

Television New Zealand Limited
and subsidiaries

Statement of Intent

For 4 Years Ending 30 June 2027



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Introduction

This Statement of Intent outlines TVNZ's strategy for the forthcoming four years. It should be read in conjunction with each year's Statement of Performance Expectations.

Who we are and what we do

TVNZ is a Crown Entity Company and has a Board of Directors appointed by the Minister of Broadcasting and Digital Media and the Minister of Finance.

The Chief Executive has day to day management of the company.

The Television New Zealand Act 2003 provides the company editorial independence of which freedom from political influence is a fundamental principle. TVNZ's operations are governed by:

- Television New Zealand Act 2003.
- Broadcasting Act 1989.
- Companies Act 1993.
- Crown Entities Act 2004.
- The Owner's Expectations Manual as published by the Treasury.
- The 'Letter of Expectations' sent to TVNZ in the previous financial year.
- Compliance with the current Free-to-Air Television Code regulated by the Broadcasting Standards Authority.
- Compliance with advertising codes promulgated through the Advertising Standards Authority.
- Compliance with principles promulgated through the New Zealand Media Council.
- The Memorandum of Understanding between TVNZ and the National Emergency Management Agency.

The policy objectives set out by shareholding Ministers are for TVNZ to continue its transition into a successful national television and digital media company providing a range of content and services on a choice of delivery platforms while maintaining a strong commercial performance.

In carrying out its functions, TVNZ must provide high quality content that:

- (a) is relevant to, and enjoyed and valued by, New Zealand audiences; and

(b) encompasses both New Zealand and international content and reflects Māori

perspectives. The scope of functions and intended operations of TVNZ are:

- The commissioning, production, purchasing and archiving of video content, either independently or with others.
- The provision of video production facilities (field, studio and post-production, outside broadcast facilities, design and set construction services).
- The programming and scheduling of video content for on-air and online distribution.
- The provision of advertising and sponsorship services and related marketing activities.
- The publishing and distribution of video content on a broad range of relevant platforms and devices.
- The provision of services to the broadcast industry, both domestically and internationally.
- The provision of audio-visual footage, programming, video and DVD rights, programme listing information, channel packaging and all other content related services and materials.
- To undertake other media related activities, as determined by the Board.

TVNZ's statutory obligations

TVNZ's primary reason for being is to provide compelling content to New Zealand audiences.

Consistent with the obligations detailed in the Television New Zealand Act 2003, TVNZ's statutory obligations are:

- **To provide content that is enjoyed and valued by New Zealanders;**
- **To ensure our content is readily accessible to viewers;**
- **To maintain a sustainable commercial performance; and**
- **To reflect Māori perspectives.**

These obligations are outlined in more detail below.

To provide content that is enjoyed and valued by New Zealanders

Deeply understanding the needs of New Zealand viewers is fundamental to delivering on this obligation. Different moments matter to different New Zealanders and we need an appropriate breadth of content to meet the varied needs of specific viewer groups. Some of those moments will be relevant local stories and others international.

We aim to offer content that inspires the conversations of Aotearoa – *Kia whakaihihi i ngā korero o Aotearoa*. We will continue to prioritise local content as our core differentiator.

We have three assessment principles that will guide us on this: **Aotearoatanga** ("New Zealandness" – content which creates a strong and distinctive NZ identity, a flourishing Māori language and values our environment); **Mana Reo** (*Giving Voice* – content which contributes to an inclusive, enriched and connected society, acknowledges groups and celebrates our communities); and **Kia Māia** (*Being Brave* – content which changes the perception of TVNZ, appeals to younger audiences and is bold).

Representing the diversity of Aotearoa across our local programming is at the core of being a representative broadcaster.

TVNZ's plan to engage younger audiences and remain relevant to New Zealanders of all age groups is centered in our digital news strategy.

To ensure our content is readily accessible to viewers

TVNZ's linear channels are made available free of charge on the Freeview and Sky broadcast platforms, and are streamed online through a range of devices. Maintaining a free-to-view service is a big contributor to maximising the accessibility of our content. We need to be available where viewers choose to watch and how they do this. We will therefore continue to invest in our digital future so we can stay relevant and compete with international platforms and social media.

The ultimate measure of our success is viewer engagement, and we will leverage the unique and powerful attributes of video content to drive emotional engagement with viewers. We will continue to invest in data and viewer experience to increase audience engagement.

To maintain a sustainable commercial performance

Viewers are also the engine of our commercial success because advertising investment will follow eyeballs. We need to deliver audiences that are valued by advertisers and deliver competitive value for money in comparison with other media options.

We are embarking on a multi-year transformation programme to evolve TVNZ so it's better able to meet the realities and expectations of modern audiences. Maintaining alignment between our revenues and costs is central to our commercial performance, and we will adopt a dynamic approach to the allocation of business resources between investing to sustain our core TV business and accelerating our transformation to a digital-first business.

Broadcast television audiences will continue to move to streaming options and transitioning these audiences to our digital offerings and growing the accompanying digital revenue is critical for our future success.

To reflect Māori perspectives

Reflecting Māori perspectives remains an important focus for TVNZ and the growing ethnic diversity of New Zealand is another input that shapes our selection of content.

We will do this by incorporating Te Reo and Te Ao Māori in dedicated Māori content, by "normalising" it in mainstream content, and by promoting its usage within the organisation. We will cover contemporary Māori issues in our news and current affairs programmes, as well as bringing them to life in our entertainment offering.

Specialist Māori programmes have been a part of TVNZ schedules for over four decades. We are continually evolving both our Rautaki Māori and our Inclusion and Diversity Strategy and will continue to look for innovative ways of presenting Māori content to prime time viewers and to broader audiences.

Strategic Priorities

TVNZ has identified three strategic themes for the FY2024, which feed into TVNZ's FY2028 ambitions. These are:



Extend Digital Audience Reach

TVNZ will seek to materially increase reach and frequency of commercial audience segments on TVNZ+ to enable digital revenue objectives, while delivering overall platform scale. As a key point of difference from global competitors, and in TVNZ's role as Kaitiaki or guardian of New Zealand's national identity, TVNZ's commitment to local content will be a key driver in helping to achieve this goal.

Accelerate Digital Revenue

As global broadcast audiences decline by ~3-4% annually, TVNZ will seek to increase its digital advertising revenue to help offset declines in broadcast revenue. With the monetisation of data and digital products, made possible through investment into digital capabilities, TVNZ will seek to improve yield on audience segments, and provide more targeted audience capability for our advertisers.

Sustainable Future Business

As audiences continue their migration from broadcast to IP-delivered viewing, TVNZ's five-year Horizons transformation programme will lay out TVNZ's plans to secure the future viability of the business. This will include commencing work on the IP Platform (the foundation builds of which will take place over FY2024 and FY2025) and developing a Culture and Capabilities workstream to ensure TVNZ's people are focused on and prepared for the future. New ways of working and undergoing a business-wide cost transformation will help TVNZ to deliver on its FY2028 profit ambitions.

This will require significant investment , to be funded through cash reserves and earnings.

Challenges within the operating environment

Key risks and challenges confronting TVNZ include:

1. *Local Economic Outlook*

New Zealand is expected to see ongoing economic headwinds throughout 2023 and into 2024, with GDP contraction of -0.1% in the March quarter putting New Zealand into technical recession. With advertisers looking to undergo cost management measures, TVNZ has seen double digit TV advertising revenue declines throughout the second half of FY2023.

Despite significant OCR increases over the last 18 months, inflation remained at a 30-year high of 7.2% in December 2022. These pressures are being felt by TVNZ in production, technology and employment costs. The labour market remains strong for now, with unemployment at 3.4% in December, driving inflationary pressure on wages. The cost-of-living crisis is impacting all New Zealanders, including TVNZers.

Local content is treasured by our audiences – it is TVNZ’s point of difference. However as the maker or commissioner, the cost is borne by TVNZ.

TVNZ is responding to this by:

- *Undergoing business-wide cost management initiatives in the short term*
- *Including cost transformation as a key workstream in the five-year Horizons business transformation plan*
- *Developing new methods of revenue generation, for example, through sales transformation plans and improved advertiser/ audience matching.*
- *Balancing its schedule for optimal viewership and commercial return.*

2. *Changing Viewer Consumption Habits*

The global decline in broadcast audiences shows no signs of returning to growth. Here in Aotearoa, the migration to social media and international streaming platforms means that, while TVNZ retains a leading broadcast audience share at 45%, the overall audience size has contracted. This puts pressure on TVNZ’s revenue, with \$259m (84%) of TVNZ revenue in FY23 coming from broadcast advertising. While TVNZ+ boasts a world-class content library, the ageing infrastructure the platform is built on is currently limiting, rather than enabling TVNZ’s strategic ambitions.

Increasingly, TVNZ’s competitors are no longer limited to other domestic providers, but include international streamers with the capital of major media conglomerates behind them. Social media and video-streaming platforms are not only fragmenting audiences, but are reducing publishers’ abilities to access advertising revenue as players such as YouTube and TikTok dominate the digital advertising market. Younger audiences in particular have abandoned traditional, local media in favour of social media and international streamers.

TVNZ is responding to this by:

- *Beginning work on the IP Platform build, which will enable TVNZ to meet audiences where they want to watch, with the kind of user experience they have grown accustomed to*
- *Reaffirming commitment to telling the stories of New Zealand and New Zealanders as a key differentiator from international competitors*
- *Ensuring TVNZ+ remains the BVOD platform of choice for New Zealanders (including growth from 585k weekly reach at the end of FY2022 to 632k at the end of FY2023, with peaks of over 730k)*
- *Developing a refreshed entertainment content strategy, which sets out to engage 18-34-year-olds, coupled with a Digital News strategy aimed at reaching younger viewers.*

3. Declining Trust in Media

Although TVNZ moved into first place in the annual AUT Trust in News report in 2023 (alongside RNZ and the Otago Daily Times), overall trust in news continues on a steady trajectory of decline in New Zealand, now down to 42%.

TVNZ tops the list of domestic news sources (with 65% of respondents using TVNZ to consume news in the past week), however, New Zealand now has one of the highest rates of news avoidance internationally. Bias and sensationalism are listed as key causes for this avoidance.

TVNZ is responding to this by:

- *Keeping front of mind the company's Responsible Broadcasting pillar from the Sustainability strategy, including independent, fair and trusted editorial*
- *Remaining commitment to reaching younger audiences through platforms such as Re:*
- *Exploring partnership opportunities with other trusted local news media, such as RNZ.*
- *Supporting the government's aim to regulate global players such as Google and Meta*
- *Undertaking a news marketing campaign with key messages around trust and credibility*
- *Measuring trust both internally and externally*

Statement of Service Performance

TVNZ is not directly funded to provide any Government service, and all of TVNZ's revenue comes from advertising and non-Crown commercial sources. Consequently, TVNZ does not have any reportable output classes under the Crown Entities Act 2004.

Capability

In response to the changing nature of the New Zealand media industry, TVNZ will continue to review all areas of its business to identify efficiencies and ensure a sustainable business.

As at 31 March 2023 TVNZ employed 769.53 FTEs in its Auckland, Wellington, Christchurch and Dunedin offices, and those working remotely in New Zealand and overseas.

In FY2024 TVNZ will continue to:

- Provide a healthy and safe work environment, and maintain policies in this area in line with new legislation and expectations.
- Manage change with clear communication, transparency, respect and support for individuals in order to meet the changing needs of the company.
- Ensure its recruitment process enables the selection of suitable candidates.
- Remunerate fairly and consistently in relation to performance, position in salary bands and to the external market.
- Conduct good faith collective bargaining with the PSA and E tū unions.
- Provide appropriate learning and development opportunities.
- Demonstrate equal opportunity practices which promote diversity and firmly discourage discrimination.
- Operate a fair, transparent and regular performance management appraisal system that allows employees full participation in their own performance reviews.

TVNZ takes seriously its commitment to treating people fairly and with respect, ensuring equality of access to opportunities and understanding, appreciating and realising the benefits of individual differences.

APPENDIX – Consultation, subsidiary and associated companies

TVNZ will in relation to any single or connected series of transactions, consult with Shareholding Ministers of TVNZ on substantial matters not contemplated in the business plan including:

- Any substantial capital investment where the value of the investment exceeds \$5 million (excluding content acquisition).
- Any substantial expansion of activities outside the scope of its core business into new business areas.
- The subscription for, or sale of, shares in any company or equity interests in any other organisation which are material, involve a significant overseas equity investment, or are outside the scope of its core business.
- The sale or other disposal of the whole or any substantial part of the business or undertaking of TVNZ.

TVNZ will ensure at all times that:

- Control of the affairs of every subsidiary of TVNZ is exercised by a majority of Directors appointed by TVNZ.
- A majority of the Directors of every subsidiary of TVNZ are persons who are also Directors or employees of TVNZ, or who have been approved by the Board of TVNZ for appointment as Directors of the subsidiary.

In accordance with Section 100 of the Crown Entities Act 2004, TVNZ will ensure that it does not:

1. Acquire shares in a company that gives TVNZ substantial influence in or over that company or
2. Acquire an interest in any partnership, joint venture, or other association of persons, or an interest in a company other than its shares or
3. Settle, or be or appoint a trustee of, a trust,

- other than –

4. After written notice to its shareholding Ministers and
5. In accordance with the consultation principles stated in the first paragraph above and
6. For the purpose of TVNZ carrying out its functions, and acting consistently with its objectives under any Act and its constitution.