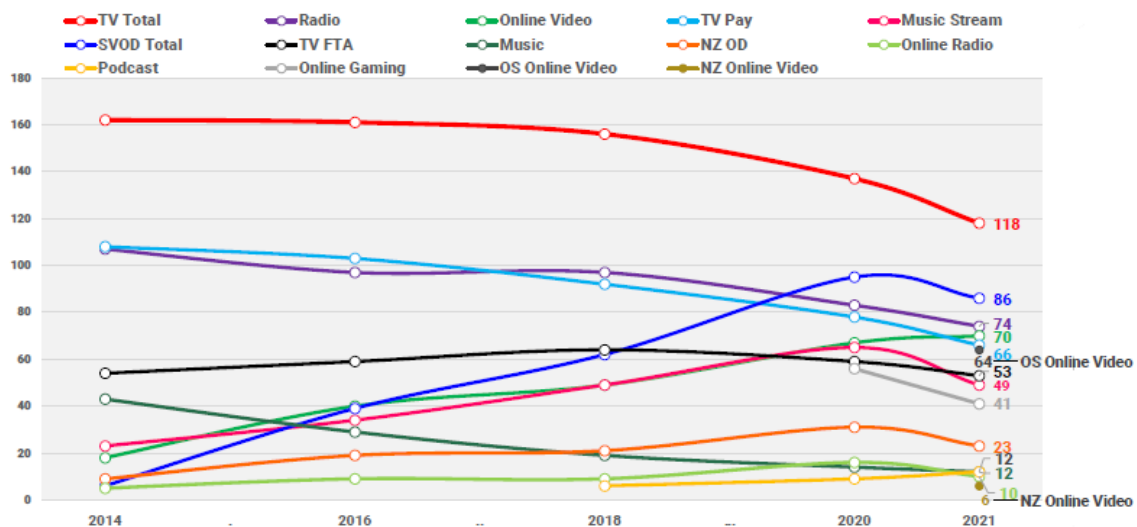
²² NZ On Air, (2021) 'Where are the Audiences?'

²³ NZ On Air, (2021) 'Where are the Audiences?'

These stark generational differences suggest we can expect the disruption to traditional media consumption (and media business models) to continue.

Figure 3 below breaks this consumption by platform down into more detail. The time spent using digital media in 2021 was the first year in which New Zealanders spent more time using digital media platforms than traditional media. The total time New Zealanders spent consuming nearly all forms of media declined in 2021, with the exception of online video – which is dominated by watching video on overseas sites and apps (64 minutes per day).

Figure 3: Average time per day that New Zealanders spend consuming media on different platforms²⁴



The above chart does not show any fundamental change in the total time New Zealanders are spending consuming media content, but reinforces that there has been a clear shift in format – consumers are utilising a broader form of platforms to access content than ever before. One implication of this is that the media market is likely becoming increasingly fragmented, with consumers potentially exposed to a broader and more diverse set of views (and content) than was ever possible under linear media models.

Key media distribution channels are online and on-demand

It is challenging to break down the types of media New Zealanders consume across different mediums and platforms because a lot are multi-purpose, such as Facebook and YouTube for both news and entertainment purposes. The most popular channels, sites, or stations used on a daily basis in New Zealand for media consumption in 2021 were:²⁵

- TVNZ 1 (41 per cent)
- YouTube (video only) (40 per cent)
- Netflix (40 per cent)
- Facebook (30 per cent)

²⁴ NZ On Air, (2021) 'Where are the Audiences?'

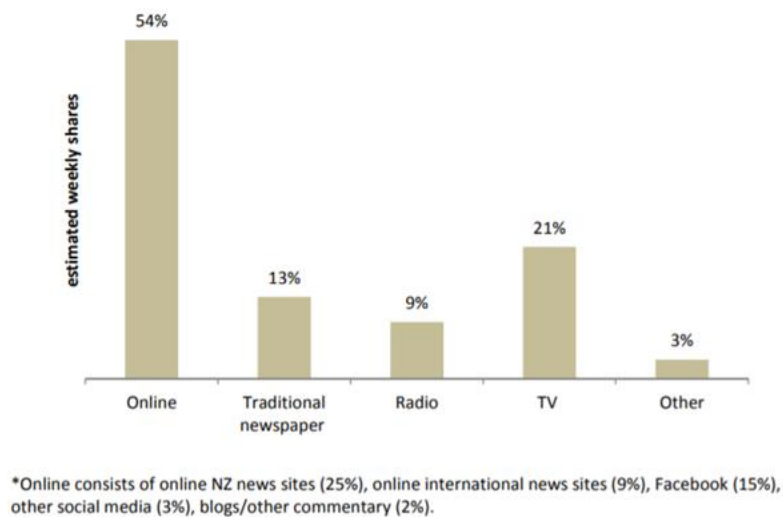
²⁵ NZ On Air, (2021) 'Where are the Audiences?'

- Spotify (27 per cent)
- Three (20 per cent)
- TVNZ OnDemand (17 per cent)
- YouTube (music only) (17 per cent)
- TVNZ 2 (14 per cent).

TVNZ news (on air or online) is both the most widely used (50 per cent of the population) and most trusted source (22 per cent) of news among New Zealanders.

Online channels have become increasingly important for consuming news in particular. In the attempted 2017 merger between Fairfax and NZME, both firms revealed how they pursued a 'digital first' strategy with an increasing focus on video and audio content. Digital content is created throughout the day with selected pieces being reproduced in print on the following day. A 2016 survey estimated that online channels made up 54 per cent of New Zealand news consumption – a number that is likely to have grown since.

Figure 4: Share of news consumption in a typical week in New Zealand, 2016²⁶



The reduction in production and distribution costs has seen a proliferation of voices

One of the biggest impacts of digital technology on the media industry is that it has dramatically lowered the costs to both produce and distribute content to consumers.

Digital technology has prompted the unbundling of content from traditional delivery channels, particularly for print newspapers. There has been a proliferation of new content sources, including for news, advertising, and topics such as the weather, sports, finance, and opinions, to name a few.

The production of media content 20-30 years ago typically required significant investments in facilities and technology (studios, publishing/recording equipment) and trained staff. Today, anyone with

²⁶ Commerce Commission NZME and Fairfax Determination (2017).

access to basic technology and an internet connection can produce their own content. Similarly, marginal distribution costs have almost ceased to exist for many in media, with the internet providing easy access to vast new audiences.

This lowering of costs has meant non-professionals and part-time content producers have been able to enter the market and disseminate their views to wide audiences and have often been able to successfully commercialise their activity. Bloggers, influencers, activists, and community, neighbourhood and interest groups often have dedicated and engaged followings – and more so than ever before, New Zealanders can access content they want at a time and place of their choosing.

The fragmentation of the media industry and proliferation of content is evidenced by the fact that the number of individuals with occupations in the media industry has decreased by 60 per cent in New Zealand since 2000, while at the same time the number of individual enterprises has increased by 22 per cent.²⁷

The net effect of these changes has come to be termed the 'democratisation of content'. The traditional 'gatekeepers' of content (newspaper and magazine editor and programme schedulers) are now less relevant.

Key media markets remain relatively concentrated

Market concentration is an important factor when considering media plurality. If a market is highly concentrated, there is a risk that media firms/owners can exercise too much influence over the political process by influencing news coverage and national discussions of important issues.

The lowering of costs to create and disseminate content has led to more diverse sources of information being available in key markets – and a corresponding reduction in market concentration in key media markets. The AUT Centre for Journalism, Media and Democracy observed in 2020, "New Zealand had more independently and privately held media companies than at any time in the past decade."²⁸

However, some key media markets still remain relatively concentrated:

- Print and online news: NZME (55 per cent share of combined print/online newspaper readership) and Stuff (36 per cent) are the two leading providers of daily original news content.²⁹
- Radio media: NZME (61 per cent audience share of commercial radio) and Mediaworks (39 per cent) are the two suppliers of commercial radio services.³⁰ Radio New Zealand also occupies a key radio position and RNZ National has the fourth-largest radio audience.³¹

²⁷ Statistics New Zealand. Analysing data for newspaper publishing (J541100), magazine and other periodical publishing (J541200), radio broadcasting (J561000), free-to-air television broadcasting (J562100), cable and other subscription broadcasting (J562200), and internet publishing and broadcasting (J570000).

²⁸ Myllylahti, M. and Hope W. (2020), 'New Zealand Media Ownership 2020' AUT research centre for Journalism, Media and Democracy.

²⁹ Roy Morgan (2020), 'Readership in New Zealand, 12 Months to June 2020'.

³⁰ Average of GFK surveys 1-4, 'New Zealand Commercial Radio Survey' (Oct 2020 – July 2021).

³¹ GFK, 'Total NZ – RNZ – Survey 2 2021'.

- Television and streaming services: a historically concentrated market has become highly competitive with the advent and high uptake of streaming services.

Of particular concern for plurality is that New Zealanders rely heavily on two news firms for print and online news.³² Stuff and NZME have a combined market share of 91 per cent across print and online newspaper readership, and even with the recent emergence of digital-only news firms, they still have a combined share of 79 per cent of online news.³³ Both firms have strong models of editorial independence, and there is no evidence that internal perspectives on the news or opinions are being constrained by any overarching corporate positions.

The relatively high concentration of media markets we have observed is not inherently problematic. It is a characteristic we might expect in traditional media given the challenges of achieving efficient scale in news coverage in a relatively small country. Importantly, in the digital news space there is evidence of much more competition as new entrants enter the market. However, high levels of concentration could create plurality issues in the future, if, for example:

- the financial pressures that the major news firms are under leads to further consolidation and retrenching of newsrooms and a greater shift to a national news model, or
- a new purchaser took a controlling interest in a major news publisher and decided to exert greater editorial control over content and opinions, as has occurred overseas.

Our more detailed analysis of market concentration is outlined in Appendix B.

3.2 Traditional models for news firms are under significant pressure

One of the most significant trends in the news media industry is the impact that the digital industry has had on traditional business models, which has led to a reduction in print mastheads and journalists. However, there is some evidence that these traditional news publishers are innovating and diversifying their revenue streams, while digital-native news firms are successfully establishing a presence in the market.

Traditional media firms are continuing to face material declines in advertising revenue

The value of all output for media services in New Zealand has remained stable over the past decade, decreasing slightly in real terms from \$5.00b in 2011 to \$4.97b by 2020.³⁴

This low level of growth in the sector masks the impact that the shift to digital media consumption has had on major media firms in New Zealand. All major entities present in the New Zealand media markets in 2011 have experienced revenue decline at different rates over the past decade. Figure 5

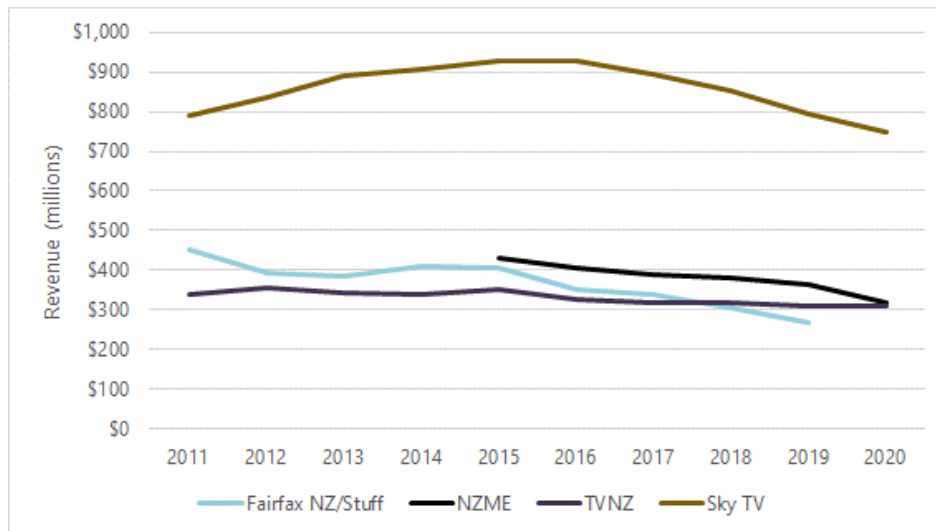
³² The Commerce Commission in 2017 concluded that 'current concentration levels of media ownership are already high by international standards'. Commerce Commission NZME and Fairfax Determination (2017).

³³ Myllylahti, M. and Hope W. (2020).

³⁴ Statistics New Zealand, output for 'media services'.

below shows the total revenue for four major media firms, all of whom have experienced declining revenues, putting pressure on profitability as other input costs also rise over time.

Figure 5: Total revenue for major media corporations, 2011 - 2020³⁵



The traditional business model for a news firm reflects that they operate in a two-sided market and generate their revenue from two very different audiences. News firms compete with each other to attract readers/viewers/listeners and they then use that market reach in order to sell services to advertisers. Importantly, as subscribers and audience-reach diminish, advertisers are likely to look elsewhere to target consumers.

Advertising has historically been the key source of revenue for newspapers. For years, newspapers played a key role informing people about the world around them and were the best (and sometimes only) source of information on topics that included local, national and international news, sports, finance, as well as local information such as council information, court reporting, events, and births and obituaries. Newspapers provided a natural vehicle for local and national advertisers wanting to reach an engaged audience.

Advertisers now have many more options to reach their target audiences. Digital channels in particular provide greater reach and allow for more precise targeting and personalisation for advertisers. Coupled with a steep decline in print newspaper subscriptions, many advertisers have shifted en masse to online advertising. While news publishers have been able to capture some of the advertising revenue flowing to digital channels, they have experienced substantial revenue losses.

News publishers seeking digital advertising revenue are strongly incentivised to maximise user engagement through their websites. One consequence of this has been the phenomenon of 'clickbait' – promoting content with sensationalist headlines; another consequence is a blurring of the lines between news and entertainment with a focus on dramatic coverage of gossip, crime and 'tabloid content'.

³⁵ Sourced from respective annual reports.

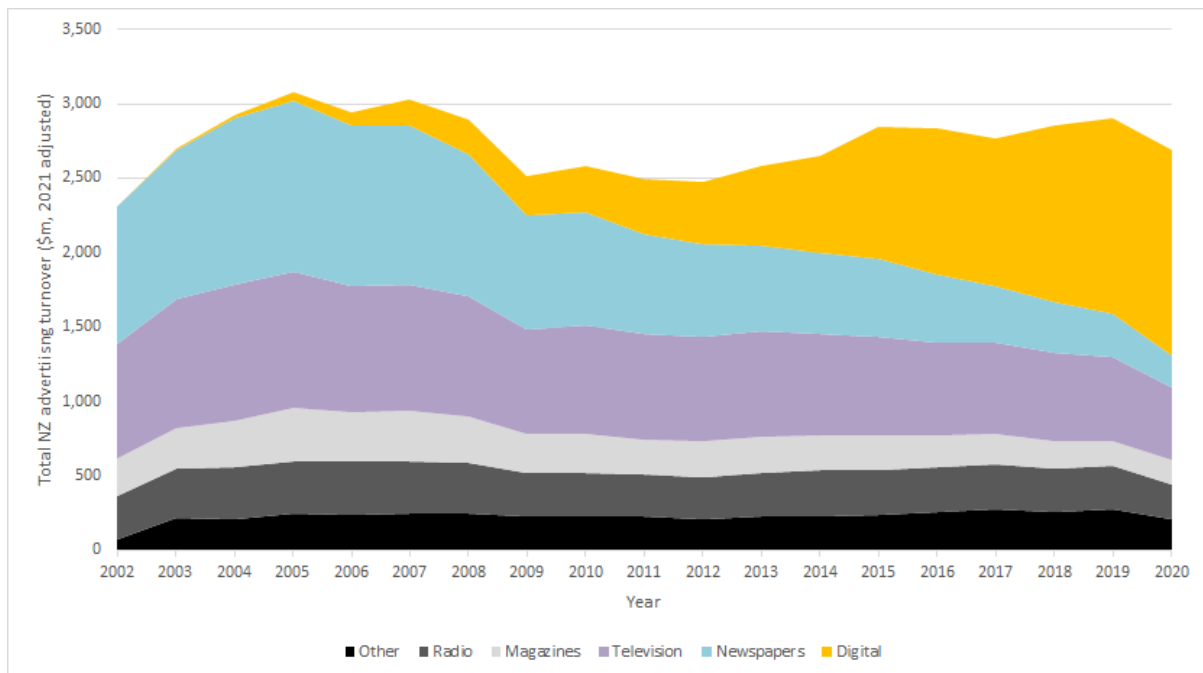
Some media firms we spoke to felt that the period five years ago represented a last ‘push’ by traditional media firms to capture advertising share through ‘clickbait’. The leading New Zealand news firms disputed the contention that news coverage may have become more ‘lightweight’, noting their readers are demanding quality and relevant journalism, and ‘clickbait’ was a more apt description of social media engagement. There was a strong view expressed by many that the quality of journalism in New Zealand over the past few years, and in particular the current focus on investigative journalism, was at as high a standard as it had ever been in New Zealand.

Digital platforms are dominating online advertising

Total advertising expenditure in New Zealand has been relatively unchanged in real terms over the past two decades. However, it is the composition of this advertising expenditure that has had such a significant impact on the ability of media firms in New Zealand to monetise their content.

Figure 6 below shows the breakdown of where advertisers are spending their money and the clear shift towards online advertising. Between 2002 and 2020 the share that digital advertising made up of total New Zealand advertising expenditure grew from less than 1 per cent to 51 per cent.³⁶ At the same time the share of advertising generated by print newspapers fell from 40 per cent to 8 per cent.³⁷

Figure 6: Advertising expenditure in New Zealand by platform, inflation adjusted³⁸



Of importance for any analysis of media plurality in New Zealand, news firms have been unable to replace their traditional print advertising revenue with digital advertising. Since 2003, New Zealand

³⁶ Advertising Standards Authority data.

³⁷ Advertising Standards Authority data.

³⁸ Sapere analysis, based on data from the Advertising Standards Authority. Due to Covid-19, data on magazine advertising expenditure was unavailable. Our analysis used magazine advertising levels in 2019 for 2020.

newspapers firms have generated \$1 in digital advertising for every \$4 that they have lost in print advertising.

The net effect of these shifts is that journalism in New Zealand has become much harder to monetise. Traditional media models relying on print mastheads have been under particular pressure, with debt and higher cost-structures making it harder to transition to a digital environment. Importantly, a digital transition for a news firm brings them into direct competition with global digital platforms for web advertising – a market dominated by Google and Facebook in particular.

Google captures approximately 55 per cent of digital advertising revenue in New Zealand,³⁹ while Facebook receives 6 per cent.⁴⁰ TradeMe has also captured a significant portion of the classified advertising market, which has traditionally been a lucrative source of revenue for print advertising.⁴¹

Some media firms commented in interviews that their main competitors are not other New Zealand media firms, but rather the global digital platforms with whom they compete to attract advertising (particularly Facebook and Google). Several news firms in particular see those digital platforms' dominance in the digital advertising market as posing the biggest threat to their sustainability.

It is becoming increasingly clear that the initial move online by news firms – making content available for free and attempting to make money from online advertising – is very challenging to translate into a sustainable business model. Ultimately, traditional news publishers are unable to command the premium they once had for print advertising and are left facing a quandary as to how to produce and monetise their content.

There has been a significant loss of newspaper mastheads and traditional journalist roles

A key part of news firms' response to the significant loss of revenue has been to cut costs where possible. The most obvious impact of these efforts has been in the reduction in print mastheads and reduction of staff.

There is no single source of information on how many newspapers have closed in New Zealand. However, Statistics NZ data shows that between 2000 to 2020 the number of enterprises engaged in newspaper publishing declined by 32 per cent.⁴²

³⁹ Search engines are estimated to capture 62 per cent of digital advertising revenue in New Zealand (Myllylahti, M. 'Google, Facebook and New Zealand news media: The problem of platform dependency' (2018), A report prepared for The Policy Observatory, Auckland University of Technology). Google has a 93 per cent market share of the internet search market in New Zealand (<https://gs.statcounter.com/search-engine-market-share/all/new-zealand>, site accessed 6 September 2021).

⁴⁰ Ibid.

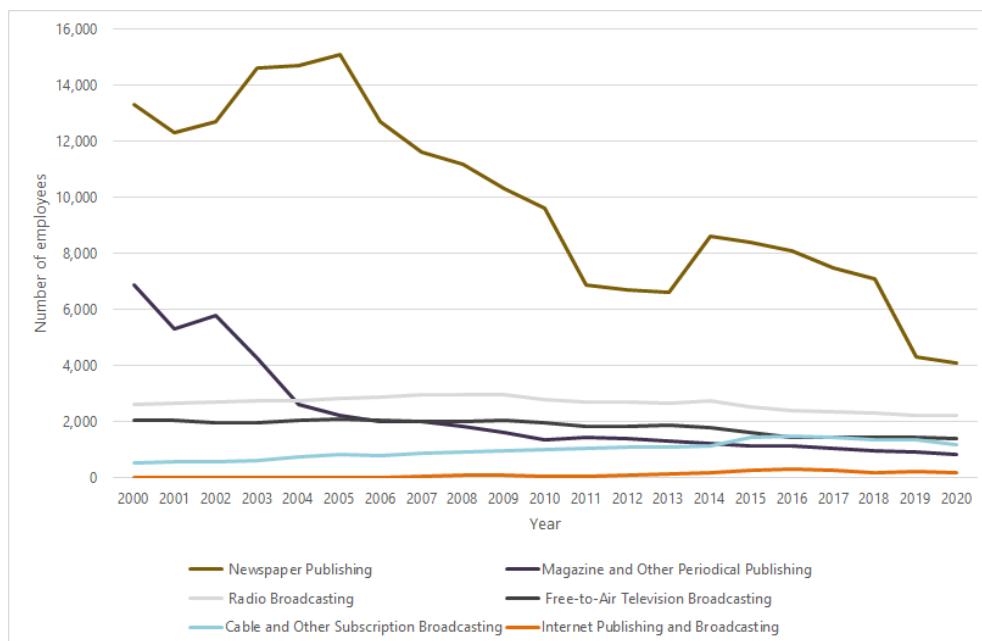
⁴¹ Classified and directory advertising is estimated to comprise 16 per cent of the digital advertising market in New Zealand. Myllylahti (2020).

⁴² Statistics New Zealand, data for newspaper publishing (J541100).

The observations we heard in our interviews about significant consolidations between newsrooms and reductions in staffing numbers are borne out in the data. Between 2006 and 2018 there was a 52 per cent reduction in the number of journalists in New Zealand.⁴³

As Figure 7 shows, this reduction in staffing has not been limited to journalists – the total number of employees in newspaper publishing has fallen by 69 per cent since 2000, with similarly large reductions in employees in magazine and other periodicals. Covid-19 had a particularly detrimental impact on the media industry, with 637 media personnel recently let go from the industry.⁴⁴ The loss of these roles in traditional media firms has not been made up by the growth in digital-only publishing firms – which, as Figure 7 shows, still only represent a very small portion of the media industry in New Zealand (2 per cent of employees).

Figure 7: Number of employees in New Zealand media subsectors



Many firms we spoke to observed that financial pressures were resulting in a shrinking of newsrooms as the major news firms were forced to reduce costs, but also that there was a consolidation of newsrooms. The major news firms are increasingly operating to a national news model, which affords greater efficiencies and allows for content to be syndicated and reused across mastheads.

⁴³ Journalist occupations decreased from 4,284 in the 2006 census to 2,061 in the 2018 census. We note there was a definition change in the 2018 census. In 2006 the census counted reporters, editors and sub-editors; in 2018 the census counted print, radio TV journalists and 'other writers'.

⁴⁴ Saing Te (2021) 'Media Ownership in New Zealand from 2011 to 2020: A longitudinal data analysis of the information gathered by AUT's research centre for Journalism, Media and Democracy'.

Traditional news businesses are diversifying their revenue streams: the commercial model for journalism remains challenging but viable

Despite the challenges posed by the digital shift, interviewees generally supported the notion that the business model for supplying news in New Zealand remained viable. What has become clear is that it is not possible to simply transfer the traditional news business model to the digital age.

Most of those we spoke to felt that the media sector in New Zealand was in a surprisingly buoyant position at the moment. There was a common theme that the industry may have turned a corner from approximately five years ago, when there was a sense that the industry may have been in almost 'freefall' in terms of the rate of decrease of print revenue, television audiences, and journalism numbers.

Many of the firms we interviewed observed that New Zealanders' willingness to pay for news had declined over the past two decades. Whereas previously consumers may have had a daily and weekend news subscription, they were now less willing to pay for online content. The observed reluctance of New Zealanders to pay for online news subscriptions in particular is in stark contrast to our willingness to pay for streaming services, where we rank 1st in the world for share of the population with a paid subscription.⁴⁵ One interviewee noted that the digital news sector was saturated and the sector as a whole was trying to recover from the initial move of making all content available for free:

We spend a lot of time, as other media do, convincing people to pay for content. This is because digital got off to a bad start by making it all available for free. There has to be a huge shift and re-education process to get people to be willing to pay for online news, but this situation has gotten better in the past 3-5 years.

Many news entities are focused on diversifying their revenue sources, with a common theme that online advertising alone is unlikely to be sufficient to fund quality journalism. As well as online and print advertising, many firms have focused on raising revenue through various combinations of the following:

- an online subscription model (e.g. BusinessDesk and NBR)
- erecting a paywall around some of their 'premium' content (e.g. the NZ Herald and Newsroom)
- promoting the option for members/supporters to make donations (e.g. Stuff, the Otago Daily Times, The Spinoff, Newsroom, Crux Media)
- partnering with other news entities (e.g. Stuff reproduces some content from Newsroom)
- general sponsorship (e.g. Callaghan Innovation sponsors a business podcast on The Spinoff)
- producing sponsored content with corporate partners (which is often common and clearly marked), and

⁴⁵ <https://www.finder.com/nz/streaming-statistics>, accessed 5 September 2021.

- more recently, public grant-based funding (which is examined in more detail later in the report) has been used to fund particular roles and outputs.

It is too soon to say whether the commercial delivery of news is on a sound financial footing. However, there are some promising signs that a corner has been turned. Media firms have recognised a need to diversify revenue streams, new paywall and subscription models appear to be gaining traction with consumers, and there are indications there is clear demand from New Zealanders for high quality journalism (whether they are willing to pay for this is a different question altogether). Corporate and business journalism is one area where there is strong competition between several news desks and where a subscription model appears to be viable.

As we outline later in our report, while business models are adapting to a digital age, there are nevertheless several areas where there are likely to be pressures and where the level of news provided may give rise to public policy concerns.

Innovation is occurring and 'digital native media' are emerging

Most of those we spoke to for this project were firmly of the view that there was no problem with the state of competition among New Zealand news and media firms. The level of competition for readers/viewers/listeners was variously described as 'robust' and 'fierce'. Several firms noted there was intense competition for talented staff.

While traditional media firms may have been legitimately criticised for initially being slow to react to the emerging digital 'threat', there is no doubt that New Zealand media firms are now responding to competition and technological advancements through innovation. Significant new investments are being made in new platforms/apps, content is being increasingly tailored to attract audience (including by demographics and interests), and delivery channels have broadened to include apps, podcasts, and streaming. As one interviewee noted:

The content being produced across the board is amazing. Young journalists now do so many more things – they write, produce multimedia, and engage with readers on their content...it's a competitive market and we just want the ability to keep doing it.

Of particular importance for media plurality in New Zealand is the emergence of new digital native media companies – firms that have established themselves and have grown online. While traditional media entities may have been forced to respond to the changes created by the digital media shift, these newer firms have typically been established to take advantage of the opportunities created by a digital marketplace.

Newsroom, BusinessDesk, and The Spinoff are examples of firms that have managed to successfully establish themselves as national brands while targeting niche audiences. They are quite deliberately not trying to match the scope of the likes of Stuff or the NZ Herald and instead describe themselves as 'targeting the gaps' by focusing on overlooked areas or providing in-depth analysis on topics favoured by their consumers.

There certainly appears to be an opportunity in the New Zealand media market for these smaller digital native media companies to carve out a sustainable business model. These firms typically have lower creation and distribution costs and, by focusing on their niches, can look to grow their

businesses. Many of the digital-only firms we spoke with were experiencing a period of considerable expansion and, having established a presence, were now able to hire reporters and editors from traditional media firms.

Print media continue to have a critical role funding journalism in New Zealand

While New Zealanders are shifting to consuming New Zealand news online, it is the print news industry that continues to generate the funding for a significant portion of news content in New Zealand. The revenue from print newspapers (advertising and subscription) enables media firms to employ journalists throughout the country and subsidises the operation of the news websites of leading firms.

It is this on-the-ground reporting that often drives the daily news cycle that many others are able to leverage – including radio and television news, and commentary and insights from the digital native media. Although TVNZ news and Newshub are highly popular sources of news,⁴⁶ both TV and digital-only media firms were the first to admit that much of what they do (in terms of short segments, or analysis and opinion) builds on the day-to-day work of the more traditional news publishers.

Two organisations – Stuff and NZME – have an oversized role to play in generating original daily news content in New Zealand. These two firms account for 91 per cent of combined print and digital news readership and 79 per cent of online news consumption, and they employ considerably more journalists than any other media entity in New Zealand.⁴⁷ Both firms continue to generate a significant majority of their news revenues from print newspapers and have been unable to replace their shrinking print advertising/subscription revenue with revenue from their digital platforms.

NZME's financial reports for the six months to June 2021 show print newspapers generated 66 per cent of total news publishing revenue (print and digital) (\$68.3m out of \$104.1m). Over the same period NZME spent \$39m on salaries and expenses for their news publishing staff.

The last publicly reported figures that are available from Stuff (when it was owned by Fairfax Media in 2018) show that print revenues generated 82 per cent of the unit's revenue.

These figures illustrate the key role that the print news currently has in funding journalism in New Zealand at current levels. However, the trend for newspapers is clear – declining print revenues will continue and we can expect to see further consolidations of newsrooms and shrinking journalist numbers.

⁴⁶ Ranking 1st and 4th respectively as the most popular sources of news in New Zealand. NZ On Air, (2021) 'Where are the Audiences?'

⁴⁷ The Commerce Commission observed in 2017 that NZME and Fairfax employed 300 more journalists than the next three biggest media organisations combined. Commerce Commission NZME and Fairfax Determination (2017).

Traditional journalism in smaller centres remains vulnerable

Media firms we spoke to commonly reported all unnecessary costs had been stripped out of their businesses in recent years and they were operating as leanly and as efficiently as they could. Our interviews confirmed that many local newspapers (and particularly daily newspapers in smaller centres) are likely to bear the brunt of any further cost-cutting or consolidations. One chief executive noted:

Local news is a very important part of what we do. But this local news is tied to print products, which are becoming increasingly marginal.... We are always looking how to maintain these print mastheads, but it is very challenging.

Between 2017-2019, at least 29 community or rural newspapers closed; and between 2014-2019, regional reporter numbers fell by 28 per cent or 152 FTEs.⁴⁸ Of concern for media plurality in New Zealand, future reductions in journalist numbers are likely to continue to be concentrated in smaller urban centres, driven by the closure of print mastheads. With the fierce competition for digital advertising and increasing focus on national content, it is likely to be increasingly challenging for national news firms to have journalists in smaller centres.

The future of traditional journalism in smaller urban centres is likely to reflect a mixture of the following trends:

- Local newspapers in smaller centres may move away from a daily print model (e.g. to a three-publication-a-week model) or may ultimately close.
- There is likely to be a continued reduction in community newspapers owned by national publishing brands, as traditional media companies look to close less profitable mastheads.
- Independently-owned weekly community newspapers have proven to be somewhat resilient, and there is likely to still be a market in many communities for these free, advertiser-funded small papers. With a trend towards print consolidation and national news, there may well be opportunities for smaller independent papers to thrive.
- Digital-only news firms will enter the market in some locations (e.g. as Crux Media has in Queenstown), focusing on unmet demand for local journalism.

It is challenging to attempt to predict what a dynamic market for news might look like in the future. However, we can be fairly confident that the number of traditional journalists in New Zealand will continue to decline and this will be felt particularly acutely in smaller urban centres. It is unlikely that digital-only entrants and community newspapers will entirely fill this gap in terms of providing on-the-ground reporters for these smaller urban communities.

⁴⁸ Memorandum of Understanding: Local Democracy Reporting Service for New Zealand (May 2019)
https://www.nzonair.govt.nz/documents/431/19052_LDR_MoU_approved_for_website.pdf

3.3 Digital platforms are playing an increasingly important role in the dissemination and consumption of news

There was a strong consensus among those in the New Zealand media industry that global digital platforms (particularly Google and Facebook) are undermining media plurality in New Zealand through their dominance of digital advertising markets and their growing role in the dissemination of news. For most news firms we spoke to, the impact of these digital platforms on their business was their number one concern.

A brief summary of the role of digital platforms

Facebook is the third biggest source of news consumption in New Zealand (15 per cent share of all news consumption), behind online news sites (25 per cent share) and television (21 per cent share of news consumption).⁴⁹ Facebook potentially receives up to 6 per cent of digital advertising revenue, but dominates key advertising segments (for example, the ACCC found Facebook and Instagram's combined share of the online display advertising market to be 51 per cent).⁵⁰

All media firms we spoke to had official Facebook pages, through which they posted content to Facebook users – an earlier study has noted an average of 10 posts per day are made.⁵¹ In addition, Facebook users can post and share content via Facebook. In both instances users can comment and engage with the content on the Facebook platform, alongside personalised advertising run by Facebook. Facebook does not host or copy the news content, and users are redirected to the news site to view the content. Facebook also offers a 'news partnership' tool whereby publishers can choose to create tailored content/advertising that runs on the Facebook platform and which operates under a revenue-sharing agreement.

Google has a 94 per cent market share for internet search services in New Zealand and likely receives approximately 55 per cent of all digital advertising revenue in New Zealand.⁵² To access news content via Google, a user can search for a specific term, and a selection of potentially relevant news articles from various sources is displayed to users alongside search results. Alternatively, users can use Google News, which provides a personalised selection of dozens of pieces of local and international news content based on Google's data insights. Google includes a brief excerpt from news stories, graphics, and a link through to the news site for users to view the article in full. Google does not provide advertising alongside Google News results.

In selected markets overseas Google and Facebook have launched new dedicated news channels (Google News Showcase and Facebook News), through which they have commercial relationships with news firms to produce curated news content. Google has publicly committed to launching Google

⁴⁹ NERA Economic Consulting (2016), 'Fairfax/NZME: Review of the draft determination'.

⁵⁰ Myllylahti, M. (2018).

⁵¹ Myllylahti, M. (2018).

⁵² In 2018 it was estimated 60 per cent of all digital advertising revenue went to internet search companies. Myllylahti, M. (2018).

News Showcase in New Zealand and we are aware that high-level discussions are underway between the platforms and news entities.

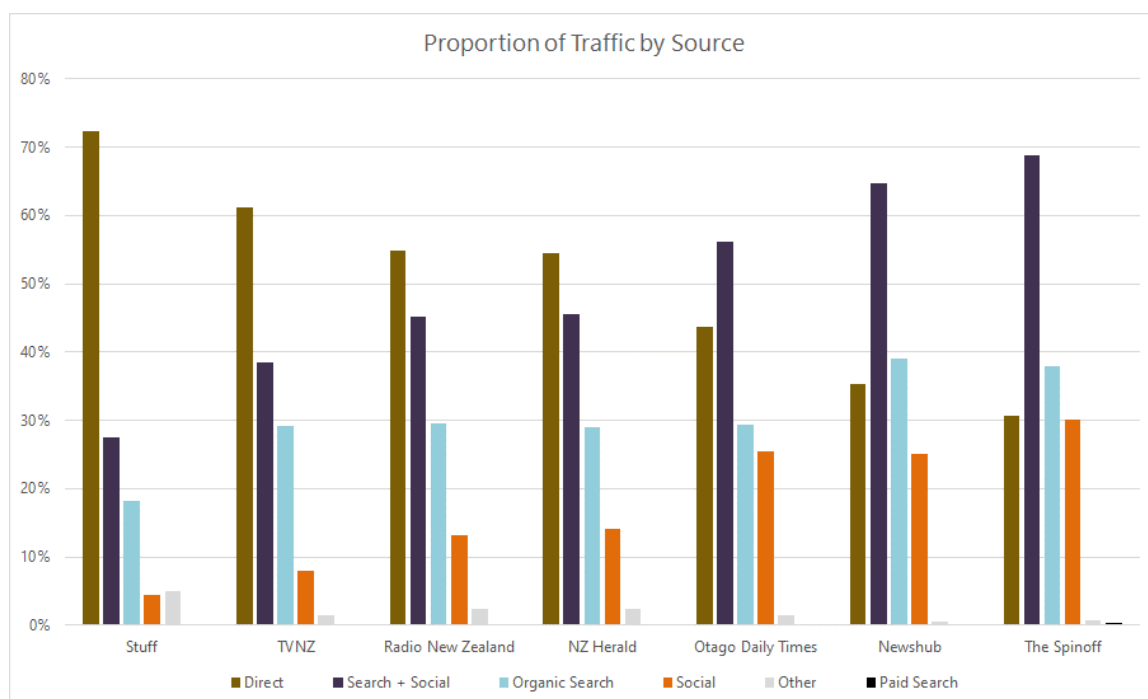
Digital platforms have become an integral part of many news distribution models

News firms all around the world have become increasingly reliant on search engines and social media to generate web traffic to their online news sites – and New Zealand appears to be no exception.

A recent New Zealand On Air survey found 27 per cent of the population reported regularly using posts from news firms on social media (Facebook and Twitter) to keep up to date, while 25 per cent of New Zealanders regularly read news posts from friends and family on social media.⁵³ A study by Dr Merja Myllylahti in 2018 determined that search engines and social media drive, on average, 53 per cent of news websites’ total traffic in New Zealand.⁵⁴

Data from a website analytics firm for the year to July 2021 reveals that smaller news sites (Otago Daily Times, Newshub and The Spinoff) generate a disproportionately high share of their traffic from internet search and social media. This is outlined below in Figure 8.

Figure 8: Proportion of traffic by source, major news sites, July 2020 - July 2021⁵⁵



News firms are aware of the considerable value that this redirected traffic creates for their businesses, and many have a strong focus on digital outreach, including generating and tailoring content for a

⁵³ NZ On Air, (2021) 'Where are the Audiences?'

⁵⁴ Myllylahti, M. (2018).

⁵⁵ Analysis through similarweb.com for 2021, last accessed 6 September 2021.

social media presence. Some of the smaller digital-only firms we spoke to acknowledged that they would not have grown so quickly without the reach provided by these platforms.

For a significant number of New Zealand news media businesses, there is a clear commercial imperative to make links to their content available on digital platforms such as Facebook and Google.

In general, digital platforms / news aggregators are a positive development for plurality, but their impact on firms will be uneven

Both Google and Facebook can be described as ‘news aggregators’ and can be seen as causing up to three different effects in the news market:

1. News aggregators may increase the number of daily visits to the sites of indexed news outlets. This ‘market expansion’ effect occurs because aggregators can offer content of a higher quality and variety than individual traditional news outlets, and because they can improve ease of access to content, which induces consumers to read more news stories.⁵⁶
2. News aggregators may deepen the market. Consumers can observe the quality of news stories by reading the excerpts on the aggregator’s site, and can click on the links if the perceived quality is high.⁵⁷ These attributes may induce consumers to stay longer reading news outlets’ pages because of a better news match, and may increase the total amount of reading/viewing time instead of undertaking other leisure activities.⁵⁸
3. A substitution effect will occur when consumers choose to visit news aggregators rather than visit the news outlets’ front pages, or where news aggregators cause consumers to become aware of alternative news sources from those they traditionally consume.⁵⁹

In the absence of aggregators, news seekers usually consider only a small set of news outlets when searching for news stories.⁶⁰ News entities with strong brand loyalty and low brand awareness are likely to benefit more from market expansion effects than they would lose from substitution effects – they will benefit from casual consumers that otherwise would not be aware of the news entity and they will not lose existing visitors because of their loyalty. By contrast, news entities with strong brand awareness and low loyalty may suffer more from substitution effects than they would gain from market expansion, because the aggregators facilitate customers becoming aware of additional outlets and reading more news stories.

Therefore, the theoretical literature anticipates the emergence of news aggregators as a positive development from a media plurality perspective as the combined market expansion and substitution effects would contribute to promoting plurality (as defined): ensuring there is a diversity of viewpoints

⁵⁶ Jeon, D. S and N. Nasar (2016) ‘News Aggregators and Competition Among Newspapers in the Internet’ *American Economic Journal: Microeconomics* 8(4): 91-114.

⁵⁷ Huang, J. (2017) ‘Should Google Charge Like a Taxi Driver?’ CEMFI Working Paper.

⁵⁸ Dellarocas, C., Katona, Z. and Rand, W.M (2013) ‘Media, Aggregators, and the Link Economy: Strategic Hyperlink Formation in the Content Networks’ *Management Science*, 59(10): 2360-2379.

⁵⁹ Dellarocas, C., J. Sutanto, M. Calin, and E. Palme, (2016) ‘Attention Allocation in Information-Rich Environment: the case of news aggregators’ *Management Science* 62, 9, 2543-2562.

⁶⁰ Jeon, D. S. (2018) ‘Economics of News Aggregators’ in *Economic Analysis of the Digital Revolution*, FUNCAS *Social and Economic Studies*, 5, edited by Juan Jose Ganuza and Gerard Llobet, FUNCAS, Madrid, Spain.

available and consumed across and within media enterprises, and preventing any one media owner or voice having too much influence over public opinion and the political agenda.

News firms claim digital platforms undermine their commercial viability

New Zealand media firms we spoke to strongly contend that Facebook and Google have an unfair advantage in the digital advertising market because they are using the news generated by others without paying for it, in order to advance their own businesses – and that this commercial benefit comes at the expense of news firms, who are struggling to generate advertising revenue. As one CEO put it in an interview:

Google and Facebook are riding the benefits of our journalism and not paying anything for it. This has a very big impact on the business.... Google for example is effectively just scraping content from our sites, repackaging it, and serving it on their platform. All money they are able to generate is kept in-house.

The impact of digital platforms on news firms is an issue that has been explored recently overseas and where efforts have been made to require platforms to contribute to news journalism – for example, through Australia’s adoption of a News Media Bargaining Code (requiring Facebook and Google to compensate news firms for providing consumers with links/snippets to new content) and France’s implementation of an EU Directive expanding the scope of copyright to cover ‘snippets’ displayed by platforms. This is a topic we explore further in Appendix E.

Algorithms shape the content many consumers are exposed to and could undermine plurality

Although we view digital platforms as generally being ‘plurality-enhancing’, how they exercise their increasing role as content ‘gatekeepers’ for a significant share of the population can give rise to plurality concerns.

Digital platforms such as Facebook are incentivised to maximise engagement, which provides strong incentives to predict what content specific users are likely to be interested in and to reduce irrelevant content. The use of algorithms provides benefits for consumers in making it easier for them to find content they are interested in. However, algorithms can also limit the diversity of views that consumers are exposed to (including contributing to misinformation) and can have significant impacts for news firms.

The ability of digital platforms to influence news consumption and the finances of news firms was demonstrated in 2018 when Facebook made changes to its algorithms to deprioritise news content. One example of the impact resulting from this change is the Mail Online, which claimed to have lost 9 per cent of its global audience and to have suffered a substantial loss of advertising revenue.⁶¹

Digital platforms such as Google and Facebook are not passive platforms, but through their proprietary algorithms they are able to exercise significant influence over the content viewed by an increasing share of the population. Of particular concern from a plurality perspective is the lack of

⁶¹ Sweney, M. (24 May 2018), ‘Mail Online’s falling traffic blamed on Facebook’s newsfeed overhaul’ *The Guardian*.

transparency around those algorithms and the potential that global digital platforms could make changes to algorithms that could fundamentally impact New Zealand media firms and shape the dissemination of news content.

3.4 Demand for high-quality domestic content appears stable

One topic that we explored in detail in our interviews with media stakeholders was whether, in a global media environment, consumers will increasingly gravitate to global content (e.g. via Netflix, Disney Plus, international news sites) and whether this would have negative consequences for the production of New Zealand media content.

Our interviews highlighted that, in general, there is currently strong demand for high-quality New Zealand content. However, there remains some uncertainty as to New Zealanders' willingness to pay for news content.

Demand for domestic entertainment content remains robust

Truly New Zealand content – whether it is sport, live entertainment, drama, music, or arts – has the ability to bring New Zealanders together through shared experiences. Uniquely New Zealand stories and programmes also play a key role in reflecting New Zealand to the nation and to audiences around the world. A study commissioned by New Zealand On Air found that of those who had recently watched New Zealand content, nearly one-in-four people did so primarily because it captured who we are as New Zealanders (including our humour) and that there is something special about seeing New Zealand places and faces and hearing New Zealand accents.⁶²

In today's digital age it has never been easier to access high-quality media content, and New Zealanders have become prolific consumers of global media content in particular through streaming services.

However, stakeholders made clear to us that they see the market for uniquely New Zealand content as remaining strong. Producing New Zealand entertainment content is expensive and certainly costs more than buying a licence for shows that have been produced offshore. But interviewees observed that if the quality of the material is high, there are opportunities for success.

TVNZ has made a deliberate choice to focus on local content and see it as its key point of difference in the streaming market – and its TVNZ OnDemand platform is the most popular streaming service in New Zealand. TVNZ advises that the shift to streaming has created some issues for advertising, including the need to limit the volume of advertising compared to broadcast television, as viewers are making a direct comparison to the advertising-free services of Netflix. But digital advertising is still seen as attractive and TVNZ is not being adversely affected by the change in viewing habits.

⁶² NZ On Air and Research New Zealand, 'New Zealand's Identity, Culture and the Media: What's Changed in 30 Years?' (October 2019).

Interviewees observed that relatively little New Zealand content is available through global streaming brands and so there is a risk that content with uniquely New Zealand stories or characters may not be visible to large portions of the population. It was pointed out that many countries are looking to improve access to content on these platforms: the EU has introduced local content quotas for online streaming services; France, Italy and Canada require either direct investments to be made in local productions or impose levies to fund local content production; while the EU and the UK require online streaming services to give prominence to local content.

In New Zealand, local music comprises approximately 20 per cent of songs played on the radio, which is a voluntary industry target introduced in 2002 following a threat that the government would introduce a quota.⁶³ One stakeholder noted that 9 per cent of streamed content in New Zealand was locally produced.

Cultural and community media content is widely accessible and valued

Stakeholders we spoke to describe an increasingly vibrant and diverse media landscape for cultural and community content. A key reason for this has been ease with which user-generated content can now be created and shared through informal media channels and social media, as well as the continued role of publicly-funded entities targeting specific audiences.

Māori media content has become more prevalent within the mainstream media, offering content designed specifically for Māori audiences, as well as Māori content and perspectives that appeal to a wider audience. In addition, while both Māori Television and the 21 publicly-funded iwi radio stations have relatively small audiences,⁶⁴ they provide an important service to their audiences including through promoting te reo Māori and tikanga Māori, and providing accessibility for iwi and socio-political/cultural commentary on the issues of the day. There is some indication that demand for specifically Māori content on linear platforms is declining,⁶⁵ in part due to the pronounced generational gap as young Māori consume media via digital means.

TikTok provides an example of a radical shift in how cultural content is created and consumed, particularly among younger New Zealanders. Over the past five years videos with the hashtag #Māori/Maori have been viewed more than 1b times and those with the hashtag #tereo have over 21m views. TikTok has recently sought to build on this demand by launching a new Māori content hub that showcases live music, diverse creators and a waiata playlist.

⁶³ New Zealand Government Press Release 'Commitment for More NZ Music On Radio' (26 March 2002)

⁶⁴ Māori Television has a daily reach of 10% of the Māori population (and 3% of all New Zealanders), while iwi radio attracts small, localised audiences. NZ On Air (2021) 'Where are the Audiences? Maori Report' (Glasshouse Consulting).

⁶⁵ The weekly audience viewership of Māori Television has fallen from 29% in 2016 to 14% in 2019. Kantar 'Audience Survey 2019' (November 2019) (Te Māngai Pāho). However, its weekly viewership has declined less sharply among Māori population, decreasing from 63% to 58% over the same period.

The role of community access radio⁶⁶ provides a useful insight into how traditional media platforms are evolving to deliver cultural community content that is highly valued by its relatively small audiences. Over the last year the stations provided 25,086 hours of content in at least 49 languages, while there were 2.7m podcast downloads from the access media platform.⁶⁷

All indications are that the often hyper-local content produced by access radio is valued by small communities and is giving marginalised (often ethnic) communities a voice. A review in 2018 concluded the stations were ‘the last truly “local” media left in some regions’ and had developed a niche in local information services, Civil Defence broadcasting, and localised arts and culture programming.⁶⁸

Public funding of entertainment content is highly valued and continues to play an essential role

Public funding for the creation of non-journalistic content (i.e. drama, art, performances, etc) plays an important role in developing cultural capital in society, and individual and national identity. Provision of money for cultural content development may lower the barriers to creation, and may overall contribute to greater, richer cultural capital and individual and national identity in New Zealand. The New Zealand government has traditionally recognised that, in a lot of cases, certain media content of public value must be publicly provided, as it otherwise would not be made due to relatively high production costs and the small size of the New Zealand market.

It can be an expensive and potentially risky endeavour to produce local entertainment content for broadcast television, screening services or the big screen. The stakeholders we spoke to were very supportive of the contestable funding mechanisms operated by New Zealand On Air and Te Māngai Pāho to fund uniquely New Zealand content on television, radio and online. This is consistent with the wider population, with survey results indicating 87 per cent of the population support having free-to-air publicly funded television content.⁶⁹

Over time the funding functions of New Zealand have changed to match the shift in how New Zealanders consume and engage with different sources of media. New Zealand On Air has shifted from funding allocations based on linear platforms,⁷⁰ to funding specific types of content. The breadth of funding recipients has also changed to reflect the fragmentation of content creation and delivery – in 2010 only four platforms received grant funding for content, whereas in 2020 the funding went to 19 providers.

⁶⁶ NZ On Air partially funds 12 access radio stations across the country to as part of its requirement under section 36(c) of the Broadcasting Act 1989 to provide for the interests of women, youth, children, persons with disabilities, and minorities in the community, including ethnic minorities.

⁶⁷ NZ On Air 2020 Annual Report.

⁶⁸ Mollgaard, M., ‘Access Community Radio in New Zealand’ Report for NZ On Air (November 2018).

⁶⁹ NZ On Air (2020) ‘Public Awareness and Attitudes Survey’.

⁷⁰ In 2010, 65% of funding went to producing television content, 25% to radio, 4% to music, and 3% to digital and archiving content. NZ On Air Annual Report 2010.

Further information on the public funding that is made available for content creation can be found in Appendix C.

Demand for news may be falling, but it is highly valued by those that consume it

There is no single metric that indicates the level of demand among New Zealanders for news and current affairs content. Industry observations were that New Zealanders' willingness to pay for news content has declined over time, and what limited data is available indicates that demand for news in the aggregate may have declined.

The example of New Zealanders' demand for newspaper content provides a useful insight:

- There has been a marked decline in the proportion of the population reading news content produced by newspaper publishers (taking into account print and online distribution). From 2006 to 2020 the proportion of the adult population reading newspaper content (in print and online) declined from 80 per cent to 74 per cent.⁷¹
- Between 2016 and 2020 the total number of New Zealanders reading newspapers in print and online (web or app) grew by 2 per cent.⁷²

However, shifting news consumption patterns and the growth of new channels has likely countered some of the decline in demand for content from traditional news publishers. For example, TVNZ (television and online) is the country's most popular source of news, 43 per cent of New Zealanders now report watching online news videos on a daily basis,⁷³ and a significant portion of the population consumes news via social media (53 per cent of Facebook users in New Zealand report watching news videos on the platform).⁷⁴ Similarly, the entry of digital native firms such as Newsroom and BusinessDesk indicates that there is demand for quality news content, including investigative journalism, opinion, and business analysis.

No one we spoke to in our interviews had the opinion that there was any shortage of demand for high-quality domestic news. This is borne out by data showing that of the 2.6m people who access dedicated news and current event sites in New Zealand, 2.4m access New Zealand news categories.⁷⁵

Importantly, regardless of whether demand for news has fallen or remained stable, those who consume New Zealand news highly value it. A recent survey of those who regularly consume news content showed that:⁷⁶

- 72 per cent considered New Zealand news media to be highly important to them,

⁷¹ Comparing Roy Morgan survey results. Bryant, S., (2006) 'Emerging Media Trends: Navigating the Consumer Landscape' Roy Morgan Research and Roy Morgan readership results (2020)

⁷² Roy Morgan (2020)

⁷³ NZ On Air, (2021) 'Where are the Audiences?'

⁷⁴ NZ On Air, (2018) 'Where are the Audiences?'

⁷⁵ Nielson (2020), 'Media Trends 2016: How New Zealanders consume newspapers, magazines, TV, radio & digital'.

⁷⁶ News Publishers Association (2021), 'New Zealand News Brands in the Post Covid World' (August 2021).

- 67 per cent agreed New Zealand newspapers and the news media are an important element of the social fabric of New Zealand, and
- 63 per cent said that, post-Covid, it is more important than ever that New Zealand has local newspapers and news media.

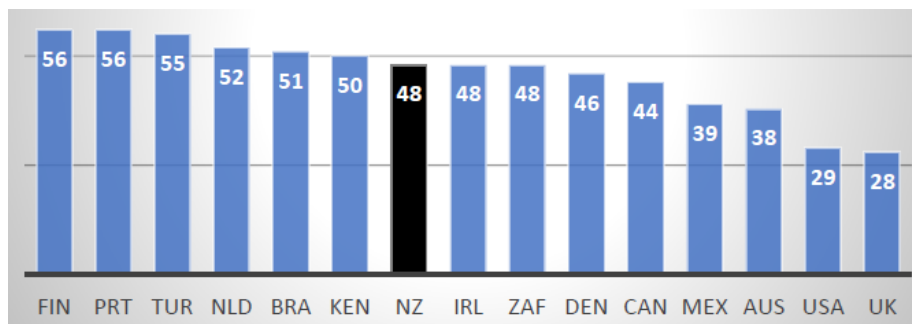
3.5 Trust in the media remains high, but is declining

New Zealanders are relatively trusting of the news media

New Zealanders appear to be more trusting of the news than consumers in other countries. 48 per cent of New Zealanders report that they trust the news overall, compared to an international average of 38 per cent.⁷⁷ When asked about the news they personally consume, New Zealanders are slightly more trusting, at 55 per cent.

Figure 9 below shows that trust in the media in New Zealand is lower than in Finland and Portugal, but is substantially higher than in Australia, USA, and the UK.

Figure 9: Proportion of population that trusts most news most of the time⁷⁸



Trust in the New Zealand news media fell from 53 per cent to 48 per cent from 2020 to 2021. This decline in trust mirrors a clear international trend where media mistrust is on the rise.

The report from AUT’s research centre for Journalism, Media and Democracy observed there were a multitude of drivers given by respondents for their mistrust of New Zealand news media, including political bias (especially in talkback radio), politicisation of the media, the media pushing certain agendas, the media offering largely opinions rather than factual news, selective reporting, not offering a full picture of events, and poor standards of journalism.

The AUT report also demonstrates that during Covid-19 people were considerably more trusting of traditional linear media, such as TVNZ 1 News, for receiving Covid-19 information.

⁷⁷ Myllylahti, M., and Treadwell, G., (2021) ‘Trust in news in New Zealand’ AUT research centre for Journalism, Media and Democracy.

⁷⁸ Myllylahti and Treadwell (2021).

Misinformation is of growing concern and may undermine trust in the media

Misinformation and disinformation have become increasingly prevalent in the digital age as it has never been easier to create content, while barriers to content distribution have fallen away. As technology advances, so too does the ability to replicate well-meaning media – which may occur for a number of reasons, ranging from satirical comedy right through to intentionally perverting the democratic process to push a specific agenda.

New Zealanders have significant concerns about misinformation

While approximately half of the population trusts the news in general, New Zealanders are much less trusting of news that is available via digital platforms – and much less trusting of these sources than consumers in other countries. 26 per cent of New Zealanders trust news they find via search engines (the international average is 32 per cent), while only 14 per cent trust news on social media (22 per cent internationally).⁷⁹

The fact that most New Zealanders think critically about the news they consume online is reassuring and indicates that the scope of misinformation to cause widespread issues for plurality may be constrained to a narrow segment of the population. However, the size of the potential problem could easily change, and even within this small population subgroup there is the potential for misinformation to create serious issues.

The mistrust of news sourced via social media likely reflects the greater awareness of the volume of misinformation and disinformation (where the intent to mislead is deliberate) that is available online. 68 per cent of New Zealanders said they were concerned about what news was real or fake on the internet, placing New Zealand as the fifth most concerned about this topic internationally (behind Brazil, Portugal, Kenya, and South Africa).⁸⁰ Additionally, 94 per cent of respondents were worried about spin and twisted facts in online news, and 91 per cent of people were worried about poor journalism, such as stories:

- with factual mistakes,
- that had been ‘dumbed down’,
- with misleading headlines, or clickbait, and
- that were made to look like news stories but were sponsored content or advertisements (not often clearly labelled as such).

Survey respondents also made it clear they believed online platforms had some responsibility in protecting the validity of media and limiting the influence of misinformation in the digital age. Approximately 79 per cent of New Zealanders believed journalists and media companies had a

⁷⁹ Myllylahti and Treadwell (2021).

⁸⁰ Myllylahti and Treadwell (2021).

responsibility to make it easier to separate real and fake news, while 73 per cent believed that Google and Facebook (as major drivers of news sharing online) should do more.⁸¹

The potential risks of misinformation for media plurality are significant

The shift towards online news dissemination and consumption has increased consumers' exposure to inaccurate and untrustworthy news and has also created challenges for consumers to discern the accuracy, trustworthiness and impartiality of the content they are consuming. We concur with the view reached by Ofcom that both these developments could cause plurality concerns if the impact of inaccurate and untrustworthy news becomes disproportionate.⁸²

Disinformation and misinformation are certainly not new problems. However, the internet has increased the likelihood that consumers will be exposed to unreliable 'news'. The way search engines' algorithms push trending content has been compared to Gresham's Law from economics, suggesting bad information drives out the good.⁸³ In current algorithms, even ludicrous myths and falsehoods can rise to the top of searches and ultimately are perpetuated, thus becoming self-validated.

Even at the least malicious end of the spectrum of misinformation, there are risks present that citizens are led astray and place faith in avenues that may be harmful for not only the democratic process, but other people's wellbeing.

The risks of misinformation have been especially showcased and heightened during the Covid-19 pandemic. Increasing tensions and societal divide because of misinformation have been witnessed across a range of issues, including the origin of the virus, the nature and severity of the virus, the reliability of vaccines, and the efficacy and suitability of alternative methods for prevention and treatment. 75 per cent of surveyed New Zealanders considered false information about Covid-19 to be an 'urgent and serious threat to NZ society'.⁸⁴

The consequences of misinformation, disinformation, and the subsequent divide of society can be seen through many examples with varying degrees of severity and implications for different groups.

One of the most extreme examples was a 149 per cent increase in anti-Asian hate crime in the United States in 2020, which corresponded with an increase in negative stereotyping of Asians relating to the pandemic.⁸⁵ Other recently documented examples of people causing harm based on the consumption of inaccurate information include the use of high-risk practices to combat Covid-19⁸⁶ and people

⁸¹ Myllylahti, M., and Treadwell, G., (2021).

⁸² Ofcom, (15 June 2021) 'The Future of Media Plurality in the UK'.

⁸³ Gresham's Law relates to 'bad' currency driving out 'good', however can be thought to be analogous to misinformation because both good and bad information may have the same 'face value' and may be perceived as equally valid by consumers. Bad information, however, may drive out good information (especially on the internet) because of the search algorithms and lack of consumers' insight of validity past face value.

⁸⁴ Classification Office (2021) 'The Edge of the Infodemic: Challenging Misinformation in Aotearoa'

⁸⁵ Center for the Study of Hate and Extremism, California State University (2020), Fact Sheet: Anti-Asian Prejudice

⁸⁶ A survey of US adults and found 39 per cent of respondents reported engaging in non-recommended high-risk practices with the intent of preventing virus transmission, such as washing food products with bleach, applying household cleaning or disinfectant products to bare skin, and intentionally inhaling or ingesting these products. Gharpure, R. et al (2020) 'Knowledge and Practices Regarding Safe Household Cleaning and Disinfection for Covid-19 Prevention' Centres for Disease Control and Prevention.

burning down 5G cell towers (including in New Zealand) because of the belief they cause or exacerbate Covid-19 symptoms.⁸⁷

3.6 The impact of Covid-19 caused a spike in media consumption and impacted advertising revenues

Covid-19 had a temporary impact on media consumption patterns

NZ On Air's regular surveys provide an indication of the impact of Covid-19 on consumption patterns. These show that lockdowns led to a general increase in online media consumption (including video-on-demand, streamed music, and online gaming) and stabilised demand for TVNZ 1, Radio New Zealand National and Newstalk ZB; however, overall media consumption has declined since 2020. This suggests Covid-19 may have had a greater impact on audience engagement (i.e. time spent consuming) rather than on audience size.⁸⁸

The 2021 report suggests that Covid-19 was a driver for some of the changes in consumption patterns in 2020; however, the reliance on linear broadcast for news about Covid-19 was not enough to prevent overall linear media audience numbers from declining.⁸⁹ Overall, it does not seem that Covid-19 made any significant step-change in the way media is consumed or how it is consumed.

Covid-19 has had significant impacts on advertising

There are indications that Covid-19 has had a severe impact on advertising revenues of media businesses in New Zealand. In particular:⁹⁰

- There was a 37.9 per cent decrease in advertising spending at the height of the level 4 lockdown in April 2020.
- IBISWorld research suggested that the revenue for the Advertising and Market Research Services industry was expected to decline by 9.1 per cent overall in 2020/21 due to weak economic conditions and a slow-down in consumer spending activity.

Stakeholders we talked to observed they were not yet sure whether their loss of revenue in 2020 would be permanent or if it would rebound along with the rest of the economy. It is premature to reach conclusions on the long-term impact of Covid-19 on media businesses in New Zealand. However, there is nothing to indicate that the temporary spike in consumption during lockdowns has corresponded to any improvement in the financial sustainability of New Zealand media firms – and if advertising revenues do not rebound, businesses may encounter difficulties in the future.

⁸⁷ Farrier, D., (2020), 'How 5G and Covid-19 mixed to make a toxic conspiracy cocktail' Radio New Zealand.

⁸⁸ NZ On Air, (2021) 'Where are the Audiences?'

⁸⁹ NZ On Air, (2021) 'Where are the Audiences?'

⁹⁰ Faafoi, K. (2021) 'Investing in Sustainable Journalism: Draw down of tagged contingency' Ministry for Culture and Heritage.

4. Assessing media plurality in New Zealand

This chapter draws upon the trends and drivers identified in the preceding chapter to assess whether there are issues regarding media plurality that might give rise to public policy concerns. We conclude that overall New Zealanders are well served at the moment by the current state of media plurality, although there are some specific areas of concern that need to be addressed and some possible risks as to the continued viability of public-interest journalism in the longer term.

4.1 A framework for assessing media plurality

Ofcom's model has been widely recognised as a leading means of assessing the existing and future sufficiency of media plurality.⁹¹ As our study is broader than examining news plurality, we have adapted this framework somewhat to focus on key categories of the media – news, cultural content and entertainment media.

Ofcom's plurality framework focuses on measuring the extent to which diverse viewpoints are available and consumed, across and within media enterprises. For example, while consumers may have access to unparalleled content, consumption patterns may give rise to public policy concerns if they indicate problems with likely sustainability of certain business models, or if content being consumed is concentrated on single entities / voices.

This framework first examines *external plurality*, focusing on:

- **Production / availability:** the number of different media sources available across different platforms (examining issues with potential diversity of viewpoints).
- **Consumption:** having regard to the reach and share of consumption, including by platform (examining issues with potential concentration).
- **Impact:** the influence of news content consumption on how people's opinions are formed (examining issues with importance and relevance of the media).

Also relevant are matters to do with *internal plurality*, which focuses on contextual factors and whether there are mechanisms to safeguard plurality – including oversight of the media, the degree of editorial control exercised by owners, governance models, and the range of internal voices.

4.2 Assessing media plurality

We have broken our analysis of media plurality down into the following key categories:

1. News: local and regional news; national news and New Zealand perspectives on international news; and informal non-commercial news (e.g. blogs, podcasts), and
2. Cultural content and entertainment: individual/social content; community content; New Zealand heritage and stories.

⁹¹ Ofcom's framework was also adopted by the Commerce Commission in the NZME/Fairfax merger decision.

Our assessment is necessarily subjective but is based on the insights gleaned from interviews with leading media stakeholders, analysis of trends and data both here in New Zealand and overseas, and a literature review.

We have used a traffic-light system below to broadly indicate the key areas of concern for various components of the media ecosystem in New Zealand. These are complex issues with many underlying drivers, and what we are attempting to show is how we expect the market trends/drivers to manifest themselves and create public policy concerns. The issues we have identified are explored in more detail in following chapters.

Assessment of media plurality – news

Table 1: Our assessment of plurality in news media

Plurality criteria	Key categories for analysis	Our plurality assessment:		Key insights / metrics
		Current state	Medium-term	
Availability of media sources <i>(diversity of view)</i>	Local / regional news	Downsizing will continue	Uncertainty re viability of local news	<ul style="list-style-type: none"> Public-interest news is widely available and often free Proliferation of news sources, views and growth in digital-only new entrants Concentrated ownership of traditional media (duopolies in print, radio and broadcast TV) NZME and Stuff attract 91 per cent of combined print/online readers and 79 per cent of online news⁹² Traditional news firms are evolving, but business models remain challenging (particularly the inability to replace losses of advertising revenue) Journalist roles fell 52 per cent from 2006 to 2018⁹³ 29 community/rural newspapers closed between 2017-2018; regional reporters fell by 28 per cent 2014-2019⁹⁴
	National news / NZ perspective on international news		Financial pressure on national media	
	Informal (e.g. blogs, podcasts)			
Consumption of media sources <i>(reach and concentration)</i>	Local / regional news	Consumption may decline with supply	Trend towards national news	<ul style="list-style-type: none"> 74 per cent of NZers aged 14+ read the news (print/online) each week, down from 80 per cent in 2006⁹⁵ 54 per cent of news consumed by NZers is done online⁹⁶ Digital platforms playing a growing role in how NZers access news (53 per cent of traffic to news websites comes via digital platforms)⁹⁷ Significant growth in Māori language content and news
	National news / NZ perspective on international news		Role of algorithms	
	Informal (e.g. blogs, podcasts)			
Impact or influence of these sources <i>(impartiality, reliability, importance and relevance)</i>	Local / regional news			<ul style="list-style-type: none"> NZ ranks 8th for independence of the media and press freedom⁹⁸ 48 per cent of NZers trust the news in general; compared to international average of 38 per cent⁹⁹ 72 per cent of NZers consider domestic news media to be 'highly important' 55 per cent of NZers trust the news they consume 26 per cent of NZers trust news they find via searches; only 14 per cent trust news they find on social media Misinformation a growing concern
	National news / NZ perspective on international news			
	Informal (e.g. blogs, podcasts)	Misinformation a growing concern	Misinformation will undermine trust	
Internal plurality <i>(contextual factors safeguarding plurality and diversity of voices)</i>	Local / regional news			<ul style="list-style-type: none"> Strong ethic of editorial independence in NZ newsrooms Light-handed regulation of ownership and local content Limited ethnic representation among journalists: Māori journalists comprise 7 per cent of NZ journalists (13 per cent of population); Asian journalists comprise 7 per cent (14 per cent of population); Pasifika journalists comprise 2 per cent (6 per cent of the population). Industry having difficulty attracting skilled graduates
	National news / NZ perspective on international news	Lack of diversity; education pipeline	Lack of diversity; education pipeline	
	Informal (e.g. blogs, podcasts)			

⁹² Myllylahti, M. and Hope W. (2020).

⁹³ Statistics New Zealand

⁹⁴ Memorandum of Understanding: Local Democracy Reporting Service for New Zealand (May 2019)

⁹⁵ Roy Morgan surveys

⁹⁶ Commerce Commission NZME and Fairfax Determination (2017).

⁹⁷ Myllylahti, M. (2018).

⁹⁸ Reporters without Borders, 'World Press Freedom Index 2021' <https://rsf.org/en/ranking/2021>

⁹⁹ Myllylahti and Treadwell (2021). Sourced used for other findings on trust referenced in this table.

Assessment of media plurality - cultural content and entertainment

Table 2: Our assessment of plurality in cultural and entertainment media

Plurality criteria	Key categories for analysis	Our plurality assessment:		Key insights / metrics
		Current state	Medium-term	
Availability of media sources <i>(diversity of view)</i>	Individual / social content			<ul style="list-style-type: none"> • TVNZ OnDemand most popular streaming service • Ease to create user-generated cultural and community content supports plurality • Younger NZers in particular are prolific content creators on TikTok, YouTube and Facebook • Public funding of Māori Television and 21 iwi radio stations important for promoting te reo Māori and tikanga Māori. 60 per cent of Te Māngai Pāho funding is targeted at fluent audiences¹⁰⁰ • Concerns about funding levels for ethnic media – particularly iwi and access radio stations
	Local community content / ethnic content		Reliant on volunteers and public funding	
	NZ heritage / stories			
Consumption of media sources <i>(reach and concentration)</i>	Individual / social content			<ul style="list-style-type: none"> • Consumption of cultural content is heavily online • Māori TV audience slightly declining: weekly reach declined from 29% to 14% from 2016 to 2019.¹⁰¹ • In 2020 NZ music comprised over 20 per cent of music on the radio for first time since 2005¹⁰² • Access radio successfully reaching out to marginalised groups: content in 49 languages and 2.7m podcast downloads last year¹⁰³ • Demand for quality NZ content remains high • Longer-term concern for place of 'NZ stories' if demand shifts further towards global content
	Local community content / ethnic content			
	NZ heritage / stories		Trends towards global media content	
Impact or influence of these sources <i>(impartiality, reliability, importance and relevance)</i>	Individual / social content		Misinformation will create issues	<ul style="list-style-type: none"> • 77% of NZ audiences value diversity of content funded by NZ on Air¹⁰⁴ • 87% of NZers support having free to air publicly funded content¹⁰⁵ • 1 in 4 NZers who watch NZ content do so because of its NZ character¹⁰⁶ • Misinformation is a growing concern to NZers • Ethnic media content often plays a key role for different groups, including those who might otherwise be marginalised
	Local community content / ethnic content			
	NZ heritage / stories			
Internal plurality <i>(contextual factors safeguarding plurality and diversity of voices)</i>	Individual / social content			<ul style="list-style-type: none"> • Lack of barriers to content creation and strong diversity of voices limit potential concerns about internal plurality • Access radio provides strong local and ethnic perspectives. Recognised as last truly local media in some regions
	Local community content / ethnic content			
	NZ heritage / stories			

¹⁰⁰ Te Māngai Pāho, Annual Report 2018-19.

¹⁰¹ Kantar (2019).

¹⁰² New Zealand on Air 'Local music on radio hits highest peak since records began' (24 February 2021).

¹⁰³ NZ On Air Annual Report (2020).

¹⁰⁴ NZ On Air Annual Report (2020).

¹⁰⁵ NZ On Air (2020) 'Public Awareness and Attitudes Survey'.

¹⁰⁶ NZ On Air and Research New Zealand (2019)

4.3 Our conclusions on media plurality – New Zealand is generally well-served, with some areas of concern

New Zealanders now have more choice than ever before about the type of content they consume. The ubiquity of digital content means consumers can access a wider range of content from a wider range of sources. Geographic limitations that may have previously restricted consumers to accessing a limited number of linear platforms such as local newspapers, TV broadcast and radio stations are now non-existent.

No one we spoke to for this project thought there was a crisis for media businesses or for the state of plurality in New Zealand. Some of the key positives for plurality that we examined in chapter 3 include:

- Plurality has increased overall – New Zealanders have access to substantially expanded levels of international and domestic content on a wide range of issues and from a diverse range of perspectives.
- There is still demand for quality journalism – New Zealanders are still consuming high levels of content, and new digital-only entrants have been able to enter the market targeting consumer segments.
- Business models are diversifying and adapting to changes in consumers' willingness to pay. Many media firms we spoke to noted they were being forced to innovate and seek new revenue streams.
- Competition for news and talent is robust – interviewees described levels of competition between media firms as fierce for both advertising revenue and for talented professionals. Many attributed a recent renewed emphasis on investigative journalism as a direct result of the entry of new digital-only firms into the market (with traditional firms having to respond to the competitive threat).
- We have not seen any indication of significant problems with the quality of New Zealand news content. While 'clickbait' may have once been an issue (and still is in social media), there was a strong consensus among interviewees that New Zealand media is focused on producing high-quality content.
- There appears to be demand and a viable business model for independent, hyper-local content, e.g. Crux Media, independent community newspapers, Neighbourly, and community content on social media.

However, there are certainly some areas of concern and some warning signs. Although New Zealand consumers now have access to unparalleled content (particularly news), the fragmentation of audiences and loss of traditional revenue streams can create challenges of its own.

The key concerns we have identified with plurality in the news media in New Zealand are:

1. Although the market for national news is well-served at the moment, considerable financial pressures will continue to be exerted on traditional news publishers in a digital environment (e.g. Stuff and NZME). News publishers generate a significant majority of their revenues from print newspapers, and as these continue to decline we expect to see further consolidations of newsrooms and shrinking journalist numbers. This creates some uncertainty as to whether current levels of public-interest news will continue to be available in the medium term.

2. While we expect many communities will be well-served by independent and hyper-local community news sources, larger national publishers will continue to cut costs in their operations in smaller centres. Journalism in smaller population centres is clearly going to be under pressure, and there will be further closures of print mastheads, reductions in journalism numbers and a trend towards focusing on national news.
3. The growth of social media and informal news channels has contributed to a rise in misinformation, which has the potential to undermine trust in the news, change consumption patterns, increase polarisation and in some instances lead to harm.
4. The use of algorithms by digital platforms to prioritise certain news content and sources for particular consumers risks undermining plurality in the future: by limiting views that consumers are exposed to, impacting the business models of news firms, and placing those platforms in a unique role as content 'gatekeepers' for a significant segment of the population.
5. There is a lack of diversity within newsrooms, particularly with respect to Māori, Pasifika and Asian journalists. Cultural and ethnic diversity among those investigating and reporting the news is an important element of plurality – helping to bring different perspectives on the news, increasing the likelihood the news reflects content important to all New Zealand communities, and ensuring the New Zealand population can see their communities reflected in newsrooms.
6. The education pipeline for journalists is under pressure, with fewer graduates entering the workforce.

As noted earlier, the government is considering a business case for the establishment of a new public media entity (from TVNZ and Radio New Zealand), although as yet no decisions have been made. Several stakeholders we spoke to were concerned that any new public media entity would adversely affect plurality of the news media if two trusted and independent media entities merged into one. Some were also wary that the new entity might have an expanded commercial remit or move more aggressively into online news, which they felt would make it harder for their own firms to attract viewers/subscribers and advertising. At this point it would be premature to attempt to assess the potential implications that any new public media entity may have for media plurality. While there are potentially some plurality risks associated with the merger, there may also be some opportunities for the new entity to focus on previously underserved areas.

By comparison, we have identified fewer concerns about the state of plurality for cultural content and entertainment in the media. The two key concerns we have noted are risks that may eventuate in the future and there is not necessarily a need for changes to policy settings at present – although potentially more targeted research into these issues is warranted:

1. The future state of the 12 access radio and 21 iwi radio stations is uncertain due to funding pressures, which may negatively affect the state of ethnic media. The stations rely heavily on public funding and volunteers, and their operations are vulnerable to rising costs (e.g. rent and transmission) and advertising pressures, particularly as they shift to a multimedia environment.

2. There is a possibility that as linear platforms become less relevant (particularly to younger New Zealanders), uniquely New Zealand stories/content will become less relevant and visible to a significant portion of New Zealand consumers.

A focus on the news media

The most pressing public-interest concerns we have identified relate to plurality within New Zealand's news sector. The following chapter examines those concerns and possible policy interventions in more detail.

Importantly, not all the concerns we have identified give rise to public policy concerns – that is, they don't all at this point in time meet the threshold in our view for policy, regulatory or legislative change. There is often value in simply shining a light on potential areas of concern, if only to document them at this moment in time and to provide a basis for providing regular updates.

5. Policy initiatives to support plurality in the news media

Although media plurality in New Zealand is in a relatively sound position, we have identified some areas of concern now and some risks that may materialise in the future. These include: a risk that plurality in the market for national news will be adversely affected due to financial pressures on news firms; an anticipated reduction in traditional journalism in smaller urban centres; the potential for misinformation and the use of algorithms to undermine plurality; the lack of ethnic diversity in New Zealand newsrooms; and consequences from the education pipeline being under pressure.

In this section we explore some potential policy responses to both address these concerns and proactive steps to minimise emerging risks to plurality. We conclude that:

- At this point there is no need for large-scale government intervention to support the market for national news, although there is a need for a more regular and formal monitoring of media plurality in New Zealand (including data collection).
- The market for local news, particularly in smaller urban centres, remains vulnerable and there is a role for the government to provide funding to maintain minimum levels of coverage of public institutions and elected officials. The LDR scheme appears to be well-targeted at an area of plurality concern where there is a clear public interest.
- Policy initiatives could assist to combat the growing problem of misinformation on digital platforms, including through an industry code of practice and improved media literacy education.
- Further research is needed to examine the impact and transparency issues arising from the use of algorithms.
- Temporary financial support may be justified to improve ethnic diversity in newsrooms in New Zealand.
- Policy initiatives that could be pursued to address inconsistent treatment of media platforms include removing platform-specific advertising restrictions and the tax treatment of multinational companies.

5.1 Supporting a sustainable market for national news

As we outlined in chapters 3 and 4 above, major news firms operating in an already concentrated market are under financial pressure. As print newspapers in particular continue to decline, there will be further newsroom consolidation and reductions in journalist numbers; and we cannot exclude more fundamental changes to plurality resulting from ownership changes. Although New Zealanders are well served in terms of plurality at present, there is some uncertainty as to whether current levels of public-interest news will continue to be available in the medium term.

We acknowledge that where we see a possible future risk to levels of plurality, others may see a more pressing problem. As Ofcom has observed, an assessment of plurality is necessarily subjective and there is no single accepted measure for determining whether a particular level of plurality is

sufficient.¹⁰⁷ Whether there is a need for the government to intervene now to shore up potential plurality concerns requires a balancing exercise that considers the potential likelihood and consequences of plurality concerns against the nature of the potential policy interventions.

There is not a strong case for directly funding commercial news content

One option for responding to the risk the market will not provide sufficient levels of news content is for the government to step in and provide funding directly to private sector companies to produce that content. As we outline below, given the current state of plurality and the risks associated with public funding of journalism content, we do not see a strong case for any ongoing public funding of commercial news content.

The establishment of the Public Interest Journalism Fund recognised the value of maintaining media plurality

The PIJF is a \$55m contestable fund to be allocated over three years to fund public-interest journalism. The fund opened in 2021 and New Zealand On Air, as administrators of the fund, were tasked to 'preserve and enhance public-interest journalism that will otherwise be lost due to the impact of Covid-19 on newsrooms'.¹⁰⁸ The PIJF funds three different components of public-interest journalism through a contestable process:

- specific journalism projects,
- role-based funding to support newsrooms to employ reporters, and
- industry-development, e.g. training and cadetships.

The development of the PIJF anticipated that through role-based funding the PIJF would fund a minimum of 100 reporter FTEs (or 5 per cent of the journalist workforce) and observed that the annual expenditure would be larger than equivalent programmes in the UK and Canada, despite New Zealand's much smaller population.¹⁰⁹

Support for the PIJF was mixed

Many in the media we spoke to supported the PIJF, noting that this new public funding meant they would be able to hire staff and produce content they otherwise would not have. There was particularly strong support for the PIJF components that focused on training and building capabilities within the industry. This included training support, funding to take on additional reporters, and funding cadetships – which encourage new entrants into the journalism industry.

Several stakeholders also observed that they expected the PIJF to improve media diversity and plurality because of its strong focus on Te Tiriti o Waitangi and supporting Māori and Pasifika

¹⁰⁷ Ofcom (19 June 2012) 'Measuring Media Plurality: Ofcom's advice to the Secretary of State for Culture, Olympics, Media and Sport'

¹⁰⁸ Office of the Minister for Broadcasting and Media, (28 January 2021) 'Investing in Sustainable Journalism: Draw down of tagged contingency', Paper to Cabinet Business Committee.

¹⁰⁹ Crawford, H. (2021) 'The Public Interest Journalism Fund: Stakeholder consultation and recommendations – summary'

journalists. One stakeholder observed that the PIJF represented the first time that public funding had ever been given directly to encourage Māori journalism.

However, several stakeholders expressed concern that funding decisions had crossed into editorial decision-making, with New Zealand On Air effectively holding a ‘beauty contest’ to choose which proposed stories/investigations merited support. It was suggested that funding these one-off incremental outputs will produce marginal public benefit and does little to encourage the industry to confront the true challenges of producing sustainable news. As one news firm observed:

We are engaging with the Public Interest Journalism Fund and will hopefully get a healthy amount of money. But we are disappointed in a way as the fund design hasn’t encouraged anyone to explore or trial new business models, content can’t be funded if there are paywalls (even if in the public interest), and it won’t fund new technology or new experimental roles. The fund at present is focused on outputs rather than outcomes.

The funding support from the PIJF was also described as uneven and creating winners and losers in the industry. Despite the impact of Covid-19 being near-universal, some newsrooms benefited from taxpayer-funded staff while others missed out entirely. Others observed that due to the relatively limited pool of journalists in New Zealand, the PIJF was creating a ‘giant game of musical chairs’ and was leading to salary inflation rather than building new capacity.

Some stakeholders also expressed reservations that public funding of media firms may make those firms beholden to the government of the day and public officials might be reluctant to fund proposals that will be critical of government policies – which would undermine a key plurality objective of the media being able to hold public institutions and elected officials accountable. However, most news firms we interviewed rejected the proposition that government funding would affect their editorial independence, impartiality, or their willingness to criticise government policies and decisions.

The government’s role in funding journalism is a complex issue that will need to be fully explored at some point in the future, including giving consideration to how funding decisions are made and the level of independence from government oversight. A full evaluation will also be able to provide insights into the value of the PIJF and its impact on media businesses.

There are risks to plurality from creating a permanent public funding stream to produce news content

The option of permanently funding private sector firms to supply additional public-interest journalism is deceptively attractive: public-interest journalism provides a public good that is unlikely to be supplied in sufficient quantity by the private sector, so the more public-interest journalism there is then the better off society will be. There is also evidence that publicly-funded media can have a net positive impact on public trust, knowledge, and diversity in some settings.¹¹⁰

¹¹⁰ For example, Sehl, A., Fletcher, R., and Picard, R (2020) ‘Crowding Out: Is there evidence that public service media harm markets?’ *European Journal of Communication*; and Nielsen, R., Fletcher, R., Sehl, A., and Levy, D. (2016) ‘Analysis of the Relation Between and Impact of Public Service Media and Private Media’ The Reuters institute for Study of Journalism, University of Oxford.

Our report has highlighted that the entry and growth of several digital-only news firms in New Zealand (e.g. BusinessDesk, The Spinoff, Newsroom, Crux Media) has been successful because they have been able to target the gaps in the market left by traditional media firms. Any large-scale permanent funding at a national level risks reducing the commercial opportunities available to firms to create content, risks propping up inefficient business models, and may unwittingly tilt the prospects of success/failure for businesses.¹¹¹ The success or otherwise of New Zealand media businesses will ultimately depend on how those firms innovate and react to competition.

There is not a strong case to follow two recent policy initiatives adopted in Australia and Canada to support news firms

We also examined whether policy interventions that have been adopted overseas may be suitable for addressing the risk that public-interest news in New Zealand may decline over the medium term.

Many stakeholders we interviewed spoke favourably of the recent Australian News Bargaining Code (requiring Facebook and Google to compensate news firms for providing consumers with links/snippets to new content) as a model that could be used to support New Zealand's news media.

We explore the Australian model in more detail in Appendix E and outline our reasoning for why we do not consider there to be a compelling case for New Zealand to adopt a similar approach. Our reasons include that news firms derive significant benefit from the current arrangements that drive traffic to their sites, that any imbalance in bargaining power between New Zealand media firms and global digital platforms does not undermine the ability of news firms to make money from their content, and that such an intervention may not necessarily lead to additional public-interest journalism.

Another policy initiative recently adopted overseas to support a sustainable news sector was the move by the Canadian government to make it easier for non-profit news organisations to register as charities in order to encourage philanthropic donations.

We do not consider there to be merit in trying to support journalism in New Zealand by creating a new category of charitable organisation. It is unlikely such a move would have a material impact on journalism in New Zealand, and the costs imposed through administering such a scheme and the incentives it would create for tax avoidance are likely to outweigh any benefits. Our analysis and reasoning is outlined in more detail in Appendix F.

Formal and regular monitoring of media plurality would provide value

Our analysis has confirmed that media plurality in New Zealand is in a relatively sound position, although there are some warning signs for the future. While a 'stocktake' of plurality such as this exercise can provide a useful assessment at a single point in time, the monitoring of long-term trends

¹¹¹ By contrast, as we discuss later, we consider the risks associated with the LDR funding to be much lower, given it funds roles in defined geographic areas that are assessed as lacking minimum levels of news about public institutions, and the content is made available to all media firms.

is important as media markets and risks to plurality will change. In our view this is an exercise that needs to be repeated on a regular basis. Furthermore, there is value in developing a consensus as to what aspects of plurality need to be measured and how those aspects should be measured – so that analysis and discussion afterwards focuses on areas of concern and potential policy measures rather than the assessment process itself.

We consider there is a case for MCH to formally adopt a media plurality measurement framework and to undertake periodic reviews of media plurality. This could entail:

- public (or targeted) consultation on a framework for measuring plurality and the key metrics that should be tracked over time,
- commissioning periodic surveys/research to fill any gaps in the measuring framework, and
- publishing in a transparent manner the key findings and trends, potentially every four-five years.

This is the approach that Ofcom has recently committed to in the UK, where it recognised that simply assessing media plurality as part of media merger decisions would fail to account for plurality concerns that might arise through broader market changes, such as cumulative market exit, organic growth, or changing market dynamics.¹¹²

Adopting a methodical approach to measuring the state of key media markets and consumer consumption patterns would help policy makers and the media industry to monitor trends and would provide a firm foundation on which future policy decisions on the role of government could be based.

5.2 Supporting the provision of local news

A key aspect of media plurality is having a sufficiently informed population to support democratic accountability (particularly for public institutions and elected officials) and facilitate public discourse on matter of public interest.

The provision of local public-interest news is in decline across the country. The trend of newsroom consolidation and retrenching from regional New Zealand and smaller urban centres is clear among larger news firms. The impact of this trend, however, will not be even: some centres will be well-served by strong independently-owned community newspapers and digital-only services, while in others it is unlikely to be financially viable to have on-the-ground journalists to report on matters of public interest and to hold public institutions to account.

Local news specialists play an essential role in a thriving democracy, and we would expect the decline of journalism in regional New Zealand to result in a reduction in coverage of local public institutions – including councils, DHBs, and courts.

¹¹² Ofcom (5 November 2015) 'Measurement framework for media plurality: Ofcom's advice to the Secretary of State for Culture, Media and Sport'.

The Local Democracy Reporting scheme is well supported

The LDR scheme was launched in mid-2019 to address a 'democracy deficit' arising from cutbacks in reporter numbers in regional New Zealand. Radio New Zealand administers the scheme, which publicly funds 20 reporters around the country to report exclusively on stories about publicly appointed or elected officials or bodies.¹¹³ The reporters are directly employed by news firms but their content is made available free to all New Zealand media partners.

The media stakeholders we interviewed for this project were generally supportive of the LDR concept, with a consensus that the reporters were providing important local content that would not otherwise be supplied. There was an acknowledgement that local body reporting is often not a topic that brings in revenue for commercial entities but that local communities would suffer if public decision making was not covered.

Several stakeholders observed that the reason commercial entities might not be adequately covering local body reporting was because there was little demand from local communities for that content – and that the government was likely funding content that was not valued by communities. Others noted that, while the LDR programme may be providing new content, having homogeneous content available on different media platforms did little to improve the diversity of media in New Zealand.

A review of the LDR scheme in 2020 concluded it was functioning well, it was producing stories on important democratic issues that otherwise would not have been reported, and that it warranted ongoing funding support.¹¹⁴

Our conclusion: LDR is well targeted, but has some risks

It is outside the scope of this report to evaluate whether the LDR scheme is an effective use of public money. However, we can conclude the LDR scheme appears to be functioning well and is well-targeted at an aspect of media plurality where there is a clear public interest – the ability for consumers to receive a minimum level of information about public officials and institutions and to be able to hold them to account for their decisions.

An important aspect of the LDR is that it has clear boundaries as to the outcomes the scheme is trying to achieve. It was not set up to replace an entire part of the news industry or to provide financial support to struggling news firms. Rather, it is simply providing a minimum level of coverage in a highly targeted area of need where there is a clear public interest. The LDR roles have been established in areas where that minimum level of coverage was deemed not to be provided.

However, the risk with funding LDR roles is that the provision of funding effectively rules out the prospect of new business models emerging to supply this content. As one stakeholder noted:

¹¹³ The local democracy reporters are in place in Northland (NZME), South Auckland (Stuff and The Spinoff), King Country (King Country News), Rotorua (NZME), Eastern Bay of Plenty (Whakatāne Beacon), Taranaki (Te Korimako o Taranaki), Whanganui (Awa FM), Tairāwhiti (Gisborne Herald), Wairarapa (Wairarapa Times-Age), Marlborough (Stuff), Mid Canterbury (Ashburton Guardian), the West Coast (Greymouth Star) and Southland (Allied Press).

¹¹⁴ Ellis, G. (2020) 'Local Democracy Reporting Review'.

Small local producers are now competing against the government since they are now funding local democracy reporters. This may not be the best way to encourage plurality and the evolution of business models. Now we have local democracy reporters spreading information out across different outlets....This stifles innovation and means no one can go in and now offer a local government blog or other service.

The UK review of its scheme concluded there was no observable crowding-out of activity, that the provision of this minimum level of information either had a net neutral or positive impact on competition for local news (including prompting follow-up pieces and opinion), and that the scheme was effective in holding public institutions to account.¹¹⁵

Another risk with LDR is the inevitable pressure that will exist for the remit to expand beyond public democracy reporting.¹¹⁶ For example, one stakeholder noted that the rationale used to establish LDR (a lack of journalists and a public interest in having informed citizens) could equally be used to publicly fund journalists in other underserved areas to provide court reporting, rural news, and Māori news.¹¹⁷

We note the LDR has recently been rolled into the PIJF, with an indication that 'potential future funding for the LDR ... should be via a contestable process and not guaranteed ring-fenced funding from the [PIJF].'¹¹⁸ In our view the LDR should remain ringfenced – it targets a clearly identified problem, serves a clearly defined purpose in delivering a service of clear public interest that the private sector will not and, when considered against public funding of other measures, has the lowest risk of crowding out private sector activity.

5.3 Addressing digital plurality concerns: misinformation, algorithms, and the regulatory treatment of platforms

Addressing the prevalence of misinformation

As we observed in chapter 3, misinformation and disinformation are a concern and can be linked to declining trust in the media and actual harm arising from consumers relying on inaccurate information.

Media content in New Zealand has long been regulated to ensure accuracy and fairness and to hold publishers to account for inaccuracies and misrepresentation. However, these obligations begin to look increasingly ineffective when viewed in light of the digital consumption of media and unregulated nature of social media.

¹¹⁵ Johnston, P. (2020) 'A Review of the BBC Local News Partnership'.

¹¹⁶ For example, the review of the UK Local Democracy Reporting scheme concluded there are grounds to expand the coverage of the scheme to other public services. Johnston (2020).

¹¹⁷ We note the most recent funding round of the PIJF made funding available for a new 'Open Justice - Te Pātiti scheme to fill gaps in court reporting'. <https://mch.govt.nz/110-journalist-roles-funded-provide-public-interest-journalism-across-motu>

¹¹⁸ NZ On Air (April 2021) 'Public Interest Journalism Fund – Overview' Response to Stakeholder Consultation Report.

The current regulatory toolbox is ill-equipped to combat misinformation

Misinformation and disinformation in traditional media formats has not typically been a concern for policy makers. Newspapers, radio, broadcast television, and advertisers are accountable to various regulators for the accuracy of the content they make available to the public (including the Media Council, the Broadcasting Standards Authority, and the Advertising Standards Authority).

Information/news that is published online is typically not subject to any requirements of accuracy or fairness, except in narrow circumstances.¹¹⁹ However, the global and fast-moving nature of social media as a platform for sharing content between individuals and groups is not easily capable of being monitored – nor is it an area where the government would necessarily want to have an active role in policing.

There has been recent international effort to strengthen the accountability of social media platforms for the content that is made available to consumers. The traditional lens of viewing them solely as platforms that facilitate consumer access to content is becoming less credible now that their algorithms play such an important role in selecting and prioritising the types of content and information that is displayed to consumers.

For their part, digital platforms have voluntarily taken on a greater role in combatting misinformation and have effectively become de facto regulators as to what content is permitted.

For example, in August YouTube banned Sky News Australia for a week from uploading new content or livestreaming content after it concluded the news company had breached its medical misinformation policies. Facebook, for example, removes content that violates local laws or its standards and has hired teams of third-party fact-checkers to constantly examine 'problematic' content. Those fact-checkers can label content as 'false', a step that reduces the algorithmic distribution of the content, prevents users from sharing the content, and makes available links to verified sources of information.

The digital platforms have acknowledged they are operating in a 'legislative vacuum' in many ways regarding the treatment of content. Given their oversized role in the dissemination of media and the daily consumption habits of the population, the status quo may lack the transparency and accountability needed to combat the spread of misinformation.

A two-pronged approach is needed to tackle misinformation

Our conclusion is that policy initiatives are required in two areas to combat the spread and impact of misinformation: an industry code of practice and a media literacy programme.

¹¹⁹ For example, if the publisher has voluntarily joined the Media Council they will be responsible for their content published online; if a TV or radio broadcaster makes content available online that has already been broadcast then the Broadcast Standards Authority can investigate complaints; and if the intention is to make money from the online content it may be considered 'advertising' and subject to sanctions from the Advertising Standards Authority.

New Zealand should encourage the development of an industry Code of Practice

Combating misinformation is a complex task and overly prescriptive government policies in this area risk curtailing freedom of expression, access to information, and reducing legitimate debate about contentious issues that are often not 'black or white'. In light of the uncertain outcomes that might result from regulatory efforts to combat online misinformation we consider there is a need for a cautious approach.

In our view an initial and proportionate response would be to encourage technology companies to take responsibility for addressing misinformation – and to do so in a transparent manner while also strengthening the accountability they face. Such a self-regulatory approach could be supported by the government with a clear message that if there are not material improvements then the government would consider moving to introduce regulation, with all the corresponding monitoring, investigations and potential sanctions that would entail. Our initial assessment of policy options in this area has led us to favour the self-regulatory approach followed in Australia through the recently adopted Australian Code of Practice on Disinformation and Misinformation.¹²⁰ The key aspects of this Code are:

- the code is voluntary,
- the Code targets misinformation and disinformation which threatens to undermine democratic and policy making processes or public goods such as public health, safety, security or the environment,
- signatories commit to safeguards to protect consumers from online misinformation and disinformation,
- signatories are required to publish annual transparency reports, which outline their measures to protect consumers from misinformation, as well as data on the actions taken across their various platforms,
- the Code is outcome-based, which means that signatories are able to implement measures appropriate to their respective platforms, and
- the code was developed through public consultation process.

The Code was developed in response to the Australian Government invitation to develop a voluntary code of practice on disinformation, with the caveat that mandatory regulation would be introduced if the industry failed to develop a credible set of measures. As yet it is too soon to see if there has been any impact of this approach, but technology companies have begun posting detailed reports on the misinformation on their platforms and the steps they have taken to address the problem.¹²¹

In our view such a model provides technology companies with a clear and unifying objective of combatting misinformation, while also providing them with flexibility to achieve this outcome in a manner best suited to their platform. It is an important means to encourage these companies to be more accountable in how they facilitate an open exchange of views, while the common transparency reporting requirement helps the public to evaluate their progress.

¹²⁰ Which itself follows the model of the EU voluntary Code of Practice on Disinformation.

¹²¹ Industry transparency reports can be found at <https://digi.org.au/disinformation-code/>

We note Netsafe is currently working with a number of technology companies to develop an Online Safety Code of Practice, which it expects to be in place by early 2022. There is little public information about the development of the code, but the focus of this code is the safety of New Zealand internet users – specifically addressing harmful content and online abuse (which is Netsafe’s role). This process may well prove to be a suitable mechanism for securing industry commitments to combat misinformation (which is a much narrower issue than addressing ‘safety’ concerns) and there is a case for MCH to engage closely through this code development or facilitate a separate workstream.

Media literacy and consumer education should also be promoted

While technology companies can take some steps to reduce the spread of harmful misinformation, it is simply not possible to successfully prevent the spread of any and all misinformation, whether through the internet or through any other medium. No amount of voluntary code development or regulatory intervention is likely to change this; not just because of the sheer volume of information that is continuously created, but also because determining what is and what is not ‘misinformation’ is not at all straightforward.

While combatting misinformation at source is certainly desirable and should be endorsed within the bounds of reason and practicability, complementary measures to lessen the adverse impacts of misinformation are desirable.

A key element of reducing the adverse impact of misinformation is provided by the existence of healthy plurality within the media industry itself; investigating and scrutinising dubious claims and allegations, fact checking and debunking misinformation are standard parts of the news industry. The significance of the role played by both traditional print and broadcast journalism as well as by native digital media in fact-checking and myth-debunking has been amply demonstrated during the current Covid-19 pandemic. The past few years have seen numerous fact-checking columns, websites, podcasts and other programmes emerge, both by traditional journalists as well as from dedicated amateurs; arguably, this is a healthy market response to the perceived public interest problem of misinformation.

To the extent that there might be a policy concern that the market supplies such countervailing information in inadequate amounts or qualities, the government has suitable instruments available to address that market failure. The government can either produce and distribute corrective or balancing content itself, for example through its ownership of Radio New Zealand, or it can purchase such services from private sector content providers, for example through NZ On Air.

At an individual level, the concept of media literacy encapsulates the idea of individuals having the skills to successfully navigate a highly fragmented and complex media environment and to critically assess and evaluate the source of the content and make judgements as to reliability. There is evidence investments in media literacy can make a difference – a large-scale study evaluating the effectiveness of a digital media literacy campaign in the United States and India demonstrated that the campaign resulted in marked improvements in the ability of consumers to discern false news.¹²²

¹²² Guess, A., et al, (7 July 2020) ‘A digital media literacy intervention increases discernment between mainstream and false news in the United States and India’.

Given the potential harm to the public interest arising from misinformation and disinformation (e.g. fake news), there is an arguable case for some government policy response to help provide people with the tools to be able to determine when the media content is more likely to be misleading. A similar example of this is a current Netsafe contract with the Ministry of Education to provide online safety services to schools throughout the country. This agreement involves Netsafe's education advisors travelling around the country talking about the risks, challenges and opportunities of digital technology, and does include some tools to help people identify 'fake news'.

In our view there is scope to investigate expanding Netsafe's educational outreach beyond 'online safety' and to incorporate providing media literacy tools and resources to schools, parents, and students, and potentially to adult learners through polytechnics. We understand Netsafe's funding for education outreach has not changed in the past decade. This may need to be revisited given the fundamental shift in how pervasive digital technology has become.

Algorithms may give rise to future concerns

Consumers receive recommendations on content from a range of sources, including family and friends and via social media. In chapter 3 we observed that, as digital platforms play an increasingly integral part in how many New Zealanders consume news content, how those platforms' algorithms prioritise news content for consumers will be a more important issue for media plurality.

The use of algorithms may not always support media plurality. In particular:

- algorithms may limit the diversity of views that consumers are exposed to, which could reduce the consumption of quality and accurate news content and create echo-chambers where issues such as misinformation and polarisation become even more problematic,
- as digital platforms play an increasingly important role in tailored news dissemination, algorithm-driven changes in consumer consumption patterns will have implications for the model of news firms and the sustainability of some news firms, and
- there is a lack of transparency as to how algorithms promote different news sources, which place digital platforms in particular in a unique position to influence the content that consumers see and the traffic they drive to particular providers.

At this point in time we have only identified a risk that algorithms may negatively affect media plurality in New Zealand – there is no indication that the means by which digital platforms prioritise content for consumers is undermining plurality at the moment.

However, the role of algorithms is an issue that could quite clearly give rise to significant plurality concerns and further work is required on the implications of algorithms on media consumption and the potential value of policy measures such as transparency measures.

Platform-specific regulatory frameworks, including advertising restrictions, need to be addressed

The regulation of media content in New Zealand primarily focuses on preventing consumers from being exposed to damaging or illegal media content. The regulatory framework is somewhat dated, having been developed mostly in pre-internet days, and the responsible regulator and precise

standards that apply differ depending on the platform that the content was made available on – and much online media remains unregulated.¹²³ The Department of Internal Affairs is leading an important review of media content regulation, with an intention to put in place a modern regulatory framework that can mitigate the harmful effects of media content across all media channels.¹²⁴

While a harm-focused review of media content regulations is an important step, we note there may be other areas where there is differential regulatory treatment of platforms.

For example, television broadcasters are prohibited from running advertising on Sunday mornings and Anzac Day morning, while both television and radio broadcasters are not allowed to run advertising on Christmas Day, Good Friday and Easter Sunday.¹²⁵ Those restrictions do not apply to the majority of the New Zealand media market, including the delivery of online content.¹²⁶

The current advertising restrictions have no reasonable foundation in today's media market. Any initial rationale behind the restrictions has long since been undermined by the dramatic shift in New Zealanders' consumption of online content.

We estimate the potential lost advertising revenue for the broadcasting industry to be approximately \$8m per year.¹²⁷ In an environment where media firms are competing fiercely with global firms for both advertising revenue (e.g. with Google and Facebook) and viewers (e.g. with Netflix) it makes little sense to continue to maintain an uneven legislative playing field that disadvantages New Zealand broadcasters. The removal of advertising restrictions is one area where a change in legislation is necessary to address an outdated anomaly, while supporting the ability of New Zealand media firms to compete in a global market.

The tax treatment of digital companies needs to be addressed

Several of the concerns we heard from media stakeholders about the role of digital platforms reflected were based on a theme that these global technology platforms 'don't contribute to New Zealand society'. This concern was not limited to the platforms' relationship with news firms, but that they were profiting from the free content generated from a range of New Zealand content creators

¹²³ New Zealand's current content regulatory system is made up of the Films, Videos, and Publications Classification Act 1993, the Broadcasting Act 1989 and voluntary self-regulation (including the New Zealand Media Council and Advertising Standards Authority). The Office of Film and Literature Classification and the Broadcasting Standards Authority are statutory regulators under their respective regimes.

¹²⁴ Paper to the Cabinet Social Wellbeing Committee 'Initiating a broad review of the New Zealand media content regulatory system' <https://www.dia.govt.nz/media-and-online-content-regulation>

¹²⁵ Broadcasting Act 1989, section 81.

¹²⁶ So for example, TVNZ is prevented from showing advertising on broadcast television on Sunday mornings, but content being viewed on Sunday mornings via the popular TVNZ OnDemand app will include advertising.

¹²⁷ Calculated by multiplying the 3 public holidays (Christmas, Good Friday and Easter Sunday) by the average hourly advertising revenue generated by broadcast television (\$55,400) and broadcast radio (\$26,800) (Sapere calculation). We scaled this figure by 30 per cent to reflect that these holidays occur during traditional retail sales periods and the value of advertising would be higher. We used an industry estimate of \$400,000 for the approximate value of Sunday and Anzac morning advertising (see ThinkTV (2015) 'Submission on "Content Regulation in a Converged World" Discussion Document').

(including entertainment, community content, arts, and science) without offering much back into the communities they serve.

One key area where the government can do more to level the playing field between media firms is to ensure that these global platforms pay their fair share of tax. While multinational firms pay GST in New Zealand they have clear incentives to record revenues in, and shift profits to, other more favourable tax jurisdictions. It is beyond the scope of this paper to examine the issue of transfer pricing, but there may be grounds to conclude that either the existing tax laws are too porous or they are not being adequately enforced.

The issue of transnational taxation is not limited to the activities of digital platforms. The OECD initiative to reform taxation of multinational companies appears to be progressing well and is an important means to ensure technology companies are paying their fair share of tax and are operating on a more level playing field with New Zealand companies in their competition for consumers' attention and advertising revenue.

5.4 Training – improving ethnic representation and the education pipeline

Our interviews identified common concerns about the education, specifically:

- there is not sufficient representation in newsrooms from Māori, Pasifika and Asian journalists, and
- there is increasing difficulty attracting people to a career of journalism.

Before we explore these issues and potential policy responses, it is worth noting that these concerns are arising with respect to traditional news models within newspapers, television and radio businesses. As we have observed, there has been a fragmentation of media industry and it is now arguably easier than ever for ethnic communities to create and share content, while there is also a wide range of content that can be accessed from highly educated specialists on any given topic. Nevertheless, it is the news that occupies a key part of the media landscape and in which the government has a clear public policy interest.

There is a case for government support to improve minority representation among journalists

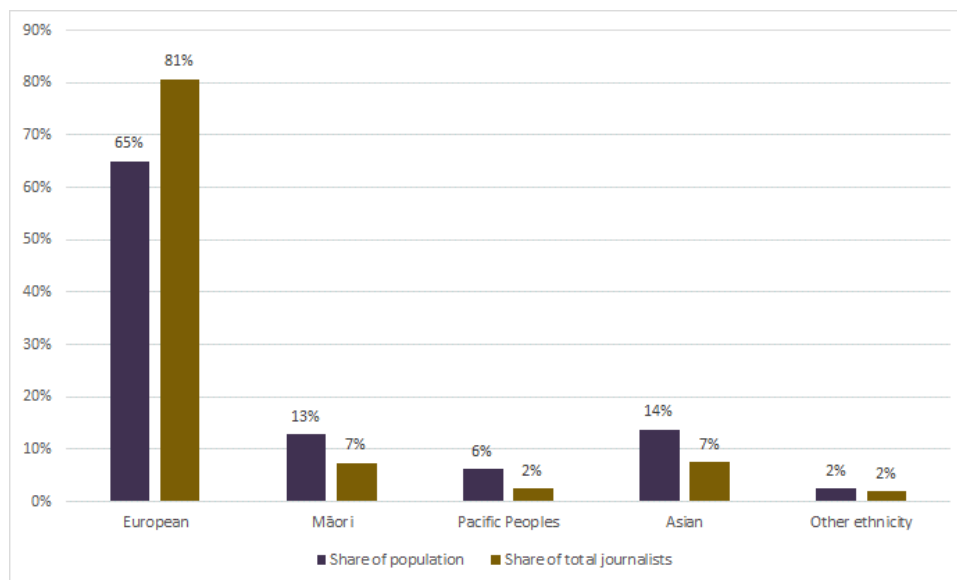
A key component of media plurality is internal plurality – that is, whether there is sufficient diversity of views within newsrooms. This internal diversity typically is viewed as requiring editorial independence, but it is also important to have cultural and ethnic diversity among those investigating and conveying the news.¹²⁸ As well as being able to bring unique perspectives to the news, it is important that the

¹²⁸ For studies on the value of diversity in the newsroom see Sui M, Paul N, Shah P, Spurlock B, Chastant B, Dunaway J. (2018) 'The Role of Minority Journalists, Candidates, and Audiences in Shaping Race-Related Campaign News Coverage' *Journalism & Mass Communication Quarterly*, 95(4):1079-1102; and Robinson S, Culver K. (2019) 'When White reporters cover race: News media, objectivity and community (dis)trust' *Journalism*, 20(3): 375-391.

make-up of newsrooms reflects New Zealand society and that the population can see their community mirrored in those bringing them important news stories of the day.

The lack of ethnic representation in New Zealand’s newsrooms is a clear area of concern. As Figure 10 shows, Māori, Pasifika and Asian populations are significantly under-represented as journalists in New Zealand.

Figure 10: Ethnic representation of NZ journalists¹²⁹



The underrepresentation of Māori in newsrooms is one problem area that the PIJF has attempted to address, with around 40 per cent of the first round of PIJF funding going to projects benefiting Māori journalism.¹³⁰ Of particular note was the Te Rito training programme, which will receive \$2.4m over two years to identify, train, develop and hire 25 cadet Māori, Pasifika and diverse journalists. The intent of this programme is to inspire a new generation of journalists, whose backgrounds and work will reflect a modern-day New Zealand.

This type of capacity-building is one area where government funding could make a measurable difference to plurality in New Zealand. Our interviews highlighted a clear concern about the lack of representation in the newsroom, particularly in print media. If the cause of this problem is that Māori, Pasifika and Asian students are not seeing journalism as a credible career then government support to fund the training and initial placement in their first job may make a measurable difference to diversity in the newsroom. Over time one would hope that, as minority journalists became more prevalent, a career in journalism may be seen as a more viable pathway for others in similar communities – and government support could fall away.

¹²⁹ This work is based on our analysis of customised Stats NZ’s data which are licensed by Stats NZ for re-use under the Creative Commons Attribution 4.0 International licence.

¹³⁰ See <https://www.nzonair.govt.nz/news/significant-funding-injection-to-boost-m%C4%81ori-journalism/>

In our view there may be a case for government to partner with news firms and to make available a dedicated public funding stream, sitting alongside LDR, to part-fund the training and initial placement of Māori, Pasifika and Asian journalists.

A longer-term challenge for the media industry is making journalism an attractive career option

One of the most common themes from our interviews was that journalism has become less valued as a career option and news firms are finding it challenging to hire suitably skilled graduates. It was also observed that there are retention issues at more senior levels due to the many opportunities for skilled journalists to make more money in tangential industries, such as communications and public relations.

The attractiveness of a career in journalism is inextricably tied to the fortunes of the news industry and so ultimately the best means of encouraging large numbers of talented individuals into the industry is for it to be thriving.

The levers the government has to make the news industry a more attractive career option are very limited. This is likely to be an area where responsibility sits with the industry. Several interviewees noted that the industry was as much to blame as anybody for downplaying the state of the news media in New Zealand. The industry collectively could do better to make journalism be seen as a more attractive profession for young people – there are a lot of exciting aspects of journalism in New Zealand and there is almost certainly a more compelling story that could be told about the work and benefits of being part of such a dynamic and varied industry.

5.5 Conclusion on policy settings

The following table sets out our conclusions on potential policy responses to plurality concerns.

Identified plurality concern/risk	Our conclusion on policy response
National news: the risk that current levels of public-interest news (at a national level) might be adversely affected in the medium term.	A formal framework should be put in place for measuring and monitoring media issues over time.
Local news: the trend of newsroom consolidation and retrenching from regional New Zealand and smaller urban centres will continue and we expect public-interest news to continue to decline.	The LDR appears to be functioning well and is well-targeted. The LDR should be ringfenced and a case examined for whether the programme should be expanded.
Misinformation: consumers are exposed to inaccurate and untrustworthy news online, and New Zealanders have significant concerns about misinformation	As a first step, the industry should be invited to adopt an industry code of practice to govern their treatment of misinformation (while the government explores backstop regulatory powers). Media literacy should also be promoted.
Algorithms: There is a risk that algorithms could undermine plurality in the future – limiting the diversity of views that consumers are exposed to,	This is an issue that could give rise to significant plurality concerns and further research is required on

<p>impacting the models for some news firms, and the lack of transparency places platforms in a unique position to influence media markets and content dissemination.</p>	<p>the implications of algorithms on media consumption and media businesses in New Zealand.</p>
<p>Advertising restrictions on broadcasters no longer reflect how New Zealanders consume content and disadvantage New Zealand broadcasters.</p>	<p>Advertising restrictions (Christmas, Easter, Anzac morning and Sunday mornings) should be removed</p>
<p>Multinational digital platforms are key competitors for New Zealand media companies and arguably benefit from being able to shift profits to more favourable tax jurisdictions.</p>	<p>The tax treatment of multinational digital companies needs to be addressed and the OECD initiative appears to be the best vehicle for levelling the playing field in media markets.</p>
<p>Māori, Pasifika and Asian journalists are heavily underrepresented in New Zealand newsrooms, which can undermine internal plurality.</p>	<p>There is a case for the government to partner with news firms and to make available temporary public funding to part-fund the training and initial placement of Māori, Pasifika and Asian journalists.</p>
<p>Traditional news firms are having increasing difficulty attracting people to a career of journalism.</p>	<p>The attractiveness of a career in journalism is tied to the fortunes of the news industry, and the levers for the government to make news industry a more desirable career option are limited.</p>

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Appendix A – Case studies

The following selection of case studies provide some insights from several different approaches to creating and distributing media content.

Case study: BusinessDesk as a digital native new entrant with a successful business model

In an ever-competitive media market, up-and-coming media producers must differentiate their content enough to stand out and capture a niche audience to remain sustainable. BusinessDesk's digital-only business model is necessarily much different from those who rely primarily on advertising revenue (in-print and online) and print.

Large, incumbent media producers (especially in news media) rely heavily on advertising revenue as a key source of income. Relying on advertising revenue as a main source of digital income is dependent on having substantial scale, significant page impressions online, and large readerships (and even then it may not prove to be a sustainable online model): all features which small media producers do not have.

By contrast BusinessDesk has a business model based on subscription fees from customers as their principal source of income. To make this model sustainable:

- They focus on producing unique content that can differentiate them from other news outlets to ensure a unique point of difference.
- People must pay a subscription fee to access the content (i.e. content is behind a paywall).
- The content is always 'on brand' and relevant to the niche they occupy to sustain a readership and prevent switching to free sources of journalism.

Overall, this approach seems to have been successful. As at mid-2020 they report:

- A monthly unique audience of 91,000 in March 2021, growing up to 20 per cent a month,
- 150 corporate subscribers, and
- thousands of individual subscribers.

Case study: The Spinoff as a digital native magazine with a successful business model

The Spinoff is an independent Auckland-based online brand that covers current affairs and pop culture in a magazine style, focusing on features, analysis, and opinion. As well as written content, The Spinoff produce video in short-form documentaries and docu-series, plus a range of podcasts spread across current affairs and pop culture.

The Spinoff are in a unique corner of the market and do not operate the same business model as traditional media companies that are largely dependent on print and advertising as main sources of revenue. Most of their revenue comes from donations made by The Spinoff members which entitles users to ad-free experiences, the opportunity to give feedback and input into the topics covered, exclusive newsletters, and over a certain threshold, merchandise. Although from the outside it may seem risky to rely on reader goodwill alone, readers have expressed numerous reasons why they support The Spinoff, including that:

- readers want The Spinoff journalism to be free to all, not behind a paywall,
- advertising-funded journalism in New Zealand is broken, and
- readers want more topics covered and donating provides input and control over what is discussed.

Although not the primary form of revenue, advertising still exists for The Spinoff as a source of revenue. The advertising comes largely in the form of sponsored stories or partnerships with certain brands or entities.

Funding from member donations and advertising is also supplemented from grants from New Zealand On Air. The Spinoff have been successful in numerous grants for a variety of content that is largely factual and falls into their mini-documentaries and docu-series functions.

As well as its website, The Spinoff also operates a content agency, Creative Daylight. It was this side of the business that recently had a significant contract with the WHO to provide content relating to the Covid-19 pandemic. This content arm of their business reportedly represents between 15 to 20 per cent of the business.

Case study: the role of technology and platforms in the increases in content production and consumption

InsightSlice estimated the global digital content creation market size at USD\$11b in 2019 and expect it to grow at 12 per cent annually through to 2030, citing the declining cost of digital content creation, rising penetration of the internet, and expanding smartphone and tablet user base as key drivers.

Additionally, platforms such as YouTube, TikTok, and Twitch (real-time video streaming service) are notable enablers of content creation and dissemination to vast audiences for a range of different content types. Specifically, they:

- Provide free, easily accessible, and easily usable sets of tools to create content that are embedded within their platform (i.e. no need to use additional services).
- Provide a consolidated space to consume, explore, and interact with content and content creators.
- Allow for sharing across multiple platforms, sites, and mediums (for example, can embed YouTube videos on websites).

Effectively, anyone with a smartphone and an internet connection can produce, interact with, and consume content with relative ease. It is therefore no surprise to see that the number of monthly users of TikTok has increased from approximately 680m in November 2018 to approximately 1.1b in February 2021, especially during the Covid-19 pandemic when people had a lot more free time and interest in content consumption and creation.

Likewise, YouTube has:

- Had significant increases in its user base, going from an estimated 1.5b users in 2017 to 2.3b users in 2020.
- Become the second-most visited website in the world.
- Become the second-most used social platform.
- A worldwide audience spanning across all ages (Omnicores, 2021).

The number of Twitch streamers has also increased dramatically over the past few years, going from 2m monthly broadcasters in 2017 to over 9m in 2021, with most of the content centred around gaming (TwitchTracker, 2021).

Case study: how communities share content

The ways that communities can share, create, and engage with media is changing too alongside technological advancement, far beyond traditional linear forms of media production and consumption. Three particular streams of sharing relevant in the New Zealand setting are community access radio, blogs, and social media.

Community access radio has traditionally been a linear format for providing information to niche audiences that are otherwise not well served by broadcast media. Access radio stations generally allow groups to produce and broadcast for specific:

- regions
- communities
- specialist groups.

Access radio stations are no longer confined to linear radio platforms and can be listened to on internet-capable devices through applications or simply on websites. New Zealand On Air currently provide funding for 12 access radio stations across the country that provide 400+ programmes in over 49 different languages.

Blogs are not a new concept but there has significant growth in the number of blogs from 23 in 1999 to over 600 million in 2021 as they become more accessible and easier to create with greater technological capability. They generally allow for expression of information and opinions on any topic (niche or otherwise) and, perhaps most importantly, discourse about the article topic between the blog writer and the reader(s). Blogs essentially provide a meeting ground for like-minded people (or those with the same interests) to discuss and develop ideas. Subscription newsletters are a related concept that have also recently become more prevalent.

Social media has become a primary hub for content sharing, consumption, and wider community engagement. Websites such as Facebook act as a consolidated place where one can engage with mainstream news media, entertainment media, and perhaps most importantly with different communities and real-life friends. Essentially, social media facilitates all the social circles one person may be part of in one place.

Social media has often proved its power and effectiveness as a tool for community engagement by facilitating discourse and generating real-life action (both good and bad) on many occasions. An example of positive community engagement was the Student Volunteer Army in Christchurch post the 2011 earthquake. The movement itself was born from a Facebook page started to help with cleaning up damage and providing free services for people in need.

In another example, social media has been arguably responsible for the creation of 'echo chambers' that proliferate and perpetuate misinformation and cause societal divide. The most poignant recent example resides with Covid-19 and the many different false truths surrounding causes of the virus (such as 5G technology), vaccine efficacy, home remedies, and government agendas.

Appendix B – Market concentration in key media markets

At the start of the previous decade, all major media markets in New Zealand could be described as heavily concentrated. A longitudinal study concluded that the market structure in 2011 in New Zealand could be described as:¹³¹

- a near duopoly in print media between APN News & Media and Fairfax Media,
- a near duopoly in radio media between APN News & Media and Fairfax Media,
- a paid television monopoly controlled by Sky TV, and
- a near duopoly in free-to-air television between the state broadcaster and Mediaworks.

The Commerce Commission in 2017 concluded that ‘current concentration levels of media ownership are already high by international standards’.¹³² This level of concentration among traditional media platform remains high, but over the past decade technological advances have expanded the media marketplace – lowering barriers to entry and facilitating media consumption from a broader range of sources, including global content.

There have also been some significant recent changes in media ownership in New Zealand. In 2020, Stuff became an independently owned media outlet, Discovery purchased MediaWorks’ television arm, and Bauer Media was sold to a private equity firm. As the AUT Research Centre for Journalism, Media and Democracy observed in 2020, ‘New Zealand had more independently and privately held media companies than at any time in the past decade’.¹³³

Print and online newspapers remain concentrated, but competition is increasing

While competition has increased through digital channels, media markets in New Zealand still exhibit high levels of concentration, particularly in print media.

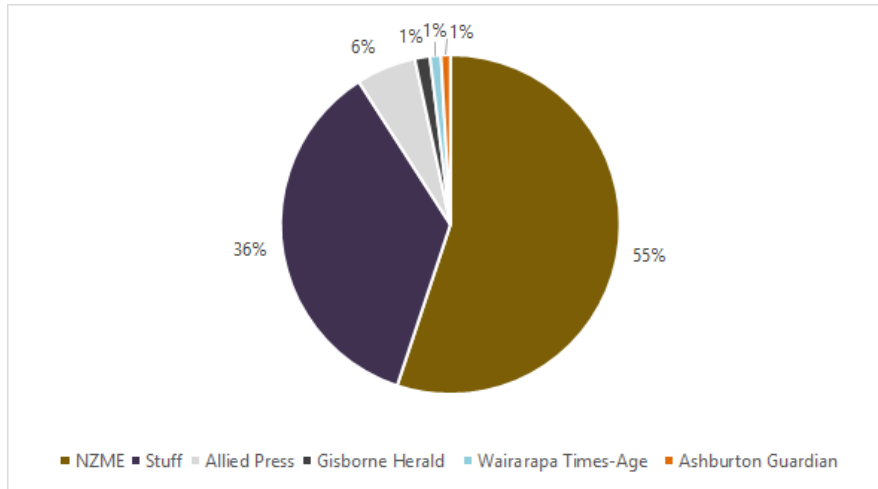
In the 12 months to December 2020, 91 per cent of readership was directed towards newspapers owned by either NZME or Stuff, with a small fringe of independent competitors (their combined share was 89 per cent at the time of their proposed merger in 2017). More detailed subscriptions numbers are available in Appendix D.

¹³¹ Myllylahti, M. (2011), ‘New Zealand Media Ownership 2011’ AUT research centre for Journalism, Media and Democracy.

¹³² Commerce Commission NZME and Fairfax Determination (2017).

¹³³ Myllylahti, M. and Hope W. (2020).

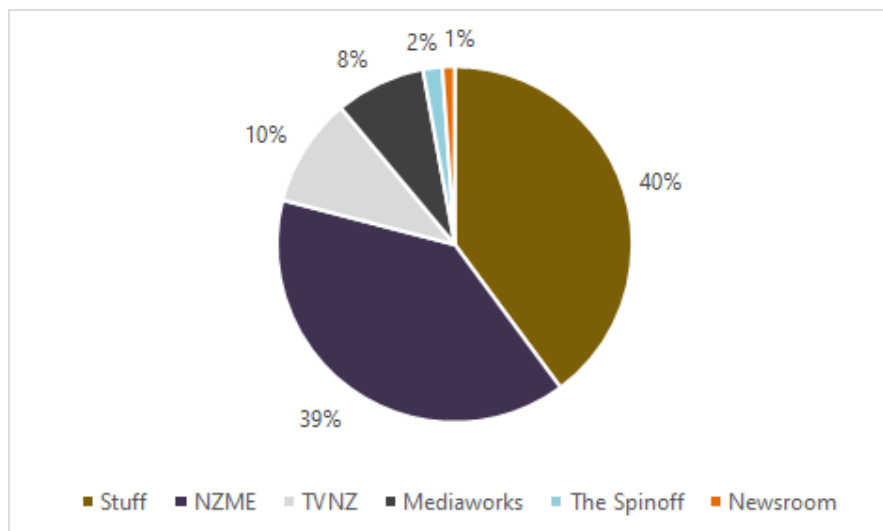
Figure 11: Print and online newspaper readership by owner, December 2020¹³⁴



In terms of readership (both print and online), the New Zealand Herald with 1.88m readers (in the 12 months to December 2020) is the most read newspaper in New Zealand, followed by the Dominion Post with 416,000 readers.¹³⁵ Stuff remains the most popular news website in New Zealand (2.10m unique audience, 3 monthly average) followed by closely by nzherald.co.nz (1.73m).¹³⁶

The growth of online channels has seen an increase in competition with small independent online-only operators entering the market. Figure 12 below shows the online views of New Zealand news content. While still a concentrated marketplace, the combined share attributable to NZME or Stuff is smaller (79 per cent), with TVNZ (10 per cent), Mediaworks (8 per cent) and small independent operators in The Spinoff (2 per cent) and Newsroom (1 per cent) filling the gap.

Figure 12: New Zealand news site viewership (July - September 2020)¹³⁷



¹³⁴ Roy Morgan (2020).

¹³⁵ Roy Morgan (2020).

¹³⁶ Nielson 'Top NZ news sites' (May-July 2018).

¹³⁷ Myllylahti, M. and Hope W. (2020).

There has been a substantial increase in competition in the markets for paid television and online streaming

Television markets have seen significant disruption over the past decade, with the advent of online streaming services fundamentally reshaping how New Zealanders consume video content online.

Sky TV started the decade in a dominant market position, with 51 per cent of New Zealand homes paying for Sky TV's satellite services in 2011.¹³⁸ The expansion of the media marketplace presented a strong competitive threat for Sky TV, beyond that previously presented by the two free-to-air broadcasters, TVNZ and Mediaworks. Over the 2012 – 2020 period, the following services became available in the streaming marketplace:

- Australia's leading online movie rental company – *Quickflix*, 2012
- Spark – *Lightbox*, 2014
- *Netflix, Yahoo TV, WatchME* (NZME), 2015
- *Neon* (Sky), 2015
- Coliseum Sports Media & Spark – *Lightbox Sport* joint venture, 2016
- *Apple TV Plus, Disney Plus*, 2019

New Zealanders are prolific users of paid streaming services, with a recent global survey showing New Zealand was ranked 1st out of 18 countries with 65 per cent of New Zealanders reporting using at least one paid service.¹³⁹ The market is highly competitive, but it is still dominated by a single competitor, with 54 per cent of New Zealanders reporting having access to a Netflix subscription.¹⁴⁰

TVNZ appears to have been able to maintain a strong footing and its TVNZ OnDemand platform is one of New Zealand's most used streaming service.¹⁴¹ Revenue from TVNZ OnDemand grew by 44 per cent in the past financial year and TVNZ is now aiming for digital revenue to comprise 25 per cent of their revenue within three years.¹⁴² Importantly, TVNZ reported its growth in digital (both audience numbers and revenue) is now more than offsetting the declines it is seeing in broadcast television.

Radio markets remain concentrated, but with strong brand differentiation

While APN News & Media sold off its New Zealand assets in 2015 leading to the formation of NZME, the market is still dominated by the two companies. Audience surveys reveal a heavily concentrated marketplace, with all major radio stations owned by either NZME or MediaWorks. Detailed audience numbers by station are available in Appendix B.

¹³⁸ Myllylahti, M. (2011).

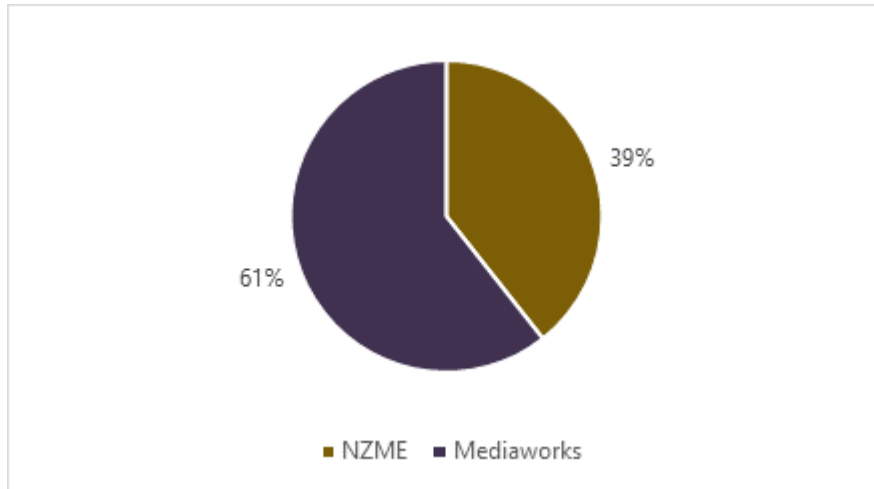
¹³⁹ <https://www.finder.com/nz/streaming-statistics>, accessed 5 September 2021.

¹⁴⁰ <https://www.finder.com/nz/streaming-statistics>, accessed 5 September 2021.

¹⁴¹ TVNZ (28 October 2019) 'TVNZ's OnDemand ranks as NZ's most-used streaming service, according to new survey'.

¹⁴² Jennings, M. (1 September 2021) 'TVNZ plays a blinder and sets its own goals' Newsroom.

Figure 13: Commercial radio market share (Oct 2020 - July 2021)¹⁴³



Radio still remains a much-valued platform for New Zealanders, with 3.72m people (or 82 per cent of New Zealanders) aged over ten years old listening to radio each week in 2021.¹⁴⁴ 76 per cent of the population aged over ten tuned into a commercial radio station. These audience figures are continuing their trend of a slow decline.

Despite the ownership concentration, our interviews highlighted the strong brand differentiation that exists between radio stations in New Zealand. It was suggested radio has a largely successful business model, primarily because of the number of radio stations that are able to cater to very different target audiences and their ability to target advertising to suit that audience. While streaming (e.g. Spotify in particular) has made it much easier for New Zealanders to access music content, there was a common theme in our interviews that this would not fundamentally challenge the business model for radio – which focus on providing a unique aggregation of content including music, news, entertainment, dialogue, weather, sports, and cultural content.

¹⁴³ GFK 'New Zealand Commercial Radio Survey'.

¹⁴⁴ Radio Broadcasters Association (29 April 2021), 'Commercial radio reaches almost 3.5m New Zealanders'.

Appendix C – Government funding

Funding of non-news media

There are multiple avenues the New Zealand Government fund non-journalistic media content through. Some of the most notable are:

- Irirangi Te Motu/New Zealand On Air (the Broadcasting Commission),
- Te Māngai Pāho,
- Arts Council of New Zealand Toi Aotearoa/Creative NZ, and
- Te Tumu Whakaata Taonga/New Zealand Film Commission.

Irirangi Te Motu/New Zealand On Air is an independent government funding agency that has functions outlined under the Broadcasting Act 1989, focusing on investment in authentic New Zealand stories and songs. Generally, it is public media content that aims to reflect New Zealand cultural identity and build social cohesion, inclusion, and connection. The funding is allocated through a contestable pool which is only accessible by submitting detailed proposals of work. In 2020 its budget for funding content was \$144m.

Te Māngai Pāho aims to promote te reo Māori and Māori culture. It provides around \$67m worth of funding for Māori language and cultural programmes, programme makers, broadcasters, music producers and archiving of programmes and content.

The Arts Council of New Zealand Toi Aotearoa/Creative NZ is the national arts development agency of the New Zealand Government and have four main functions:

- Funding for the arts, offering financial support for emerging and established artists, art practitioners, groups, or organisations,
- Capability building, training, and online resources such as workshops, coaching, and videos to help artists and practitioners develop professionally and grow audiences and markets,
- Presentation of New Zealand art internationally and the exchange of culture, connecting art and artists with the world, and
- Advocate and assist others to advocate on behalf of the arts to central and local government and to other interested parties, especially surrounding the importance and public value of the arts.

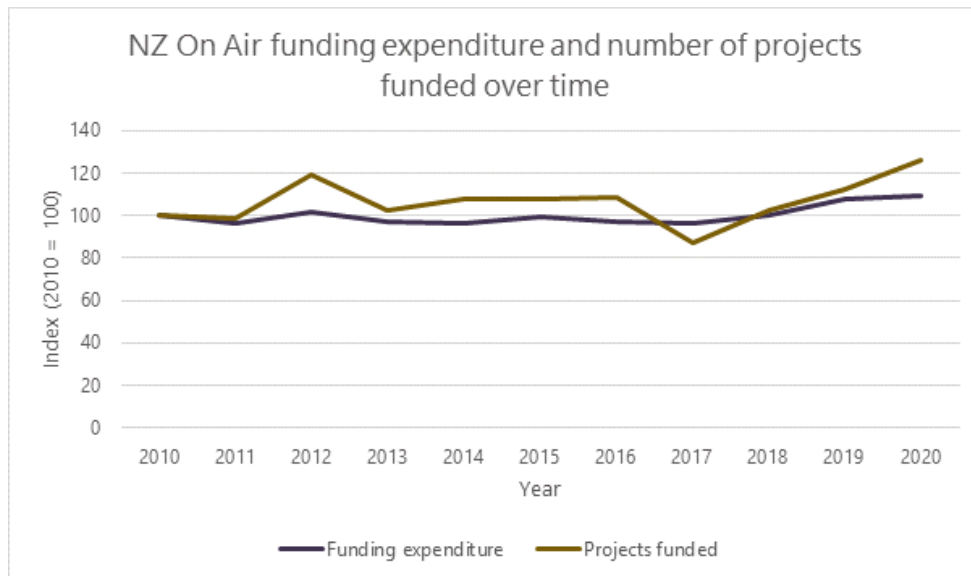
Te Tumu Whakaata Taonga/New Zealand Film Commission is a New Zealand Government agency formed to assist with creating and promoting New Zealand films under the New Zealand Film Commission Act 1978. The Film Commission's primary function is to grow the New Zealand film industry and support a diverse range of New Zealand and international stories to be told in New Zealand and exported internationally.

New Zealand On Air Funding shows trend towards funding more projects, with less focus on platforms

Figure 14 below shows the NZOA funding expenditure and number of projects funded over time (indexed). Funding expenditure and the number of projects funded have generally moved together;

however, in more recent years there has been an uptake in the number of projects funded while funding expenditure has remained relatively constant.

Figure 14: Estimated NZ On Air funding expenditure and number of projects funded over time¹⁴⁵



Over time the funding functions of NZOA have changed alongside the shift in how New Zealanders consume and engage with different sources of media. In 2010 the total funding expenditure of NZOA was \$131,826,000.¹⁴⁶ The funding allocations were based off five functions that largely reflected the historically linear nature of consumption:

- Television: \$85,997,000 (65 per cent)
- Radio: \$32,838,000 (25 per cent)
- Community broadcasting: \$4,102,000 (3 per cent)
- New Zealand Music: \$5,292,000 (4 per cent)
- Digital/archiving: \$3,597,000 (3 per cent).

The funding categories and amounts allocated to each were largely dictated by the media channels traditionally consumed: television and radio. Digital platforms (as part of digital/archiving) only made up a small proportion of the funding at 3 per cent in 2010.

By comparison, the 2020 funding allocation categories were much different and focused on content type rather than platform. NZOA's funding expenditure for 2020 was \$144,270,000 (including \$376,000 for industry development).¹⁴⁷ The funding categories were:

- Scripted content: \$40,950,000 (28 per cent)
- Factual content: \$43,676,000 (30 per cent)

¹⁴⁵ Comprised from data from NZ On Air's annual reports.

¹⁴⁶ NZ On Air Annual Report (2010).

¹⁴⁷

- Platform: \$12,507,000 (9 per cent)¹⁴⁸
- RNZ: \$42,606,000 (30 per cent)
- Music: \$4,155,000 (3 per cent).

Most of the funding from NZOA still goes toward scripted and factual content (albeit with potentially less focus on the medium in which they are delivered to consumers). Table 3 below from the 2020 NZOA annual report shows that most of the funding is still won by a few key players within the media production market, although funding is slowly beginning to be dispersed to a wider range of providers – in 2010, four providers received 100 per cent of eligible contestable funding, whereas in 2020 the top four providers received 86 per cent of funding.

Table 3: Content funding (scripted and factual) per centages by primary platform provider over time

	2020 %	2019 %	2018 %	2017 %	2016 %	2015 %	2014 %	2013 %	2012 %	2011 %	2010 %
By primary platform provider*											
TVNZ	52	45	50	59	57	67	72	58	64	58	55
MediaWorks	23	21	21	24	26	20	13	32	29	36	39
Prime	5	6	9	9	11	10	11	7	3	3	2
HEIHEI	6	8	6	0	0	0	0	0	0	0	0
RNZ*	3	6	1	0	0	0	0	0	0	0	0
Māori TV	2	4	4	6	4	3	4	3	4	3	4
NZME	1	2	2	0	0	0	0	0	0	0	0
Stuff	3	1	1	0	0	0	0	0	0	0	0
Choice TV	0	1	1	0	0	0	0	0	0	0	0
Other	5	6	5	2	2	0	0	0	0	0	0
	100	100	100	100	100	100	100	100	100	100	100

* Several provider stats encompass multiple channels/platforms. Generally companies receiving over \$1m are shown individually

* includes balance of \$6m RNZ/NZ On Air Joint Innovation Fund (Budget 2018/19) projects funded in 2019/20

Other includes 11 different platforms

Funding for journalistic content

There are two main funding channels for public good journalism in New Zealand, which are the Public Interest Journalism Fund (PIJF) and the Local Democracy Reporting (LDR) scheme.

The Public Interest Journalism Fund

The Public Interest Journalism Fund (PIJF) is administered by NZOA and is designed to support New Zealand's media industry to continue to produce stories that keep New Zealanders informed and engaged and support a healthy democracy (Ministry for Culture and Heritage, 2021). The PIJF is also designed to provide transitional support to media organisations as the sector evolves to ensure the long-term sustainability of New Zealand media. The fund is worth \$55m, split into \$10m in 2020/21, \$25m in 2021/22, and \$20m in 2022/23.

The funding is allocated in three distinct ways:

- Project funding – for tightly defined projects delivered to a deadline, like those funded via the NZ Media Fund Factual stream of funding from NZOA,

¹⁴⁸ Technically, platform funding includes RNZ funding allocation, however reporting platform funding without making this distinction would likely be misleading.

- Role-based funding – supporting newsrooms for the employment of reporters, clearly tied to content outcomes, and
- Industry development funding – including cross-industry cadetships, and targeted upskilling initiatives.

Essentially, the PIJF is a ring-fenced stream of funding available as a contestable pool. Journalists must submit detailed proposals to be able to compete for the funding.

Local Democracy Reporter (LDR) scheme

The Local Democracy Reporter (LDR) scheme is a free public-interest news service dedicated to committing resources for the coverage of local authorities, rūnanga (iwi authority, council, tribal council), and other similar organisations at a localised level. There are fourteen local democracy reporters in different areas of the country, right from Northland down to Southland. The reporters are employed by their host newsrooms but receive mentoring and support from RNZ. The story outputs are then shared across many different media partners, including RNZ (RNZ, 2021).

The purpose of the LDR scheme was to fill gaps identified in reporting, mostly in regional New Zealand because of decreases in reporting numbers in traditional media. LDRs focus exclusively on reporting stories about publicly appointed or elected officials and bodies, which includes councils, committees, community boards, council-owned commercial enterprises, DHBs, trusts, and port and airport authorities.

The scheme was introduced in 2019 and expanded from \$1m to \$1.5m funding for 2020 to allow for at least four more local democracy reporters in the existing team of eight (RNZ, 2020; New Zealand On Air, 2019; New Zealand On Air, 2020).

To become a 'host newsroom' (i.e. have a LDR in the newsroom) that reports the local democracy news, media companies apply to the LDR scheme manager to be considered for funding. The process appears to be competitive. Additionally, newsrooms can apply to be a media partner which gives access to the LDR content free of charge to publish on the desired platform (RNZ, 2021).

Appendix D – Key audience numbers

Newspaper

Figure 15: Print and online newspaper readership, December 2020

Owner	Newspaper Name	Readership (000)					
		Print		Online		Both Channels	
		Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
NZME	New Zealand Herald	721	595	1,488	1,637	1,811	1,883
Stuff	Dominion Post	297	211	315	278	487	416
NZME	Northern Advocate	69	52	75	62	128	107
Stuff	Waikato Times	138	82	137	128	244	193
NZME	Bay of Plenty Times	77	67	112	102	163	145
NZME	Rotorua Daily Post	37	28	67	63	92	82
Independent	Gisborne Herald	48	33	52	47	77	64
Stuff	Taranaki Daily News	55	60	103	69	135	106
NZME	Wanganui Chronicle	37	38	46	46	76	79
NZME	Hawke's Bay Today	89	72	110	101	161	154
Stuff	Manawatu Standard	43	31	74	65	105	90
Independent	Wairarapa Times-Age	32	20	32	32	57	47
Stuff	The Press	215	160	205	181	347	288
Allied Press	Otago Daily Times	140	98	186	200	264	254
Stuff	Nelson Mail	30	38	75	48	89	77
Independent	Ashburton Guardian	18	14	21	28	37	39
Stuff	Timaru Herald	25	17	47	34	63	48
Stuff	Southland Times	65	41	60	76	108	96
Stuff	Sunday Star-Times	285	172	69	59	334	220
Stuff	Sunday News	51	26	29	35	77	60
Total		2,472	1,855	3,303	3,291	4,855	4,448

Source: Roy Morgan

¹⁴⁹ The question asked was "In a typical week, what proportion of your news do you get from [source]?"

Radio

Figure 17: Average radio audience by station and owner (Oct 2020 - July 2021)

Ownership	Station	Average Audience (000)				Average
		Survey 3 2020	Survey 4 2020	Survey 1 2021	Survey 2 2021	
NZME	Newstalk ZB	42.7	41.2	40.9	41.4	41.6
Mediaworks	The Breeze	32.0	30.7	31.5	31.5	31.4
Mediaworks	Magic Music & Talk	30.3	29.6	31.1	31.4	30.6
Mediaworks	The Rock	20.6	22.9	24.1	24.7	23.1
Mediaworks	More FM	25.8	25.9	24.7	24.2	25.2
Mediaworks	The Sound	23.8	22.9	23.8	23.6	23.5
NZME	ZM	19.2	19.1	20.6	20.7	19.9
Mediaworks	The Edge	19.4	20.4	20.2	19.9	20.0
Mediaworks	Mai FM	18.1	17.4	16.6	17.9	17.5
NZME	Coast	19.5	21.0	19.3	17.4	19.3
NZME	The Hits	16.6	15.9	16.2	14.9	15.9
NZME	Radio Hauraki	10.1	10.5	9.0	7.8	9.4
Mediaworks	George FM	4.6	6.1	6.5	6.4	5.9
NZME	Flava	6.2	6.7	4.3	4.8	5.5
NZME	Gold	3.4	3.1	4.0	3.6	3.5
Total		292.3	293.4	292.8	290.2	292.2

Source: (New Zealand Commercial Radio Survey | The Radio Bureau, 2020 - 2021)

Appendix E – Our analysis of the Australian News Media Bargaining Code

This paper has identified a risk that, due to ongoing financial pressures, public-interest news in New Zealand may decline over the medium term. One suggested solution to mitigate this risk is to require digital platforms to make a financial contribution to news journalism in New Zealand. Such approaches have been adopted overseas, for example through Australia’s News Media Bargaining Code and France’s implementation of an EU Directive expanding the scope of copyright to cover ‘snippets’ displayed by platforms.¹⁵⁰

This Appendix examines the Australian News Media Bargaining Code and whether there is a case for implementing a similar mechanism in New Zealand. We ultimately conclude there is not a compelling case for adopting a similar approach from the perspective of maintaining or enhancing plurality.

Such a conclusion does not mean that that we have not identified any concerns with the impact of digital platforms on plurality. As this paper has outlined, the role that global digital platforms play in the dissemination of news media can create risks for plurality - digital platforms have an important place in New Zealand’s media ecosystem and, through the use of algorithms and tailored dissemination of content, are in a position to exert influence over the content that New Zealanders consume.

The Australian model

In February 2021 a News Media Bargaining Code was introduced in Australia. The Code requires designated digital platforms to pay certain Australian news publishers for using or linking to news content on their platforms – they would be required to reach a commercial agreement or face binding arbitration to decide on the scale of the payments (the arbitration was explicitly designed to promote negotiated outcome).

The ACCC’s investigation in Australia into digital platforms concluded that the content produced by news media businesses is an important component of digital platforms’ business models. The ACCC observed that between 8 and 14 per cent of Google search results trigger a ‘Top Stories’ result, which typically includes reports from news media websites. Facebook submitted to the inquiry that news content comprised approximately 5 per cent of shared content on its platform.

In most of the interviews we undertook with New Zealand media businesses they noted their businesses were being significantly and adversely affected by the practices of both Google and

¹⁵⁰ We note France recently transposed an EU directive on copyright that introduces a ‘neighbouring right’ that allows news publishers to claim compensation for the use of news excerpts or ‘snippets’ on digital platforms. After Google stopped including snippets alongside links to news content they were ordered to continue to negotiate in good faith and were recently fined €500m. We do not consider expanding the concept of copyright to cover excerpts would be practical in New Zealand as digital platforms would simply stop providing such excerpts (using links/headlines instead) and there is no similar provision in New Zealand law to compel the platforms to continue to publish the content.

Facebook. The position of those media firms we spoke to essentially mirrored the reasoning of the ACCC in Australia:

- *Both Google and Facebook are essential business partners of news media businesses and, as the platforms are of more importance to the media business than any one business is to Google or Facebook, they are in a position of having substantial bargaining power in that relationship.*
- *Both Google and Facebook benefit commercially from providing consumers with access to news content:*
 - *Although Google does not directly benefit through advertising from Google News (advertising is not sold for searches of a 'news intent'), the inclusion of news snippets and links in search results increases the attractiveness of the Google search engine more generally, which increases the likelihood Google can directly monetise other searches.*
 - *Facebook benefits because news stories that appear on a user's news feed retain the user's attention, which enables more advertisements to be displayed.*
- *The inability of news media businesses to individually negotiate terms over the use of their content by digital platforms indicates an imbalance in bargaining power. Essentially, news publishers are unable to successfully negotiate a fair value for links/excerpts being displayed on the digital platforms.*
- *While bargaining power imbalances exist in many contexts, intervention is necessary in this context because of the public benefit provided by the production and dissemination of news and the importance of a strong independent media in a well-functioning democracy.*

Since the introduction of the new Code, both Google and Facebook have concluded commercial arrangements with media entities, involving substantial new payments. Media reports indicate Google agreed to make payments of AUD\$30m annually to both Seven and Nine¹⁵¹ and there has been speculation total payments could potentially be as high as 5 per cent of total local advertising revenue, which could mean AUD\$215m from Google and AUD\$35m from Facebook.¹⁵² To date the Australian Treasurer has not designated any party as a relevant platform under the new law, likely because of these new commercial arrangements.¹⁵³

Importantly, neither platform is yet compensating Australian news organisations for their practice of providing links/excerpts to existing content. The payments they have just finalised reflect arrangements for specified news firms to provide new content (including editing, tailoring and curating content) for Google News Showcase and Facebook News. Both Google and Facebook continue to provide consumers with access to news content as they typically have without compensation – and indeed as they currently do in New Zealand.

¹⁵¹ Meese, J. (18 February 2021), 'Why Google is now funnelling millions into media outlets, as Facebook pulls news for Australia' The Conversation.

¹⁵² Pash, C. (6 May 2021), 'How much are Google and Facebook paying for news in Australia?' AdNews.

¹⁵³ The new law states that a decision to designate a platform under the Code must take into account whether a digital platform has made a significant contribution to the sustainability of the Australian news industry through reaching commercial agreements with news media businesses.

Our position: there is no plurality justification to require digital platforms to pay news firms for linking to news content

We agree with the position put forward by many news firms that they are to a greater or lesser degree reliant on both Google and Facebook for the distribution of their content and that those digital platforms derive commercial benefit from making news content – and other forms of content available on the internet – easily accessible to their users.

Digital platforms provide considerable commercial benefits to news firms

Digital platforms benefit from increased consumer engagement from having links to news content on their platforms, but it is also apparent that news firms derive considerable value from their content being made easily accessible to consumers via Google and Facebook's platforms through increased brand exposure and increased traffic on their websites.

Consumers that access news content via Google and Facebook do not read/view that content on those platforms (beyond brief snippets describing the nature of the content) but are redirected to the original news site – where their presence generates advertising revenue for the content creator. The value of this market expansion for New Zealand news firms is significant, given that search engines and social media drive, on average, 53 per cent of news websites' total traffic in New Zealand.¹⁵⁴

We have not attempted to quantify the value to New Zealand news entities from the market expansion opportunity created by digital platforms, but it is likely to be substantial. For example, Facebook observed that over a five month period in 2020 they generated 2.3b referrals to Australian news publishers,¹⁵⁵ while Google has stated that it sent more than 3b clicks through to Australian news publishers in 2018.¹⁵⁶

An examination of empirical evidence from overseas also supports a conclusion that the benefits to news firms from the market expansion effects of digital platforms outweigh substitution effects where they might be losing customers.

Two studies of the impact when Google News was temporarily shut down in Spain in 2014 found it prompted an overall 10 per cent reduction in the number of daily visits to news outlets, and had a more pronounced effect on smaller news firms and those with a lower share of international visitors.^{157,158} There was also evidence that the shutdown decreased online advertising revenues and advertising intensity at Spanish news outlets – that is, news entities received less consumer traffic and less advertising revenue without Google News than with Google News.¹⁵⁹

Another opportunity to measure the impact of news aggregation on news publishers was when Google News introduced an 'opt-in' policy in Germany in 2014 in response to copyright changes. Axel

¹⁵⁴ Myllylahti, M. (2018).

¹⁵⁵ Facebook (5 June 2020) 'Response to the Australian mandatory news media bargaining code concepts paper'.

¹⁵⁶ Silva, M. (17 September 2019) 'Google on the ACCC Digital Platforms Inquiry'.

¹⁵⁷ Athey, S., M. Mobius and J. Pal (2017) 'The impact of Aggregators on Internet News Consumption' Working Paper, Microsoft Research.

¹⁵⁸ Calzada, J., R. Gil, (2018) 'What do news aggregators do? Evidence from Google News in Spain and Germany'

¹⁵⁹ Calzada and Gil (2018).

Springer, the largest publishing firm in Europe, initially chose not to opt-in to Google News and estimated the resulting downgrading of search notices resulted in a loss of nearly 40 per cent in traffic volume, and that traffic from Google News was down by almost 80 per cent.¹⁶⁰ That is, the entities that opted out still experienced the substitution effect as the aggregator did not shut down, but denied themselves the market expansion opportunities.

An imbalance in bargaining power

There is an imbalance of power between an individual New Zealand news firm and Google and Facebook— a conclusion also reached by the ACCC in Australia. However, whether an inability of news firms to negotiate over how their freely-available content is promoted by digital platforms is problematic or not raises complex public policy considerations beyond the scope of this paper.

Firstly, the same imbalance is present for content creators more generally and other businesses in their dealings with these platforms, and the public policy justification for the government to intervene to aid the commercial negotiations of one sector—news firms—and not other sectors is not self-evident.

Secondly, interventions to counter market power raise policy considerations of industry and competition policy, as well as implications for incentives to invest and for foreign firms to invest and provide services to New Zealanders.

From the perspective of promoting plurality, there are no allegations by news firms that digital platforms are breaching their copyright or that copyright provisions are somehow inadequate in a digital age. What is invoked in claims for government intervention is that this imbalance in bargaining power undermines the ability of news firms to make money from their content – and that their essential role in a democratic society justifies government intervention.

We do not agree that, by virtue of Google and Facebook providing links/snippets to news content, they are effectively capturing or reducing advertising revenue that might otherwise flow to news firms. Even though the platforms are almost certainly benefiting from facilitating access to news content, it does not follow that this benefit is coming at the expense of news firms or that they are in a zero-sum relationship with news firms.

Furthermore, if news firms consider that the negative impact that Facebook and Google are having on businesses outweigh the benefits they receive then they can opt-out from having links to their news content or snippets displayed on either platform.¹⁶¹ Despite the fact that both platforms have become an integral part of the distribution of online news, we might expect news firms to consider restricting the availability of their content if they felt the value exchange had become too one-sided (e.g. by restricting indexing or moving to a paywall).

¹⁶⁰ Calzada and Gil (2018).

¹⁶¹ With Facebook, news firms can stop posting content themselves and can restrict the ability of users to share content. Google has tools to enable sites to control how their news is displayed (if at all), including the ability to choose to not have their websites crawled and indexed at all, to not have excerpts/snippets displayed, to choose the maximum length of snippets, and to exclude images from search results.

Compensating media firms will not necessarily lead to an increase in public-interest journalism

We also do not agree with the rationale adopted in Australia that government intervention in this instance can be justified because of the public benefit provided by the production and dissemination of news. Requiring digital platforms to pay specific news firms in order to link to their content will improve the finances of those news firms, but there is no clear basis to believe that this will result in additional public-interest journalism or better quality journalism.

It is reasonable to conclude that such arrangements would benefit existing business models and may even reduce the pressure on news firms to innovate and explore new business models. We also note the payments being made in Australia ended up being tied to a requirement to produce newly curated content for Google News Showcase and Facebook News, which may well tie news firms more closely into the news ecosystems these platforms are creating. It remains to be seen how this arrangement will materialise and whether the production of news content focuses on creating highly-shareable news content for social media rather than additional public-interest stories.

Some smaller firms we interviewed observed that following the Australian model of encouraging commercial negotiations would only benefit larger news firms and that smaller start-ups would miss out. Several instead favoured the government addressing the dominance of the digital platforms by imposing a levy and then running a contestable process to allocate the funding to public-interest journalism.

If there is an identified market failure for particular types of public-interest journalism, then in our view it makes more sense for the government to step in and either fund the production of that content directly (e.g. the Local Democracy Reporting scheme) or supply that content directly (e.g. public service broadcasting, such as Radio New Zealand).

Digital platforms' dominance of advertising markets does not provide a sufficient nexus to require them to compensate news firms

An underlying rationale for claims that digital platforms should contribute to the funding of public-interest journalism is that they are responsible for declining levels of journalism through their dominance in digital advertising markets.

The decline in advertising revenue that has traditionally funded news and journalism in New Zealand has certainly had serious consequences for many media entities and negative consequences for media plurality in certain areas. However, the solution for the loss of a historic revenue stream for news firms in New Zealand is not to compensate those news firms or to impose punitive measures on firms who have managed to thrive, as such interventions risk damaging the market dynamics that mean consumers can now access a wider range of content from a wider range of sources than ever before.

Global digital platforms are dominating online advertising markets because, for many advertisers, they simply provide a better, more efficient product. These platforms offer the opportunity to reach a wide range of consumers at little cost and, importantly for many advertisers, they offer the opportunity for highly tailored advertising that allow advertisers to more accurately reach their targeted audiences.

Finally we note that in our conclusions we are not precluding the prospect of digital platforms and news firms entering into new commercial arrangements to govern the creation/dissemination of

content. Rather, from a *plurality* perspective, we do not consider there to be a strong justification for such arrangements to be mandated.

Appendix F – Analysis of supporting journalism via the Charities Act 2005

One proposal that came up in our interviews (typically with smaller firms) was whether the government should make it easier for non-profit news organisations to register as charities.

Registered charities in New Zealand receive special tax treatment including an exemption from paying tax on income, and also benefit from increased philanthropy as donors are entitled to a charitable tax rebate. Organisations can register as a charity if they have a ‘charitable purpose’, which includes the relief of poverty, the advancement of education or religion, or ‘any other matter beneficial to the community’.¹⁶² The organisation’s purpose must be exclusively charitable, and the purpose of the organisation cannot be to create private financial profit.

Approaches overseas

The production of news content does not easily fit into any existing category of charitable purpose. This has led to some recent developments overseas to explore whether public-interest journalism could be supported through taxation laws relating to charities:

- The ACCC in Australia recommended that a new charitable purpose be established for not-for-profit organisations that create, promote or assist the promotion of public-interest journalism. The Australian government did not support this recommendation, noting news organisations that produce public-interest journalism can already seek deductible gift recipient status.¹⁶³
- In the UK, the Cairncross review recommended that the government give priority to exploring tax relief for public-interest journalism, ideally under the Charities Act. The UK government declined to accept this recommendation, noting it was possible for news organisations with charitable purposes to register as a charity.¹⁶⁴
- The Canadian government announced new measures in 2018 to facilitate philanthropic support for non-profit journalism. The government established a new ‘qualified donee’ status for eligible non-profit organisations that produce a wide variety of news and information of interest to Canadians – these qualified donees can issue official donation receipts, which allows donors to benefit from tax incentives for charitable giving.

The current situation in New Zealand

As with overseas, it is possible for news organisations in New Zealand to register as a charity and benefit from the associated tax implications. Examples of this are rare but include Sports News

¹⁶² Charities Act 2005, s5.

¹⁶³ Australian Government, ‘Regulating in the Digital Age: Government Response and Implementation Roadmap for the Digital Platforms Inquiry’ (2019).

¹⁶⁴ Department for Digital, Culture, Media & Sport ‘Government Response to the Cairncross Review: A sustainable future for journalism’ (27 January 2020)

Taranaki (a local online sports newspaper), e-Tangata (an online Sunday magazine run to strengthen the Māori and Pasifika voice in the New Zealand media, administered by Mana Trust), Campus Radio BFM (AUSA Media Trust), and Channel 33 (targeting Chinese communities in New Zealand including through news and current affairs, administered by New Zealand Culture & Media Group Limited).

While it is possible for journalist organisations in New Zealand to register as charities under the existing law, in practice it is unlikely to be a feasible route for most organisations. First and foremost the organisation has to operate on a non-profit basis. But the organisation must also demonstrate that the *specific content* they deliver advances charitable purposes. As Charities Services has declared, 'The variety of content delivered through [public service media], which includes news, entertainment, informational content and sports is too broad to be limited to charitable purposes.'¹⁶⁵

In 2019 the Charities Board declined an application from The Scoop Foundation for Public Interest Journalism to be registered as a charity on the grounds that, although the Foundation's stated purpose was charitable (including advancing the education of New Zealanders through investigative journalism), in practice it was unable to demonstrate it was advancing exclusively charitable purposes.¹⁶⁶

The news stories, press releases, opinion pieces and other articles published on the Company's website are not advancing education ... and do not otherwise advance charitable purposes. The website's materials are too unstructured to provide information that improves a useful branch of human knowledge, and many of the pieces promote a particular point of view.

It is unlikely that changing charitable tax laws would be an effective means of supporting journalism

One means of supporting the sustainability of public-interest news in New Zealand may be to incentivise philanthropic donations to non-profit news organisations. Under such an approach the government might create an exception to the standard charitable requirements to make it easier for non-profit news publishers to become registered charities, or, as occurred in Canada, create a new and narrow sub-category of charitable news organisations for which taxpayers are able to receive rebates for any donations.

However, it is unlikely such a move would have a material impact on journalism in New Zealand – and even if it did, the costs imposed through administering such a scheme and the incentives it would create for tax avoidance are likely to outweigh any benefits. In particular, it is not clear how many non-profit news firms operate in New Zealand (or would shift to such a model if there were tax advantages), nor the potential scale of donations that could be induced or the quantum of tax rebates the government might need to pay out. Furthermore, we note:

¹⁶⁵ Charities Services, Board Decision 'Registration Decision: Better Public Media Trust' (24 April 2019)

¹⁶⁶ Charities Services, Board Decision 'Registration Decision: Scoop Foundation for Public Interest Journalism' (15 July 2019)

- Such an intervention would introduce new complexity into tax rules in New Zealand and would require a significant workforce at the IRD to administer and to monitor.
- It would likely become a vehicle for tax avoidance, as high-income individuals would look to take advantage of the significant tax benefits associated with being a non-profit news organisation.

Our view is that the impact of any such policy on New Zealand media markets would be marginal and that subsidising public-interest journalism through the tax regime is unlikely to stack up against other more targeted measures to address plurality concerns.

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