TVNZ posts results of a "watershed" year

Greater competition for advertising, and the bearing of costs associated with streamlining its operations made 1997 a difficult year for New Zealand's state broadcaster

Television New Zealand's (TVNZ) results for the 12 months to December 31, 1997 reflected a difficult operating environment, in particular a soft advertising and retail market in which the broadcaster suffered. Increased competition, resurgent newspaper and radio advertising sectors, and a flat economy all meant that TVNZ had to fight hard for the advertising dollar.

Chairman Rosanne Meo described 1997 as a watershed year for the company as it repositioned itself to face the increasing pace of change in broadcast technology and combat the demands of a competitive free-to-air and pay television industry.

Though TVNZ recorded the second highest operating profit in its history, at NZ$77 million, the effect of major internal restructuring was to reduce net profit after taxation to NZ$30 million compared with NZ$61 million in 1996.

Non-recurring items of NZ$36 million included the costs of eliminating obsolete programming accumulated over several years as well as previously capitalised costs and other costs associated with the closure of regional network Horizon Pacific TV.

Partly offsetting these costs were the sales of 80 per cent of TVNZ Natural History and a minor sell-down of the broadcaster's investment in cable operator Sky Network Television to 12.61 per cent. The U.S.-based Rupert Murdoch-owned Twentieth Century Fox bought the 80% stake in TVNZ Natural History. The remaining 20 per cent stake was retained by TVNZ and is now known as Natural History New Zealand Ltd.

The final dividend to shareholders was NZ$21 million for the full year.

"We are satisfied that TVNZ is now in a position to build on its evident strengths, unencumbered by legacy cost burdens. We already see improved performance by our channels, both in ratings and financially, and an increase in overall viewer numbers in what continues to be a difficult market. Our focus is now on preparing TVNZ for the exciting future proferred by digital technology and build on our brand strengths and solid New Zealand image," said Meo.

A primary focus of the company in 1997 was the Great New Zealand Television Project. TVNZ needed to emphasise good New Zealand television onscreen because New Zealand-made programs are ratings winners for the network. Accordingly, TVNZ's local content production increased by 10 per cent (from 4,122 hours in 1996 to 4,506 hours in 1997) and included the introduction of breakfast television.

The project began mid-1997 and has already seen the introduction of several initiatives aimed at refocusing the business and reforming the company's processes. It now places significant emphasis on key brands - channels TV1 and TV2 - supporting them as separate but complementary businesses. The two channels share resources where appropriate - sales, marketing, program acquisition and commissioning.

One of the strongest signals of the fact that TVNZ had to rise to the challenges of the competitive and changing media environment was the gains made by newspaper and radio advertising which saw the 1997 percentage growth in spending on other advertising exceed that for television for the first time in many years.

In addition to the channel branding and production activities, TVNZ's 100 per cent-owned subsidiary Broadcast Communications Ltd also began positioning for the introduction of digital technology, completing a successful trial in 1997. It will use the frequencies previously set aside for MTV in TVNZ's licensing deal with the music television network (an arrangement which ended on June 7, 1998 due to lacklustre viewing figures) for digital broadcasting trials from August 1998.

Last year, TVNZ also began the process (which was completed in January 1998) of selling its production arm South Pacific Pictures to a New Zealand-led consortium comprising Force Corporation (the Village Roadshow exhibition and distribution joint venture), local company Endeavour Productions Ltd and the U.K. distribution and production company Chrysalis Group.

The broadcaster retained its 25 per cent stake in New Zealand telecoms company CLEAR Communications but is known to be reassessing its involvement in the business which rests rather awkwardly outside its stated core focus on television.

Karen Winton

Community broadcasting: the growth paradox

A new funding model and $1.5 million infrastructure package is intended by the government to make community broadcasters more self-sufficient and independent but, writes David Barlow, it is viewed with suspicion by some who regard it as the first step in the withdrawal of government support

As community broadcasters approach the new millennium, they do so with feelings of optimism and apprehension. The optimism stems from continuing growth of a sector which currently includes more than 210 radio stations (including the 83 Broadcasting for Remote Aboriginal Communities Scheme stations), 11 television organisations and 170-plus aspirant broadcasting groups, of whom 100 or more are expected to acquire a licence by 2000. The apprehension emanates from the Coalition's commitment "to develop a comprehensive longterm community broadcasting strategy".This was interpreted by Michael Thompson. head of the Community Broadcasting Association of Australia (CBAA), as the commencement of significant rationalisation of the community sector in his article "Expansion of the sector: How to proceed?" in the association's August 1997 newsletter

A recent discussion paper, *A New Funding Model and Future Strategy for the Community Broadcasting Sector*, Department of Communications and the Arts, Canberra, 1997, provides the opening salvo in an attempt to create a more self-sufficient and independent community broadcasting sector.

This is to be achieved by introducing a new funding model and encouraging community broadcasters to maximise the potential of a new infrastructure package delivered by the Coalition since its election. The proposed and now partly implemented package involves a grant of $1.5 million over three years to develop a Community Access Network, Community Broadcasting Database and to upgrade the current community broadcasting satellite, ComRadSat. Although unfunded, there was also a commitment to assist community broadcasters to migrate to Digital Radio Broadcasting (DRB).

Peter Westerway, director of the Community Broadcasting Foundation (CBF), declared the Community Access Network and Community Broadcasting Database projects as "the most significant innovations in the history" of the sector. But although generally welcomed by most community broadcasters, some detractors have suggested it is the first step in a government agenda to reduce the sector's funding in the longer term. This scepticism is based on a view that the infrastructure package has been awarded explicitly for the purpose of encouraging and enabling the sector to generate more of its own income and become financially self-reliant, thereby providing a rationale for the gradual withdrawal of government support.

Together with advice that the community sector should spend the infrastructure funding "appropriately, efficiently and effectively", the government considers this investment an opportunity for community broadcasting to "shape its own destiny" and "establish a role in the new communications environment".

The Community Broadcasting Database will enable online access to management, marketing, training, audience survey and technical resource information while the Commuinty Access Network will allow community broadcasters access to the Database, a multimedia capacity and the ability to provide community information services. While the funds provided are expected to equip all licensed community stations with the hardware and software to enable Internet access, this is not expected to extend to aspirant groups or the BRACS stations, a situation that caused some disquiet at the 1997 CBAA annual conference.

While the Network and Database are seen by the government as a means of enabling community broadcasters to "do their core business better", the predominant expectation is that the sector will use the new infrastructure to expand its area of operations and develop mutually beneficial cooperative ventures in order to generate additional revenue. To assist with this process, community broadcasters are encouraged to consider and put into operation concepts such as a "value chain", "linkages" and "leverage". Links with industry groups are considered a means of value-adding as well as providing scope for leveraging additional resources from governments and the private sector, the intention being that these new ventures will provide community broadcasting

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