This New Zealand Media Ownership Report is the second one published by AUT’s Centre for Journalism, Media and Democracy (JMAD). This report finds that in 2012 the ownership of New Zealand media companies concentrated even more tightly in hands of transnational corporations, financial institutions and private equity firms, following the international trend. It also discovers that the financialisation of media companies has intensified their need to maximise revenues. Consequently, media companies have implemented cost cutting programmes, outsourced jobs, closed down operations and sold core assets. The speed of these developments suggest that the future of New Zealand media companies is even more unpredictable than in September 2011 when the first JMAD report was published. At the same time print media organisations and online news formats struggled for commercial viability. In these fraught circumstances the principles of public broadcasting and public interest journalism were difficult to sustain.

Key events and trends concerning New Zealand media ownership in 2012:

- Transnational media corporations tighten control over New Zealand media companies
- Financial institutions and private equity firms increase their New Zealand media holdings
- Fairfax and APN: asset sales, job cuts, paywalls and tabloid formats
- Traditional business models in New Zealand print media become less viable
- Public broadcasting shrinks further after the government effectively closes TVNZ 7 and Stratos
- Sky TV’s spreading influence triggers Commerce Commission investigation
- Journalism.org.nz: web based public interest journalism emerges

Keywords: New Zealand media, ownership, convergence, financialization

Note: The first JMAD New Zealand Media Ownership Report was published 2011 by AUT’s Centre for Journalism, Media and Democracy (JMAD). The copies of this and last year’s reports are available here: http://www.aut.ac.nz/study-at-aut/study-areas/communications/profile/media-networks/journalism-media-and-democracy-research-centre/journalists-and-projects
1. Global media ownership – 2012 trends

This year has seen two notable developments in media ownership. In May 2012, billionaire Warren Buffett’s investment vehicle Berkshire Hathaway announced that it was buying 63 US newspapers - including 23 dailies - from Media General Company for $142 million (NG & Hagey, 2012). As Pew Research Center’s Project for Excellence in Journalism (PEW) notes “in the last 18 months many better known newspaper companies divested most or all of their holdings while a number of new entities, including hedge funds and private equity firms, jumped in.” (PEW, 2012). According to PEW, a total of 71 daily newspapers in the US were sold as part of 11 different transactions during 2011 which was “the busiest year for sales since 2007.” (PEW, 2012). Mitchell and Rosenstiel (2012) note that “the trend of private equity owners gaining control through bankruptcy proceedings continues to grow and they tend to take an aggressive approach to digital transition.” (Mitchell & Rosenstiel, 2012). The declining fortunes of print news media strengthen their links to financial institutions. In other words were are witnessing the financialisation of media. According to Almiron-Roig (2012) the primary features of this process are:

- ownership of the media by equity, investment firms or institutional shareholders;
- media companies actions are based on profit and turnover targets;
- bankers and advertisers are sitting on the boards of media firms (Almiron-Roig, 2012, p.45).

While the financial troubles of media companies have reinforced ownership concentrations across media sectors, issues of journalistic ethics compelled News Corporation to split the company in two in 2012 (Edgecliffe-Johnson, Fenton & Parker, 2012). Before the split, Rupert Murdoch was forced to close down his 168-years old British tabloid newspaper the News of the World after it was disclosed that its journalists had accessed the phone of the murdered schoolgirl Milly Dowler. They had also hacked the phones of celebrities, politicians and members of Royal Family. The political and public pressure also led Murdoch to withdraw his bid to take full control of its British pay-TV company BskyB. This was described as “one of the biggest setbacks the 80-year-old media mogul has ever suffered.” (Robinson, 2011). In June 2012, News Corporation announced that its assets would be divided
into two holdings: a publishing company comprised of newspapers and information businesses in the US, UK and Australia as well as other Australian media assets; and a media & entertainment company with broadcast and worldwide cable networks, film and TV production studios, television stations and pay-TV businesses in Europe and India (News Corporation, 2012). According to Rupert Murdoch the move would “enable each company and its divisions to recognize their full potential – and unlock even greater long-term shareholder value.” (News Corporation, 2012). The media and entertainment arm will include Fox Broadcasting, Twentieth Century Fox Film, Twentieth Century Fox Television, Fox Sports, Fox International Channels, Fox News Channel, Fox Business Network, Star, Fox Television Stations, BskyB, Sky Italia and Sky Deutschland among others. The new publishing company includes brands such as Dow Jones, The Wall Street Journal, Dow Jones Newswires, HarperCollins, The New York Post, and The Daily, The Times, The Sun, The Sunday Times, The Australian, The Herald Sun, The Daily Telegraph and The Courier Mail. Sky TV New Zealand will be affected when News Corporation is divided. Sky TV is the dominant player in the New Zealand pay-TV market, and it will form part of News Corporation’s new media and entertainment company (News Corporation, 2012). Some observers worry that Murdoch’s new publishing arm will not survive on standalone basis. Doctor (2012) for example notes that “however capitalized we can assume the standalone publishing company would be more subject to market pressures than it has been as a division of a singular company.” (Doctor, 2012).

Ownership convergences across social media companies, application providers and search engines were evident in 2012. In July, social media company Facebook listed on New York’s NASDAQ exchange in a controversial US$10 billion initial public offering. After three months of stock market listing the company’s shares had fallen to 50 percent of the listing price “wiping out some $50 billion in shareholder value.” (Gustin, 2012). In April 2012, before the stock market listing, Facebook bought a photo-sharing app company Instagram for a US$1 billion (Price, 2012). The move was followed by Facebook’s rival, the search engine company Google in September 201 when it bought Instagram’s competitor Nik Software, a German company behind Snapseed. As Macworld notes this means that “the rivalry between Google and Facebook is stepping up a notch.” (“Google buys photo editor
Snapseed”, 2012). In June 2012 Microsoft bought Yammer, which is a leading provider of enterprise social networks with over five million verified corporate users, for US$1.2 billion (Microsoft, 2012).

2. Trans-Tasman media-communication ownership

In 2012, Tran-Tasman news organisations were cutting costs in their print operations, yet at the same time they were expanding to new businesses and more profitable operations. Gina Rinehart took even tighter control in Fairfax Media which during 2012 was concentrating on cost cutting and asset sales. Rinehart and Fairfax’s second biggest shareholder, investment house Allan Grey, are eager either to break up the company or continue sales of its core assets.

In August 2011, Fairfax Media announced that it was selling 34 percent of its stake in New Zealand’s largest online auctions site and classifieds business Trade Me through an initial public offering (IPO). The media company sold the shares in December 2011, raising A$364 million (Fairfax Media, 2011). After the sale the company maintained its intention to retain a majority shareholding in Trade Me – the company it bought in 2006 for $700 million. Greg Hywood, the CEO of Fairfax Media said that “the decision to pursue the IPO of Trade Me is a further step in reshaping the Fairfax portfolio and adopting a more flexible corporate structure to maximise shareholder value.” (Fairfax Media, 2011). In the full year results for 2012 the company stated that it had concluded a “successful IPO of 34% of Trade Me in December 2011 and subsequent divestment of 15% in June 2012 raising an extra $160 million.” (Fairfax Media, 2012a). McBeth argues that the company “has sold down its stake in Trade Me to pay for a three-year restructuring of its newspapers that will cost A$248 million and result in 1,900 job cuts.” (McBeth, 2012a).

APN News and Media has expressed its intentions to sell core media assets, yet at the same time it has extended its digital portfolio. In 2012 it acquired an 82 percent stake in the leading e-commerce business brandsExclusive and increased its ownership in group coupon site GrabOne from 75 percent to 100 percent (APN, 2012a). In its 2012 Interim Report APN announced that the company is continuing to build its digital capabilities and that its revenue from the “digital venture is
growing strongly.” (APN, 2012a). According to the company its digital revenue grew in the first half of 2012 by 81 percent to $11.4 million on the previous year (APN, 2012a). In February 2012 APN also formed a joint venture APN Outdoor with a private equity group Quadrant Private Equity to “target expansion within the Outdoor advertising segment in Australia, New Zealand and Asia.” (APN, 2012b). In a market announcement Brett Chenoweth, the CEO of APN, commented: “This partnership is a unique opportunity for APN to fast-track growth in the Outdoor advertising segment, one of APN’s most successful businesses and a market leader in Australia and New Zealand.” (APN, 2012b).

In June 2012, Murdoch’s News Corporation announced that it was cutting costs in Australia. This led to the reduction of 70 editorial jobs in The Australian newsrooms - although the Australian journalists union, the Media Entertainment and Arts Alliance estimated that more than 300 editorial jobs would go during 2012 (Lower, 2012). In September, News Corporation agreed to buy Australian Consolidated Media Holdings for A$1.9 billion (Fickling, 2012). The takeover offer for Consolidated was backed by its main shareholder and chairman James Packer, another Australian media mogul (Fickling, 2012). In October 2012, the shareholders in Consolidated Media Holdings voted in favour of the takeover from News. This made News Corporation a dominant pay-TV operator in Australia (“News Corp seals $2.1 billion Australian pay-TV deal”, 2012). After the takeover, Murdoch has 100 percent ownership of Fox Sports network in Australia and 50 percent ownership of pay-TV operator Foxtel. The deal was cleared by the Australian Competition and Consumer Commission in August 2012. They concluded that “it is unlikely to lead to a substantial lessening of competition.” (“News gets ACCC nod to buy ConsMedia”, 2012). Murdoch’s son Lachlan Murdoch has also been busy expanding his media portfolio in Australia. In September 2012 his investment company Illyria took full control of DMG Radio Australia by buying 50 percent of the shares it didn’t already own from the UK based Daily Mail and General Trust (McDuling & Chessell, 2012). Illyria also owns a nine percent stake in Ten Network Holdings in which Lachlan Murdoch acts as a chairman (McDuling & Chessell, 2012). The interests of Lachlan Murdoch and Gina Rinehart seem to intertwine since the latter also has a 10.6 percent stake in Network Ten Holdings (Ryan, 2012).
In November 2012 New Zealand based Todd Communications announced that it had sold its interest in Sky TV – a move that surprised markets and media commentators. The company which is part of the Todd Corporation, sold its 11 percent stake in a deal valued at NZ$218 million (“ToddCorp ends 22-year interest in Sky TV with $218 million sale”, 2012). According to a statement issued by Todd Communications, the company sold its shares as a block to investment bank Credit Suisse which paid $5.05 dollars per share (Todd Communications, 2012). In its market announcement to NZX, the New Zealand stock market operator, Credit Suisse confirmed on the 5th of November that it had sold further its holding in Sky TV to New Zealand investment broker First NZ Capital Securities and institutional shareholders (Credit Suisse Holdings, 2012). The Todds are among New Zealand’s richest families, and their corporation has owned Sky TV’s shares for 22 years. (“ToddCorp ends 22-year interest in Sky TV with $218 million sale”, 2012). Todd Communications didn’t publicly comment on the sale, but an equities manager James Lindsay stated on TVNZ online that “Sky has under-performed – the market has been concerned with their growth profile.” (“NZ shares fall as Sky TV farewells shareholder”, 2012).

Also in 2012, the mobile phone operator Vodafone NZ, a New Zealand subsidiary of British Vodafone, decided to buy TelstraClear which is the wholly owned NZ subsidiary of Australian Telstra. The acquisition was valued at NZ$840 million, and some commentators noted that “the deal is likely to challenge Telecom’s long-running domination of the local market.” (Gray, 2012a). Paul Brislen, the head of the Telecommunications Users Association in New Zealand (TUANZ), regarded the deal as a positive move: “On the one hand, it's good to see a company finally having the scale to take on Telecom and actually be a serious competitor.” (Gray, 2012a). The merger leads to a duopoly in the New Zealand telecom markets. Even Pullar-Strecker (2012) claims that this shouldn't raise big competition concerns since “there will still be three mobile phone networks, operated by Vodafone, Telecom and 2degrees, and a heap of internet providers to choose from.” (Pullar-Strecker, 2012a). In October, the Internet company Orcon announced that it was merging its operations with Kordia Networks to form a new business called Kordia New Zealand (Fletcher, 2012). The new combined business has an annual turnover of $161 million and a staff of 320. The Kordia’s CEO Geoff Hunt explained that the
move will “eliminate duplication” and put the business “in a better position to grow in a competitive market.” (Fletcher, 2012).

3. New Zealand media ownership – general structure

As in 2011, there are four major commercial players in the New Zealand media market: APN News & Media, Fairfax Media, MediaWorks and News Corporation/Sky (Myllylahti, 2011). APN and Fairfax are the market leaders in New Zealand’s print media, MediaWorks and APN dominate on radio networks, and MediaWorks and Sky TV are major players on television markets with Sky TV having a near monopoly in the pay-TV sector. New companies and new owners have entered television markets; namely Freeview channel Choice TV which is owned by Kiwi producers Vincent Burke and Laurie Clarke, and The Shopping Channel which is owned by New Zealand entrepreneur Greg Partington (read more below). In addition to commercial media organisations, New Zealand has publicly funded broadcasters: government owned TVNZ which has TV1, TV2, TV1 Plus; Maori Television and Radio New Zealand.

JMAD’s 2011 New Zealand Media Ownership Report states that New Zealand media companies “are increasingly dominated by global and pan-regional media corporations, and that they are vulnerable to commercial and shareholder pressures.” (Myllylahti, 2011). In 2012, transnational corporations tightened their control over New Zealand media companies, a trend best demonstrated by the fate of ACP Media. The German publishing house Bauer Media took over ACP Media which publishes in New Zealand magazines such as Metro and North & South.

The year 2012 brought substantial ownership changes within major media companies: the Australian mining billionaire Gina Rinehart increased her stake in Fairfax Media; MediaWorks got two new private equity owners - a Texan private equity company TPG and another American private equity company The Oaktree Capital Management. The fate of APN’s main New Zealand media assets was unsettled when writing this report in November 2012. Reports at this time suggested that the company had put its South Island papers on sale (“APN puts Sth Island papers on the block”, 2012). APN’s South Island newspaper stable includes
titles such as *The Star* – published twice a week in Christchurch – and the *Oamaru Mail*. *The Star* unit also publishes multiple community papers in Canterbury including the *North Canterbury News, Pegasus Post, The Observer, New Advertiser, Selwyn Times* and *Western News* (“APN puts Sth Island papers on the block”, 2012). According to a staff memo quoted by *The New Zealand Herald*, the decision to sell local newspapers was a “strategic decision to consolidate its publishing business in the North Island.” (“APN puts Sth Island papers on the block”, 2012). APN has a strategic partnership with privately owned Allied Press which might be interested in purchasing the South Island papers (although most newspaper markets in South Island are controlled by APN’s main competitor Fairfax Media.)

New Zealand’s only financial daily, the *National Business Review* (NBR) was started by Barry Colman in 1991 after he bought the indebted paper from Fairfax for one dollar. In August 2012, Colman sold his paper to Scott for an undisclosed sum. According to Nippert (2012a) the deal was financed by Westpac bank and it was “done on commercial terms.” It is not clear what the valuation of NBR is, but its print circulation has been in decline. In December 2011, the circulation of the print version of NBR was 8197 copies, down ten percent from 2010 (Fahy, 2012a). NBR has a paywall for its online site, and as Drinnan states “having set up a paywall and with the online operation running well, NBR was trading well.” (Drinnan, 2012a).

**Financial institutions, private equity and New Zealand media ownership – overview**

In 2012, the financialized ownership structure of New Zealand media companies made their future unpredictable as they became vulnerable to any kind of restructuring. Furthermore, as the graphs shown demonstrate, the 2012 share prices of Fairfax and APN have plummeted to historically low levels. These companies are therefore attractive targets for investors wanting revenue streams and restructuring deals. As seen in the graphs, Fairfax’s share price dropped from 87 cents to 35 cents between January-November 2012 and APN’s share price fell from 96 cents to 30 cents over the same time period.
Fairfax share price January 2012 – November 2012

Source: Yahoo7 Finance

APN share price January 2012 – November 2012

Source: Yahoo7 Finance
As Almiron-Roig (2012) notes, financialization of media has left companies even more dependent upon investment firms and institutional shareholders who are driven by short term profit imperatives. A telling comment was made by ACP Media’s chief executive Paul Dykzeul after the company was sold to a German publishing giant Bauer Media: “I have never given up hope that one day we would be owned by a publishing company again. It’s overwhelmingly positive.” (Fahy, 2012c). ACP Media’s previous parent company Nine Entertainment Network is owned by private equity company CVC Asia Pacific. As Dykzeul notes, the private equity firms don’t invest in future business, but “use the success of the company to pay debt.” (Fahy, 2012c).

The following tables reveal the major ownership stakes within Fairfax Media, APN News & Media, Sky TV and MediaWorks. Any owner which owns five percent or more of the company’s shares is required to disclose their shareholding information to the stock exchanges. Nominee share holders are normally companies which hold shares for a group or groups of shareholders. MediaWorks has major debt holders, but because it is privately owned and not listed on any stock exchange, it doesn’t disclose detailed information about its debt or equity holders.

### Table 1: MediaWorks biggest debt holders

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<th>Debt Holder</th>
<th>% of debt not announced</th>
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<td>Ironbridge Capital</td>
<td>% of debt not announced</td>
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<tr>
<td>TPG Capital</td>
<td>% of debt not announced</td>
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<tr>
<td>Oaktree Capital Management</td>
<td>% of debt not announced</td>
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Source: McBeth 2012, Gray 2012

### Table 2: Fairfax Media substantial shareholders in 2012

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>% of Shares</th>
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<tr>
<td>Hancock Prospecting (Reinhart)</td>
<td>14.99 %</td>
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<tr>
<td>Allan Gray Australia</td>
<td>8.29 %</td>
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<tr>
<td>Commonwealth Bank of Australia</td>
<td>7.48 %</td>
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<tr>
<td>AXA Group</td>
<td>7.07%</td>
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<tr>
<td>National Australia Bank Limited Group</td>
<td>6.47 %</td>
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Source: InvestSmart
As a part of its debt restructuring in 2012, MediaWorks obtained two new major debt holders TPG and Oaktree Capital Management (read more below). In 2011, its biggest owner was the Australian private equity firm Ironbridge Capital, and this was the case also in November 2012. As mentioned, Fairfax Media’s share price decline during 2012 resulted in two major owners obtaining substantial holdings in the company: Gina Rinehart’s Australian company Hancock Prospecting owns 14.99 percent of company’s shares and the Australian investment house Allan Gray owns 8.29 percent of its shares. Commonwealth Bank of Australia and National Australia Bank remained large shareholders in the company.

In November 2012, the major owner of APN News & Media was still Independent News & Media with a total of 29.6 percent of the company’s shares. Interestingly, the Australian investment house Allan Gray (which is the second biggest owner of Fairfax Media) is also the second largest shareholder of APN News & Media. As APN’s share price has dramatically fallen, Allan Gray has increased its ownership in the company to almost 18 percent. In November 2012, an Australian independent media platform Crikey speculated that Fairfax and APN might merge some or all of their media assets: “The strong word on the street is that the two ailing media groups are close to a deal, covering their New Zealand newspaper assets, their Australian regional mastheads, and maybe a lot more.” (“Tips and rumours”, 2012).

In an interview with The Australian, Allan Gray’s fund manager Simon Marais (Davidson, 2012a) confirmed that the investment house would consider a takeover
approach for its media holdings if the price was right. At the moment its primary concern is to maximise shareholder value, and therefore it is pushing Fairfax Media to sell more of its shares in TradeMe and to dispose of its radio assets. Marais has recently bought more Fairfax shares because “this company is not losing money: it’s still pouring out cash but less than it used to by some measure.” (Davidson, 2012a). As seen in table 5, Fairfax Media was still creating A$2.4 billion dollar revenue in 2012.

Sky TV’s ownership structure changed in 2012 from the previous year when one of its biggest shareholders Todd Communications sold its 11 percent stake in the company. The shares were first bought by Credit Suisse Holdings which then sold to institutional investors. At the time of writing this report, Rupert Murdoch’s Nationwide News was still the biggest shareholder of Sky TV with a 43.65 percent shareholding.

**American venture capital pours into MediaWorks**

MediaWorks, which runs New Zealand TV stations TV3 and FOUR and radio stations such as The Edge, The Breeze and The Rock, became more vulnerable to private equity in 2012. In July, MediaWorks largest owner, the Australian private equity firm Ironbridge Capital, teamed up with its former rival TPG Capital to inject fresh cash into the media company. According to McBeth (2012b), Ironbridge and TPG funds allowed MediaWorks to repay the remainder of its $43 million debt owed on its spectrum license. In October 2012 the New Zealand’s Communications and Information Technology Minister Amy Adams put out a statement declaring that “MediaWorks’ subsidiary RadioWorks has paid in full its deferred payments to the Crown for radio spectrum licences, nearly two years ahead of schedule.” (Adams, 2012). In 2011, the New Zealand government was heavily criticized for financially backing MediaWorks which was owned by a private venture capital firm, especially after the government decided to cease funding for the publicly owned TVNZ 7 (Myllylahti, 2011). Adams welcomed the early payment by RadioWorks stating that “The deferred payment scheme was intended to help take the financial pressure off a number of broadcasters during what was a difficult economic period. The scheme has clearly worked well and achieved its objectives.” (Adams, 2012).
TPG emerged as a rival to Ironbridge in 2011 when it bought up discounted MediaWorks loans and hired former MediaWorks CEO Brent Impey as an adviser. The debt was part of a $388 million loan which was funding MediaWorks operations. Other senior lenders included Bank of New Zealand, Westpac, Bank of Scotland International, JP Morgan and Rabobank (McBeth, 2012b). In its press release, MediaWorks advised that the details of the financing package were confidential, but confirmed that it included “a material reduction in debt levels to place the company on a very sound financial footing.” (MediaWorks, 2012a). The company also noted that its cash injection would “pay off the Crown spectrum loan in full and fund various programming and sales initiatives already identified by the Company.” (MediaWorks, 2012a). In August 2012 MediaWorks got yet another new private equity investor, American Oaktree Capital Management which “specialises in investing in distressed assets”. (Gray, 2012b). The Oaktree Capital Management bought $125 million of MediaWorks’ debt from Bank of Scotland and BNZ “at a big discount to its face value.” (Gray, 2012b). MediaWorks is making heavy losses, booking £306 million loss for the year to August 2011 (Nippert, 2012b). Most of the losses came from goodwill write-off, but also the company’s earnings dropped, as the interest costs on its loans rose 20 percent to $59 million (Nippert, 2012b).

**Rinehart proves a challenge to Fairfax**

In New Zealand Fairfax Media owns daily newspapers such as *The Sunday-Star Times* and *Dominion Post*, 60 community newspapers, multiple magazines and the online news website *stuff.co.nz*. Since the last JMAD report in 2011, Rinehart has substantially increased her equity holding in Fairfax Media through her company Hancock Prospecting. Rinehart, one of the richest people in the world with a fortune estimated at more than A$25 billion, started building her stake in Fairfax late last year, and her ownership peaked in June 2012 when she held 19 percent of the company’s shares (“Rinehart seeks to reduce stake in Fairfax”, 2012). In July 2012, Rinehart cut her stake in Fairfax Media to 14.99 percent “after a bitter and public feud with the Fairfax board over representation and editorial independence.” (“Rinehart cuts stake in Australia’s Fairfax with $50 mln sale”, 2012). Rinehart sold down her stake in Fairfax Media after she failed to win a seat on the company’s board - allegedly she was seeking three seats. In June 2012, Fairfax advised markets that the company has “been unable to extend an invitation to Mrs Gina
Rinehart to join the board” (Fairfax Media, 2012c) mainly because she refused to sign the charter of editorial independence. The company’s Chairman Roger Corbett reported that other shareholders of the company backed Fairfax’s view concerning its editorial independence (Fairfax Media, 2012c). The company’s statement also stated that “our readers are telling us that if Mrs Rinehart succeeds in this personal crusade they will abandon us. We have tens of thousands of letters and emails of support. (Fairfax Media, 2012d).

Rinehart has proved a challenge to Fairfax and its board, and possibly to the company’s future. As Hirst observes “there’s no doubt her actions have polarized the media landscape and created turmoil in the already fragile media asset market.” (Hirst, 2012). He asserts that there is a strong possibility that Fairfax Media and other media groups will disintegrate as a consequence of Rinehart’s attack: “Fairfax may yet be broken up under Rinehart’s assault on its share register; but it is not the only media company facing an uncertain future.” (Hirst, 2012). In July 2012 Jack Cowin, who runs the Burger King franchise in Australia and has a directorship at Ten Network, was appointed to the Fairfax’s board. He has been seen as a close ally of Rinehart, and his appointment to the board, as Andrea Carson put it, has “certainly delivered her some eyes and ears on the board.” (Norrie, 2012a). Fairfax denied that Cowin’s appointment has anything to do with Rinehart by issuing a statement saying that “neither Mr Cowin nor Fairfax Media consider his appointment as being indicative or connected to the potential outcomes of the company’s inconclusive discussions with Hancock Prospecting Pty Ltd.” (Fairfax Media, 2012e). In October 2012, the investment bank Lazard announced that it had increased its stake in Fairfax to 6.2 percent after Fairfax’s share price sank to another record low making the media company a cheap takeover target (“Lazard buys in but Fairfax at new low”, 2012). According The Australian newspaper, Lazard is expected to support calls from other investors for a multi-billion-dollar break-up of the company. Fairfax’s second biggest shareholder Allan Gray, has urged the company to consider a merger and reiterated calls to sell assets to maximise shareholder value. (“Lazard buys in but Fairfax at new low”, 2012).

In October 2012, Rinehart led a shareholder revolt against the company’s board at the Fairfax Media’s annual general meeting (AGM). Rinehart and some other angry
shareholders voted against the pay deals of Fairfax’s senior executives. Her revolt was not strong enough to force immediate changes on the board, but it put her in a stronger position to insist on changes at the next AGM (Holgate & Durkin, 2012). Rinehart has strongly criticised the company’s financial performance which has pushed Fairfax’s share price to record lows (see the share price chart), and argues that the main priority of Fairfax should be the selling of assets to pay down company debt. Rinehart’s “right-hand man” John Klepec commented on the Australian Financial Review that “the shareholders have more blood on the floor than you’d find in the US Postal Service camper van at the Tour de France. There’s been no blood spilt at the board level.” (Holgate & Durkin, 2012). At the AGM, Roger Corbett, Chairman of the Board, dismissed claims of the company’s break-up, as he stated that after a “detailed analysis, the break-up and demerger options were ruled out. The analysis showed that it was the wrong time to break up our business.” (Fairfax Media, 2012f). According to Corbett an integrated multi-platform strategy will deliver best returns for the company’s shareholders, but at the same time he admits that “let there be no doubt, we will continue to examine all alternatives to optimise shareholder value, and we rule nothing out.” (Fairfax Media, 2012f).

At the company’s AGM in 2012, Corbett was trying to assure the shareholders that the company was on track in transforming itself into a digital operator. He remarked that “Over the last decade, growth in Fairfax’s digital audience has underpinned total audience growth of 50%. More than 6 million Australians are now frequent visitors to Fairfax websites.” (Fairfax Media, 2012f). What he didn’t mention was the fact that Fairfax has not yet been able to deliver enough profits from its digital platforms and digital audience.

Ownership battles over Fairfax and the domination of News Limited in Australian markets have triggered a public debate on media ownership concentration and media influence. The Australian Communications Minister Stephen Conroy is expected shortly to announce a new package of media laws “with implications for diversity and independence.” (Coorey, 2012). The Australian government’s Final Convergence Review in March 2012 concluded that “rules preventing the undue concentration of ownership remain an important factor in maintaining diversity of
news and commentary.” (Australian Government, 2012). The review also pointed out that “With the changes in the media and communications markets, a quantitative minimum ownership limit in local markets should be retained.” (Australian Government, 2012). The News Corporation’s UK phone hacking scandal and media ownership debates in Australia have had little impact on New Zealand. John Key’s national government has not addressed media ownership issues at all.

**APN puts New Zealand media assets on sale**

APN’s declining profits and falling share price has forced a reconsideration of its corporate structure and finances. The future of APN’s New Zealand media assets was undecided at November 2012, although it confirmed in a staff memo that it was selling its South Island newspapers (see more above). Already in May, APN confirmed that it had appointed Deutsche Bank to advise on a sale of its New Zealand media assets including the *New Zealand Herald*, *Listener* and *Woman’s Weekly*. APN’s CEO Brett Chenoweth commented in the company’s annual general meeting that “In recent months APN has identified a number of opportunities and at the same time received approaches in relation to potential transactions involving some or all of our New Zealand assets,” (“APN reviews Herald ownership”, 2012). At the start of October 2012, New Zealand media was speculating that APN had found a buyer for the *New Zealand Herald*. This forced the company to release a market announcement denying rumours: “APN confirms that the strategic review is ongoing, however it has nothing to announce at this stage.” (APN, 2012c). APN News & Media owns the *New Zealand Herald*, seven dailies, more than 40 community newspapers and magazines as well as the Radio Network including seven radio networks such as Newstalk ZB. According to APN’s Interim Report 2012, the New Zealand Herald had a print audience of 566,000 consumers on “a typical day” (APN, 2012a).

The biggest owner of APN, Irish Independent News & Media (INM) saw its boardroom battle ending in April 2012, when Gavin O’Reilly resigned from the positions of executive Director, Group Chief Executive Officer of the company as well as non-executive Chairman and Director of APN (in which INM holds a 29.5
percent equity stake) (INM, 2012). The INM’s Chief Operating Officer, Vincent Crowley was appointed his successor. Gavin O’Reilly’s departure from the company ended the O’Reilly family’s 39-year control of INM, which is Ireland’s largest media company. His departure ended the two year long boardroom battle with Denis O’Brien who is INM’s biggest shareholder with a 22 percent stake (Dineen, 2012). In an INM statement, Gavin O’Reilly commented: “It had become clear that the recent and public shareholder tensions were proving an unnecessary distraction for both me and the Company and this was not in the best interests of the Company.” (INM, 2012). In July 2012 APN also gained a new chairman of the board when Peter Hunt was appointed to the position. Hunt is a non-executive Chairman and a founder of Greenhill Caliburn, a corporate advisory firm which is now part of the global Greenhill advisory group (APN, 2012b). According to a market statement, Mr Hunt was said to be “delighted to have the opportunity to join APN during a period of important business transformation and growth.” (APN, 2012d).

APN might be selling its print media in New Zealand, but the company’s CEO Brett Chenoweth believes that “Radio is the most robust medium – it doesn’t spike too high and doesn’t fall too low.” (PwC, 2012). As PwC’s *New Zealand Entertainment and Media Outlook 2012-2016* report notes, radio is very popular in New Zealand although it will come under pressure from internet and music streaming services. (PwC, 2012, p.69). The big question, which is still open in New Zealand, concerns the impact of digital audio broadcasting which allows listeners to record, rewind and pause audio content, and download content to the hard drive in the same way as digital TV does (PwC, 2012). Advertising seems to remain the main revenue source for radio operators and in New Zealand radio gets 11 percent of national advertising revenue, “one of the highest shares in the developed world.” (PwC, 2012, p.68). PwC estimates that the 2012 radio advertising market in New Zealand is worth $258 million and that this will reach $276 million by year 2015.

These developments underpin APN’s decision to launch a new radio platform in New Zealand. In October, The Australian Radio Network (ARN) and its New Zealand subsidiary The Radio Network (TRN) announced that they were launching iHeartRadio in Australia and New Zealand in 2013. iHeartRadio has operated successfully in the US since 2008. According to a TRN press release, the move will
be “paving the way for TRN to lead the radio industry by providing a unique digital service to advertisers and listeners.” (TRN, 2012). iHeartRadio is a new online digital radio platform that can be globally accessed via the internet, smartphones, tablets and Xbox, and it offers free access to a library of 14 million songs. TRN’s recently appointed CEO Jane Hastings sees the new radio station leading New Zealand’s radio industry “into the next era of radio” with its “unique and market-leading product that sits at the forefront of global technology in the sector.” (TRN, 2012).

TRN - The Radio Network – already operates three of the top five national networks in New Zealand – Newstalk ZB, Classic Hits and Coast, and its other networks include ZM, Hauraki, Flava and Radio Sport. According to APN 1.4 million New Zealanders tune in to its radio stations. In its 2012 Interim Report APN saw TRN return to growth in the second quarter of 2012 “after a difficult first quarter.” (APN News & Media, 2012a). In the second quarter of 2012 TRN’s revenue was $41.7m, down one percent on second quarter of 2011, and its earnings before interest and taxes was $6.5m, down ten percent from the second quarter in 2011 (APN, 2012a). In October, MediaWorks announced that its radio holdings had made it New Zealand’s number one network (MediaWorks, 2012b). The company runs radio stations such as The Edge, The Rock, More FM, Kiwi FM, RadioLIVE, LiveSPORT, The Sound, The Breeze, George FM and Mai FM, plus several local radio stations and a family of websites. According to a company’s press release, MediaWorks Radio has 1.42 million listeners and a national market share of 45.7 percent compared to its rival The Radio Network with a market share of 43.3 percent (MediaWorks, 2012b). The MediaWork’s Edge was the most popular radio station in the country with 460,100 listeners nationwide. Andrew Szusterman, the Group Programme Director of the network, commented that: “It’s very pleasing to see the continued dominance of the MediaWorks music brands, led by The Edge.” (MediaWorks, 2012b). The Auckland Commercial Radio Audience Measurement survey - conducted during the six weeks period in August-September 2012 - shows that Newstalk ZB was the most popular radio station in Auckland with 189,000 people tuning in. The Edge was in second place with 164,200 listeners and ZM held third position with 140,800 listeners (Auckland Commercial Radio Audience Measurement Survey, 2012). The market share of Newstalk ZB was 13.9 percent;
Coast had a market share of 9.6 percent, The Edge 7.4 percent and Breeze 7.2 percent.

**German giant Bauer Media purchases ACP Magazines**

As mentioned, transnational media corporations tightened their control over New Zealand media companies in 2012. In September, the German Bauer Media Group announced that it would buy the Trans-Tasman businesses of ACP Magazines from Nine Entertainment (owned by private equity company CVC Asia Pacific Limited) for an undisclosed sum (Mace, 2012a). *The Australian* reported that the sale price was around A$525 million (Sinclair, 2012). ACP Media's New Zealand titles include Metro, North & South, Next, Women's Day, Australian Women's Weekly, Taste, Fashion Quarterly, Cleo and Air New Zealand's inflight magazine KiaOra. ACP’s New Zealand director Paul Dykzeul commented that the deal would not bring any immediate changes to the New Zealand’s publications, and that the effect on company management would be "negligible" (Mace, 2012a). Yet at the same time he admitted that the new owner will "keep an eye on the business and if they think they're not being well run they'll change the people I guess." (Mace, 2012a). The Bauer Media Group is based in Hamburg, Germany, and it owns around 400 magazines, more than 100 websites and around 50 radio and TV programmes around the world. The company has operations in Germany, Austria, China, the Czech Republic, France, Mexico, Poland, Portugal, Romania, Russia, Slovakia, Spain, Ukraine, the UK and the US. In 2010, it had sales of 2.1 billion Euros and around 59 percent of its sales came from outside of Germany (Bauer Media Group, 2012). In October *The Australian* reported that ACP was taking Bauer’s identity and that the rebranding of company was on its way (Sinclair, 2012). ACP’s Chief Executive Matthew Stanton was quoted as saying that rebranding was "a natural transition following Bauer Media Group’s acquisition of ACP Magazines last month." (Sinclair, 2012).

**Fairfax and APN – tabloids, paywalls and shrinking newsrooms**

The near term future of New Zealand newspapers looked grim in late 2012. The PwC’s *New Zealand entertainment and media outlook 2012-2016* expects
newspaper circulation to decline in next four years “furthering the erosion of print circulation units.” (PwC, 2012a, p.35). The report forecasts that total newspaper advertising will decline at a 4.3 per cent compound annual rate between 2011 and 2016 from $603 million to $483 million (PwC, 2012a, p.40). It also predicts that the total paid newspaper circulation is decreasing at a 1.7 per cent compound annual rate from 633,000 in 2011 to 580,000 in 2016 (PwC, 2012a, p.37). The report notes that newspaper circulation in New Zealand has dropped more slowly than in many other countries mainly because of the loyal regional readers and the fact that around 70 percent of newspaper circulation for dailies is prepaid home delivery. (PwC, 2012a, p.37). As seen in a table below, the New Zealand Herald has the biggest circulation of New Zealand dailies with circulation of 169,555, followed by Dominion Post with circulation of 80,590 copies and The Press with 77,011 copies.

Table 7: Biggest New Zealand dailies by circulation

<table>
<thead>
<tr>
<th>Paper</th>
<th>Base</th>
<th>Circulation</th>
<th>Average issue readership</th>
<th>Weekly</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ Herald</td>
<td>Auckland</td>
<td>169,555</td>
<td>566,000</td>
<td>1,016,000</td>
</tr>
<tr>
<td>Dominion Post</td>
<td>Wellington</td>
<td>80,590</td>
<td>241,000</td>
<td>431,000</td>
</tr>
<tr>
<td>The Press</td>
<td>Christchurch</td>
<td>77,011</td>
<td>235,000</td>
<td>390,000</td>
</tr>
<tr>
<td>Otago Daily Times</td>
<td>Dunedin</td>
<td>38,639</td>
<td>99,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Waikato Times</td>
<td>Hamilton</td>
<td>37,526</td>
<td>107,000</td>
<td>173,000</td>
</tr>
<tr>
<td>Southland Times</td>
<td>Invercargill</td>
<td>27,426</td>
<td>69,000</td>
<td>108,000</td>
</tr>
</tbody>
</table>

Source: News Works NZ, 2012

At the same time the PwC’s report acknowledges that the news reading habits of New Zealanders are changing as consumers are rapidly adopting digital platforms such as tablets and smartphones; they want to consume entertainment and media content anywhere at any time. In the digital realm, local news media and entertainment companies have to compete online with global players for the audience and their attention. This has resulted in new kinds of partnerships and rationalisation within organisations (PwC, 2012b). As PwC’s Keren Blakey observes: “It is unclear what the future may hold as businesses test the waters for new and innovative ways to deliver services to consumers and extract value from the industry.”(PwC, 2012b).
In 2012 it became apparent that the traditional business models of New Zealand print media were failing and the “digital first” approach was not (yet) making real impact on the bottom lines of APN and Fairfax. In New Zealand, commercial news media’s transformation from print to the digital environment has reduced jobs; remodelled newsrooms; expanded to non-core businesses and triggered asset sales. Additionally tabloid formats and paid news content have proliferated. Both Fairfax and APN reported substantial losses in 2012 as they wrote down the values of their mastheads and goodwill from titles such as the New Zealand Herald. Both companies have seen their profits shrink: Fairfax Media has reported losses two years in a row and APN has seen its underlying profits shrinking in the past three years as evident in the tables 5 and 6.

In the past five years, the total revenue of Fairfax has shrunk from A$2.9 billion to A$2.4 billion. In 2008 the company made a profit of A$520 million; in 2012 its losses extended to A$2.8 billion because of write-offs. APN’s total revenue shrunk from A$1.2 billion to A$1.1 billion between 2008 and 2011, and its profit dropped from A$143 million to A$78 million over the same period. Both companies have reduced their levels of borrowing substantially, and they have cut number of full time employees radically. Fairfax employed 9,800 people in 2008, but this year the number is expected to drop to 6,906 – meaning that the company has reduced 2,894 jobs in past five years. Fairfax discloses information about its employee numbers; however APN did not provide such information despite multiple requests from the author.

Table 5: Fairfax Media five years results summary

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>2,381</td>
<td>2,476</td>
<td>2,490</td>
<td>2,609</td>
<td>2,934</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>(2,777)</td>
<td>(303)</td>
<td>397</td>
<td>(351)</td>
<td>523</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>1,207</td>
<td>1,532</td>
<td>1,478</td>
<td>1,908</td>
<td>2,511</td>
</tr>
<tr>
<td>Number of full time employees</td>
<td>Estimate 6,906</td>
<td>8,806</td>
<td>8,778</td>
<td>8,979</td>
<td>9,800</td>
</tr>
</tbody>
</table>

Source: Fairfax Media Annual Report 2012
Table 6: APN News & Media five years results summary

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>477</td>
<td>1,072</td>
<td>1,059</td>
<td>1,031</td>
<td>1,226</td>
</tr>
<tr>
<td>Net profit</td>
<td>19</td>
<td>78</td>
<td>103</td>
<td>94</td>
<td>143</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>-</td>
<td>661</td>
<td>720</td>
<td>783</td>
<td>968</td>
</tr>
<tr>
<td>Number of full time employees</td>
<td>Not disclosed</td>
<td>Not disclosed</td>
<td>Not disclosed</td>
<td>Not disclosed</td>
<td>Not disclosed</td>
</tr>
</tbody>
</table>


For the fiscal year 2012, Fairfax Media reported an after tax net loss of A$2.8 billion (Fairfax Media, 2012g) and in August 2012 APN revealed that its half year loss tripled from first half of 2011 after writing down the value of its New Zealand publishing assets by A$485 million. APN’s New Zealand media saw its revenue to decline in first half of the 2012 by six percent to $141 million from 2011 and profit 23 percent to $21.7 million over first half of 2011 (APN, 2012a). The majority of the write downs came from New Zealand mastheads, with New Zealand metropolitan newspapers written down by A$370.3 million, NZ regionals by A$83.7 million, and New Zealand magazines by A$31 million (“APN half year loss triples on $485 m NZ asset charge”, 2012). In an investor briefing Fairfax stated that the advertising revenue of its New Zealand media had declined almost seven percent in 2012 compared to 2011, down to $300 million. Its circulation revenue dropped 5.6 percent to $129 million and other revenues (mainly digital) grew 19.8 percent on previous year. Compared to 2011, the profit of Fairfax New Zealand media dropped almost 10 percent to $78 million (Fairfax Media 2012a; Fairfax Media 2012g).

APN’s CEO Brett Chenoweth also admitted that the first half of 2012 was challenging for its New Zealand media:

> It has been a tough first half for our publishing businesses, particularly in New Zealand. Our publishing divisions have undertaken substantial work to reduce our cost base and to rejuvenate our products to adapt to a changing media context. We have accelerated these reforms.” (“APN half year loss triples on $485 m NZ asset charge”, 2012).

In June 2012 Fairfax announced that it was cutting 1,900 jobs in Australia, shutting down its main printing plants and moving its flagship newspapers *Sydney Morning Herald* and *Age* to a tabloid size. Fairfax also introduced paywalls for the papers...
online sites as a part of the preparation for the company’s “digital-only future” and under the “digital-first model.” (Norrie, 2012b). The job cuts are designed to save $235 million for the company. By November 2012, none of the job cuts were introduced in New Zealand. Instead, in June 2012, Fairfax confirmed that it would shift 66 sub-editing jobs of some of its regional Australian newspapers to New Zealand (“Fairfax confirms Aussie editing jobs coming to NZ”, 2012). In response the Australian journalists’ union Media Alliance argued that offshoring jobs to New Zealand was only motivated by money and the company’s drive for cost savings (“Fairfax confirms Aussie editing jobs coming to NZ”, 2012). In October, the New Zealand Herald reported that Fairfax’s Sunday papers and digital media would be merged because of the circulation drop “causing turmoil” at The Sunday Star-Times (Drinnan, 2012b). According to media reports, readership of The Sunday Star-Times in October dropped 13.7 percent from the same month in 2011 (“Fairfax works to improve Sunday Star-Times”, 2012). Fairfax Media’s New Zealand CEO Allen Williams was quoted saying that the media company wanted to improve newspaper and make it more appealing, but he didn’t talk about any merger. (“Fairfax works to improve Sunday Star-Times”, 2012). Fairfax bought the Sunday-Star Times from the INL in 2003, and the paper is competing in Auckland markets with Herald on Sunday.

APN on the other hand has confirmed another 100 jobs will go in 2012, on top of the 400 reduced in the past three years (“APN half year loss triples on $485 m NZ asset charge”, 2012). The company is also planning to cut the number of publishing days for some of its regional titles including Hawkes Bay Today, the Bay of Plenty Times, Wanganui Chronicle and Christchurch Star. (“APN half year loss triples on $485 m NZ asset charge”, 2012). In August, APN announced on Twitter that it is closing down its Aucklander which had a circulation of 60,000 copies (Williams, 2012). The free paper, which was started by the New Zealand Herald in 2003, was absorbed by the parent title in 2009 (Williams, 2012). At the APN’s annual general meeting, CEO Brett Chenoweth outlined the company’s strategy by stating that “There has been a relentless focus on cost and this will continue.” (APN, 2012e.) According to Chenoweth APN has more “than doubled” its digital revenue over past year partly because of its acquisitions. As he states: “We have made acquisitions
to expand our digital portfolio and GrabOne, in particular, has performed exceptionally well." (APN, 2012e)

At the Fairfax Media’s Annual General Meeting in October, Fairfax’s Chief Executive Greg Hywood announced that the company would only consider giving print operations in favour of digital if its print publications become unprofitable (Fairfax Media, 2012h). He noted that the company doesn’t measure success of its newspapers by circulation anymore, but from their profitability. He said that the future of media will be “predominantly digital” and that if one takes into account that the annual growth of the company’s digital revenue is roughly 20 percent, the company is “within reach of a profitable digital-only model.” (Fairfax Media, 2012h). Yet he insisted that the company doesn’t have plans to abandon its print operations completely: “Does this mean we will go digital-only when that occurs? No – because while there is cashflow to be generated from a print business, we’ll still be there.” (Fairfax Media, 2012h). As a part of the drive to create revenue from Trans-Tasman online news operations, Fairfax’s *Sydney Morning Herald* and *Age* are introducing a metered paywall for their websites next year. The metered paywall will permit readers to read certain amount of articles for free, after which they will be charged for online news content (Norrie, 2012b). In June Fairfax said that it had no plans to introduce tabloid size newspapers or paywalls on its New Zealand websites (Pullar-Strecker, 2012b). Fairfax New Zealand Chief Executive Allen Williams commented that the audience in Australia was shifting from print to online, but in New Zealand “We haven't seen the shift to digital away from print as they have. Our plans will be governed by the needs of the New Zealand market and its readers and advertisers.” (Pullar-Strecker, 2012b).

Martin Simons, the CEO of APN News & Media, regards paywalls as inevitable in next three to five years: “I think it is inevitable somewhere in the future there’ll be a paid model for online....” and added “I think as newspapers around the world become challenged, you do have to find a mechanism to pay for the journalism.” (“Paywall inevitable – Herald boss”, 2012). A poll about the paywalls (posted by the report’s author) to the Kiwi Journalists Association’s Facebook site on September 11, 2012, resulted in 47 comments. Most of the commentators said that they would be willing to pay NZ$1-NZ$5 a week for the online news content (Kiwi Journalist
One journalist stated that “I wouldn’t pay for the Herald or Stuff online. If the Herald started charging I’d probably go back to just buying the paper.” (Kiwi Journalist Association, pers.comm. 2012, 11 September). Another journalist said that “Yep, I would pay if I got the sort of news I want to read in the morning (mainly hard and topical news stories) on my iPad. I generally want to be well-informed for and I would pay for that.” (Kiwi Journalist Association, pers.comm. 2012, 11 September). APN also launched a new nzherald.co.nz website and a tabloid format New Zealand Herald in September 2012 as the newspaper saw “the biggest transformation in its 150-year history.” (Robins, 2012). The New Zealand Herald’s editors have marketed the format change as a “new dawn” for the newspaper, and the papers editors reported that immediately after the tabloid format change street sellers reported a 30-40 percent jump in sales. (“New Zealand Herald promises 'new dawn’”, 2012). At the time of writing this report, there were no audited circulation figures to verify whether the tabloid format has boosted the New Zealand Herald readership. The editors of the paper state that changing to a tabloid format doesn’t mean going down market with the content. The editor Shayne Currie argues that “people want text and substance on the front page so it's not like the UK tabloids where it's all headline and photographs.” (“New Zealand Herald promises 'new dawn’”, 2012).

**Government abandons public interest broadcasting, commercial content prevails**

After New Zealand government ceased funding for the non-commercial TV channel TVNZ 7 in June, public broadcasting came close to an end. The NZ government decided not to extend its $79 million annual funding to the channel for a further six years. The plug was also pulled on free-to-air broadcaster Stratos Television in December 2011. According to Jim Blackman, co-founder of Stratos, the channel didn’t get the financial support it needed to continue. (“Plug pulled on Stratos Television”, 2012). The New Zealand Labour party claimed that the government’s rationale for closing down TVNZ 7 was flawed because the former broadcasting minister Jonathan Coleman deliberately misled the public over the audience size of TVNZ 7. Coleman denied any manipulation of figures, but has admitted that he incorrectly quoted TVNZ 7’s weekly audience numbers as being 207,000 (Levy,
He admitted his mistake, but also stated that the misquoted figures did not influence the Government's decision which was made because "there was no plan for how TVNZ 7 would be funded in future." (Levy, 2012). Media reports in April 2012 estimated that the real viewer numbers of TVNZ 7 were around 600,000 to 800,000 per month ("Coleman admits he got it wrong on TVNZ7", 2012). The Save TVNZ 7 lobby group - which was setup to keep TVNZ 7 going and lobby government for public service TV in New Zealand - also claimed that Coleman misled public and that the channel should have been saved. Myles Thomas, Organiser of Save TVNZ7, commented that "We believe the whole decision to stop funding TVNZ 7 is founded on a falsehood and should be reconsidered." ("Coleman admits he got it wrong on TVNZ7", 2012). Save TVNZ 7 argues that it would cost Government around $16 million a year to run a non-commercial public TV channel, a sum which is a “drop in the bucket compared to other government spending.” ("Coleman admits he got it wrong on TVNZ7", 2012). In July 2012, Save TVNZ 7 lodged a complaint with Ombudsman over TVNZ’s decision to close TVNZ 7 on the grounds the broadcaster has “failed in its duty to have regard for the public interest and to provide high quality content that is enjoyed and valued by New Zealanders.” ("Save TVNZ 7 lodges complaint with the Ombudsman", 2012). The group asked (on behalf of the 36,155 people who signed the online petition) the Ombudsman to investigate a government decision “that brought to an end NZ's last public service channel, severely limiting New Zealand's television options.” ("Save TVNZ 7 lodges complaint with the Ombudsmen", 2012). Thomas argued that the closure of non-commercial TVNZ 7 for financial reasons was due to the fact that TVNZ had to pay the government a hefty dividend. By closing TVNZ 7 the broadcaster was “neglecting their responsibilities to the public of New Zealand.” ("Save TVNZ 7 lodges complaint with the Ombudsmen", 2012). Closures of TVNZ 7 and Stratos have shrunk New Zealand public media space even further, and limited the content available to audiences. As Hope (2012) notes, commercialization of New Zealand media has led to the “erosions of political and journalistic public spheres.” (Hope, 2012, p.46). Norris (2012) points out that TVNZ 7 is worth saving because it is a public space which is not determined by advertising or programme ratings, but “by the social and cultural needs of audiences that the advertisers don’t want to reach.” (Norris, 2012). He dismisses suggestions that gaps left by the TVNZ 7’s closure would be rapidly filled, because “the reality is that in television the market works to satisfy the mass audiences demanded by the advertisers” and the
content is more likely to be “endless American crime series, American sitcoms, international variations of cooking shows, freak shows masquerading as documentaries.” (Norris, 2012.) TVNZ 7 was replaced by a TV One’s “plus one” channel which duplicates the content of TV One and broadcasts an hour later. This mirrors the MediaWorks TV3 Plus 1 channel launched on Freeview three years ago. TVNZ expects to make a hefty return on the repeat channel, as TVNZ Spokeswoman Megan Richards commented:

As a commercial broadcaster we need to make a profit, or at least not make a loss. The Government expects us to make a 9 percent return on investment and that’s got to be the primary driver, so investing $15 million in a channel that provided no return is not an option that was available to us. (Small, 2012).

Peter Dunne, the United Future leader and Minister of Revenue, called a move to a repeat channel a “disgusting insult.” (“Minister’s blistering attack on TVNZ”, 2012). In a strongly worded statement he accused TVNZ of poor quality:

TV One represents the worst of television in this country. It is crass, superficial, lowest common denominator rubbish. It is too obsessed with its own self-imagined 'stars' and the culture surrounding them than to have any credible claim on being a legitimate national broadcaster. (“Minister’s blistering attack on TVNZ”, 2012).

An editorial in The Press calls TVNZ 7 “an anomalous relic in broadcasting” which had a public service purpose and programmes “which only a few people want to watch.” (“TVNZ7’s end will be 'scarcely noticeable”, 2012). According to The Press, the channel delivered “routine Leftish navel-gazing about the media and formless chit-chat on politics and nothing to speak of on, for instance, finance and business (“TVNZ7’s end will be ‘scarcely noticeable”, 2012). The paper argues that the loss of a free-to-air broadcasting is not significant because New Zealanders now have multiple programming outlets via Internet, and therefore the closure of TVNZ 7 “is scarcely noticeable and becoming less so by the year.” (“TVNZ7's end will be 'scarcely noticeable", 2012). Thompson disagrees and remarks that “a genuine diversity of content requires a diversity of institutions, including those which cater to non-commercial audiences.” (Thompson, 2012). In his view the government’s stance that New Zealand cannot afford public television at the same time it lets pay television [in this case SkyTV] expand is “untenable” (Thompson, 2012). He suggests that the New Zealand government should introduce a flat one percent levy
on telecommunications and pay-TV providers. This levy would generate around $60 million revenue per year and would be enough to maintain public television services as well support regional and community television and radio broadcasters. A similar kind of levy has been introduced in Spain and France (Thompson, 2012).

The root of the problem is that TVNZ is publicly owned, but run as a commercial entity. Under the current government changes to the TVNZ Charter have turned the state owned company “into a nackedly commercial broadcaster that is focused solely on chasing ratings and advertising revenues and is indistinguishable from any other commercial broadcaster.” (Myllylahti, 2011). The sole purpose of TVNZ is to make a profit and return a dividend to the government. As Clare Curran points out “TVNZ’s a commercial operator now. Let’s not pretend it’s otherwise.” (Curran, 2012a). According to Curran, TVNZ is moving further into the pay channel business and she believes that “TVNZ’s reinvigorated commercialism is indicative of a shift in the media environment that intensifies competition for ratings and increases the cost of providing content with high public value but sub-optimum audience appeal.” (Curran, 2012a). In September 2012 TVNZ announced an annual profit of $14.2 million, but its underlying earnings decreased because of the increasing costs of overseas television programming (TVNZ, 2012a). TVNZ Chief Executive Kevin Kenrick was satisfied with results as they “reinforce the company’s position as New Zealand’s leading Free to Air broadcaster and digital media company.” (TVNZ, 2012a). According to Kenrick, the TVNZ Ondemand has shown strong growth and the programmes distribution is being extended to iPads and other tablets (TVNZ, 2012a).

TVNZ faced some leadership challenges in the past year. In April 2012, TVNZ’s head of sales and marketing Paul Maher left the company, and took a rival position in MediaWorks television as a Chief Executive (“Top TVNZ executive jumps ship to MediaWorks”, 2012). Maher complimented his new employer as a house with “great brands, a fantastic schedule” and “people who are really passionate about delivering winning content solutions to New Zealanders.” (“Top TVNZ executive jumps ship to MediaWorks”, 2012). In August 2012 Eric Kearley, the head of TVNZ’s digital media, channels & licensing also moved on when he was appointed as head of IPTV and pay-TV for Telstra Australia (“Telstra taps TVNZ’ Kearly”,...
In 2011, TVNZ’s Chief Executive Rick Ellis resigned when he was appointed to lead the Telstra’s digital media in Australia. Anthony Flannery, the Head of TVNZ news left the company and joined the Ten Network in Australia. In December 2011, TVNZ appointed Ross Dagan, who has wide experience in news reporting as a new head of its news and current affairs (TVNZ, 2011). Drinnan regarded this as good news “after an exodus of senior staff in the news division and beyond.” (Drinnan, 2012c). In April 2012, Kevin Kenrick – the former Telecom and House of Travel executive – was appointed as a new chief executive of TVNZ (Mace, 2012b). In a TVNZ press release Kenrick stated that “I’m excited ... taking advantage of the new opportunities, like ultra fast broadband, to deliver richer media services to more New Zealanders’ s.” (TVNZ, 2012b).

While public broadcasting is shrinking, New Zealand’s television audience has gained new commercial channels. Alongside the new TV One repeat channel, a new Freeview channel Choice TV was launched in May 2012. It is owned by television production industry veterans Vincent Burke and Laurie Clarke, the principals of Top Shelf - producer of programmes such as Target for TV3 and Media7 for TVNZ 7 (Drinnan, 2012d). According to Choice TV’s website, the channel is New Zealand's first broad appeal free-to-air TV channel launched in more than a decade, and offers viewers “an exciting and interesting range of programmes twenty four hours a day, seven days a week.” (Choice TV, 2012a). The company states that it has “acquired unique and previously unseen international content” as well as programmes “that tap into the tastes and interests of many Kiwi viewers.” (Choice TV, 2012a). The themes of its programmes consist of property, home, travel, gardening and food as well as comedy and drama. The channel is available to all households with either a Freeview box or a Freeview capable TV which have Kordia transmitters (at the moment that’s around 80-85% of the country). According to a press statement by Choice TV, the channel is negotiating to broadcast via a satellite channel for other households. (Choice TV, 2012b). In October 2012, The New Zealand television audience was treated to a new shopping channel which was promoted as “a new and exciting way for New Zealanders to shop.” (Shopping Channel, 2012). The channel is broadcasting 24 hours a day and 7 days a week on Channel 18 on Sky and Freeview, and its target audience is New Zealand women. The channel states that its content “will be 100%
locally produced television at a time when local production is being slashed due to budget cuts.” (Shopping Channel, 2012). In words of Jane Clifton, the new channel is “remorselessly low rent, massively more irritating than entertaining .... and seems just another Barker's din in a crowded marketplace.” (Clifton, 2012). On the other hand, Hickey argues that the Shopping Channel is good for small and medium size manufacturers and retailers as well as consumers who are increasingly shopping abroad via online platforms (Hickey, 2012a). He notes that “it's great to see a new enterprise trying to shake up two of these sectors and lower the barriers to entry for smaller manufacturers and retailers.” (Hickey, 2012a). The Shopping Channel employs around 50-80 people in New Zealand and “aims to open up wider ranges of cosmetics, shoes, clothing and household goods to women shoppers which are currently getting that variety through online stores offshore.” (Hickey, 2012a).

MediaWorks, which runs the commercial TV channels TV3 and TV4, has also vowed to produce more local TV shows. The company announced in June that it would not renew its deal with CBS Broadcasting to broadcast shows such as America’s Next Top Model and CSI. The shift is not expected to save the company money since “locally produced programmes are expensive.” (McBeth, 2012c). Over the past three years, New Zealand On Air has provided almost $54 million in funding for shows broadcast on TV3 and Four (McBeth, 2012c). MediaWorks’ local content has most recently been based on the overseas reality formats which have been localized. The company has recently offered reality TV shows such as The Ridges - which features a New Zealand celebrity mum and daughter duo – the controversial GC based in Gold Coast (Australia) and The Block. This year it also started to host the media affairs programme Media 3 (former Media 7) on Saturday mornings. This programme which examines issues in New Zealand media each week, gets the funding support from NZ On Air (“Media 7 programme turning into Media 3”, 2012). In his blog, Media 3’s host Russell Brown wrote that the team producing the programme was pleased to move to TV3 and to keep their jobs, but also because “this is a validation of what we’ve done these past five years.” (Brown, 2012a). In September, NZ on Air confirmed that it has awarded MediaWorks $1.6 million taxpayers money to produce yet another reality TV show X-Factor. Labour’s Clare Curran is critical of NZ on Air funding decisions:
NZ on Air is clearly bowing to pressure from the two major commercial networks to fund commercially attractive programmes...there are plenty of other original New Zealand arts, entertainment, prime-time projects begging for NZ on Air funding - and they should be given priority. ("MediaWorks confirms Bowden to host X-Factor, subsidised $1.6m by taxpayer", 2012).

In an increasingly commercial media environment shows are chasing audience ratings and advertising money, as news and current affairs content contracts. In September 2012 TVNZ announced that it was closing down its Close Up news and current affairs programme after 23 years. Du Fresne observes that “the marketing people who control TVNZ regard news and current affairs with the same distaste as a gardener regards slugs and mealy bugs”. He regards the closing down a “disturbing dimension” in the context of wider media environment (Du Fresne, 2012). An editorial in The Press reveals a sense of resignation to this media environment: “Although news and current affairs shows do well enough in the ratings, they are expensive to make. Such ratings as they have can always be beaten by a "reality" show which will be much cheaper.” (“Editorial: Challenge for TVNZ”, 2012).

**Sky TV’s dominance draws in the Commerce Commission**

The New Zealand's television market is divided among with free-to-air operators, commercial channels and pay TV. The free-to-air operators include TV1, TV2, TV3, TV4, Prime and Maori TV. Sky is the dominant pay TV provider and its satellite services cover 51 percent of New Zealand homes (Myllylahti, 2011). The company offers 110 channels and premium channels for sports and movies. In 2010, Sky launched an online TV service iSky in co-operation with Vodafone, Orcon, Slighshot, Woosh, Xnet and Farmised. The service gives subscribers access to online content streamed directly to personal computers (Myllylahti, 2011). Sky’s MySky box also allows viewers to record content for the later use. Sky TV has “a mammoth market share in New Zealand compared with the leading pay TV operators in other markets.” (Laugesen, 2012). Sky TV has a market share of 49% in New Zealand whereas the US’s leading pay TV company has 19.5% of its market. In other countries market share for pay TV amounts to 27% in Australia, 37% in UK and Ireland’ and 18% in Canada (Laugesen, 2012).
Sky TV has entered in a partnership with state owned TVNZ to launch low-cost pay TV Igloo in New Zealand. Igloo is 51% owned by Sky TV and 49% by TVNZ and it will provide a mix of free to air channels, paid channels and on-demand, pay-per-view movies, TV shows and sports events. The launch of the channel has been delayed multiple times, most recently in September 2012. As Keall notes, Igloo is not a major deal for Sky TV, but it has “major strategic and political advantages, as it co-opts its only serious potential pay TV competitor (TVNZ).” (Keall, 2012a). In May 2012, the Commerce Commission completed its investigation into the Igloo joint venture and found that “the pay TV market will not be less competitive as a result of the venture.” (Commerce Commission, 2012a). Prior to investigation, the Commission received a number of complaints that the joint venture could potentially lessen competition. The Commission’s Chair Mark Berry stated in a press release that “We also found that a number of other potential competitors may enter the market.” (Commerce Commission, 2012a). At the same time he acknowledged that newcomers might find it difficult to enter the New Zealand’s pay-TV market: “we are aware of concerns that access to content and Sky’s contracts with internet service providers may be hindering competition.” As a result, the Commerce Commission opened a separate investigation into the matter (Commerce Commission, 2012a). The Labour Party’s Communications and IT Spokesperson Clare Curran was not happy with the Commissions Igloo decision because it did not challenge Sky TV’s dominance (Curran, 2012b).

The decision allows Sky to access a greater section of the New Zealand market by offering a cheaper version of its existing service. Igloo does not represent a new provider. It’s a subset of the existing dominant provider. This shows a concerning development for New Zealand’s pay TV market. (Curran, 2012b).

Both TVNZ and TV3 are offering on demand services in New Zealand which allow New Zealanders to watch shows delivered on their computers via Internet. The latest newcomer to the market is Quickflix which is Australia’s leading online movie rental company (Quickflix, 2012a). The company allows its viewers to stream content online and on demand to their computers, internet-connected TV’s, iPads, iPhones and game consoles. Currently it offers a package which gives users an unlimited streaming of video content for $14.99 a month (Quickflix, 2012a). In January 2012, the company entered a content licensing agreement with Home Box Office (HBO) which holds series such as Entourage, Sex and the City and The
Sopranos (Quickflix, 2012b). The Commerce Commission's ultra fast broadband (UFB) conference in Auckland in February 2012 made one thing very clear: most of the media companies in New Zealand believe that video content will be the next audience and revenue driver for them. In its report in May 2012, the Commerce Commission concluded that the factors driving the uptake on ultra fast broadband services in New Zealand are “costs relating to connecting and using high speed broadband, and the availability of video-on-demand services.” (Commerce Commission, 2012b). It also states that the uptake rate is likely to be higher if there is a diverse range of video on demand options available to consumers. Currently, there are limited online video on demand services in New Zealand compared with many other comparable countries. (Commerce Commission, 2012b).

According to the Commerce Commission, video content comprised 37 percent of all consumer internet traffic in New Zealand in 2010. Cisco forecasts that video content will be 81 percent of all consumer internet traffic in 2015 (Commerce Commission, 2012b). The New Zealand government's intention is to connect 75 percent of New Zealanders to ultra fast broadband network by 2019 (Ministry of Business, Innovation & Employment, 2012). The rollout of the network – built by Chorus – started in parts of the New Zealand in October 2012. The Commerce Commission and a Canadian academic Dwayne Winseck share concerns about content diversity and Sky TV's dominance in New Zealand. In his paper, delivered at the Commerce Commission’s ultra fast broadband conference in February 2012, Winseck states that “Sky is overwhelmingly, unhelpfully dominant in New Zealand” (Winseck, 2012). He also argues that broadband in New Zealand is geared for delivering Sky TV’s packages and therefore it doesn’t enhance real competition. According to Winseck other factors hindering ultra-fast broadband’s potential in New Zealand include bandwidth caps, high levels of media concentration and a regulator which has not yet adapted to an open media environment (Winseck, 2012).

As mentioned above, in May 2012 the Commerce Commission launched an investigation into whether Sky had unfairly shut out competitors from the growing market for entertainment delivered by broadband. At the heart of the commission’s probe are Sky’s confidential contracts with the major internet service providers (ISPs.) The commission will investigate whether the terms on which Sky acquires
television programmes harms competition (Pullar-Strecker, 2012c). It will also investigate whether Sky’s agreements with Internet Service Providers such as TelstraClear, Telecom NZ, Vodafone and CallPlus harm competition by “limiting the internet service providers' ability or incentives to offer competing pay-TV services.” (Pullar-Strecker, 2012c). The leading home internet connection providers in New Zealand are Telecom NZ, Telstra Clear (now part of Vodafone), Vodafone, Call Plus and Orcon. This is evident in the following table.

**Table 9: Home internet connection market share in New Zealand**

<table>
<thead>
<tr>
<th>Provider</th>
<th>Market Share</th>
</tr>
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<tbody>
<tr>
<td>Telecom NZ</td>
<td>49 percent</td>
</tr>
<tr>
<td>TelstraClear</td>
<td>16 percent</td>
</tr>
<tr>
<td>Vodafone</td>
<td>13 percent</td>
</tr>
<tr>
<td>CallPlus</td>
<td>9 percent</td>
</tr>
<tr>
<td>Orcon</td>
<td>5 percent</td>
</tr>
<tr>
<td>Other providers</td>
<td>8 percent</td>
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</tbody>
</table>

Source: Commerce Commission, 2012

In a press release, Sky TV’s CEO John Fellett argues that ultra fast broadband will enable new service providers to enter the New Zealand video content market, in particular over-the-top providers from overseas. We expect there will be strong and growing competition for online content rights, especially with movies where almost all the rights are non-exclusive. (Sky TV, 2012a)

The Commerce Commissions probe was welcomed by rivals such as Quickflix and MediaWorks. Quickflix’s New Zealand Managing Director Paddy Buckley noted that the tools available for the Commerce Commission are “pretty blunt” and therefore an “independent regulator would be more nimble.” (“Quickflix backs new regulator”, 2012). Prior to the Commission’s decision to investigate Quickflix had complained about the Sky’s Internet Service Provider contracts. Buckley stated that it was “inappropriate" for Sky to make deals that impacted on third-parties and their ability to enter into separate contacts (“Quickflix backs new regulator”, 2012). Also TelstraClear – which is now merging with Vodafone NZ – has complained about Sky TV’s dominance over content (Keall, 2012b). In April 2012, TelstraClear had around 45,000 customers using T-Box to receive content provided by Sky TV. TelstraClear’s CEO Allan Freeth commented on the problem: “The contract
prevents us charging for content not sourced through Sky TV.” (Keall, 2012b). Because of the restrictions, TelstraClear has been assessing its options and whether it would be better of buying content directly from movie studios and TV content providers.

In September, the Commerce Commission extended its Sky TV probe after its first stage of investigation was finalised (Pullar-Strecker, 2012d). The Commission is assessing whether Sky's agreements with telecommunications companies violates the Commerce Act and stops them offering competing services or assisting rivals. Paul Brislen, the CEO of the Telecommunications Users Association of New Zealand (TUANZ) regards the Commission’s Sky probe as a “waste of time.” (Brislen, 2012). He regards that the problem in New Zealand doesn’t lie with Sky TV, but rather in the fact that we have “two opposing regimes designed for two separate markets that simply aren't separate any longer.” (Brislen, 2012). Telecommunications and broadcasting sectors are now more intertwined than ever – telcos need content from content providers and content providers need telecom companies and ISPs in order to deliver content online. The situation creates some problems. As Brislen puts it: “unfortunately, we have a heavily regulated telecommunications sector trying to do business with an entirely unregulated broadcasting sector and that's beginning to chaff.” (Brislen, 2012).

As Laugesen (2012) points out “more and more premium content is disappearing behind Sky’s paywalls.” (Laugesen, 2012). A good example of this is the broadcasting of the London Olympics: TVNZ lost rights to broadcast the event and Kiwis had to pay to watch best of the Olympic content on Sky’s paid sports channels. Also many BBC shows such as Mad Men or The Hour have moved behind the Sky’s paywall instead being aired free on TVNZ (Laugesen, 2012).

Sky TV is a dominant sports broadcaster in New Zealand, but in July Stuff reported that sports broadcasting was “on the brink of revolution” (Plumb, 2012). The Oceania Football Confederation (OFC) was in July considering a launch of a new free-to-air sports channel in New Zealand. According to Stuff, OFC has held negotiations with 15 New Zealand national sports organisations, a free-to-air TV provider, Crown and New Zealand On Air build a competitor for Sky TV. Many of New Zealand sports organisations, such as New Zealand Football and Netball New Zealand, “struggle to meet the financial demands of subscription satellite provider
Sky TV” and are keen to find a cheaper provider for televised content (Plumb, 2012). As Plumb writes: “If successful, the plan could beam significantly more domestic sport into New Zealand homes free-of-charge and, potentially, the competition could drive Sky's prices down.” (Plumb, 2012).

4. Journalism.org.nz – web based journalism vs. ‘churnalism’

Commercialisation of news media has, according to some observers, led to ‘churnalism’. For British journalists and author Nick Davies this is a modern day newsroom practice which requires journalists to churn or recycle news from news agency material without further investigation (Davies, 2009). Research by Sydney University researchers Fiona Martin and Tim Dwyer (2012) found evidence of narrowing source diversity within Fairfax and within News Digital's online news services in Australia. Their research suggests that content sharing and the use of news agency copy has accelerated with digitalisation. For example, 79 percent of the material used by online news site smh.com.au and 86 percent of theage.com.au came from Australian news agency AAP. The news sites also shared approximately 99 percent of their news content with other metropolitan newspapers (Martin & Dwyer, 2012). These figures reveal that online news sites have very little original content. As the researchers conclude, “It is blindingly clear though that if restructuring proceeds as it is, editorial charters will be a bandaid solution to the rise of multi-platform churnalism.” (Martin & Dwyer, 2012). In New Zealand, Bernard Hickey – a former interest.co.nz and Fairfax Media editor – launched in August 2012 a new initiative to combat “celebrity-driven churnalism and PR.” (Hickey, 2012b). His newest venture, journalism.org.nz is a not-for-profit trust which aims to support and build public interest news, analysis, comment and debate (Hickey, 2012b). As he puts it

New Zealand needs a strong and vibrant fourth estate that challenges, probes, questions and holds to account those people, institutions and forces that affect the lives of all New Zealanders. (Hickey, 2012b).

Hickey argues that as the traditional news media faces declines in advertising and readership. News gathering resources have been cut leading to “high sugar/low protein news”. This means more entertainment and human interest stories and less
news about issues related to government, economy or social issues (Hickey, 2012b). Journalism.org.nz outlines its funding model – based on membership subscriptions - on its website. The basic membership would allow the public to read and comment on articles as well as obtain invitations to events and to “raise suggestions around governance and direction” of the site for cost the of $95 per year. The founding membership fee with access to board meetings etc. costs $359 annually and is limited to 500 members, the lifetime founding membership costs $19,000 upfront (Hickey, 2012c). Also in his blog Stephen Judd comments that “New Zealand print and online media are dominated by right-wing ideas and shallow stories. Tight margins, private ownership and editorial bias in commissioning stories contribute to this.” (Judd, 2012). He also puts forward a suggestion for a body which he calls the Society for the Promotion of Public Interest Reporting (SPPIR) which could be funded my members who would contribute on a regular basis. He calculates that if 100 people were contributing $50 per month this would provide $60,000 per year which would be enough to keep two or even three freelance journalists in operation “as comfortably as their permanently employed peers.” (Judd, 2012).

In his blog Media3 presenter Russell Brown argues that in the journalism.org.nz case it is not “a good idea to restrict entry to discussions to those who want and can afford to pay.” (Brown, 2012b). He thinks that Hickey’s goal of acquiring 6000 subscribers paying $95 annually would give the journalism.org.nz enough money to fund a handful of senior journalists or several investigative stories. “It’s a modest, realistic goal.” (Brown, 2012b).

There are some other signs that web based public interest journalism in New Zealand might be emerging. An interesting example of this was seen in October 2012 when a Kiwi blogger Keith Ng exposed a major security flaw at Work and Income (WINZ) kiosks - which were then shut down by the Ministry of Social Development. According to media reports, the blogger was able to raise close to $5000 from public donations for his work after the exposure (“Blogger raises donations for breaking Winz story”, 2012). He was able to access thousands of Work and Income files which included sensitive case notes and the names of children in care. In a story published by Stuff, Ng said that he spent several days
going through documents before filing his story and therefore “would like to get paid for doing journalism.” (“Blogger raises donations for breaking Winz story”, 2012). Another Kiwi blogger, Ben Gracewood, found a security hole in a new online auction site Wheedle.co.nz which had to close down after its first day of operation.

In September Fairfax Digital launched a new initiative in New Zealand called StuffNation which is a repository for user-generated content. Fairfax marketed its latest innovation as a “pathway for the evolution of digital news in New Zealand” which allows readers to become “citizen contributors.” (“Fairfax launches StuffNation”, 2012). According to Sinead Boucher, Group Editor for Fairfax Media, events such as the Christchurch earthquake have shown that “readers want to contribute and engage with news and events that are important to them.” (“Fairfax launches StuffNation”, 2012). Stuff Nation allows registered users to submit news content to Stuff’s editorial team. The media company has also set up what it calls an Open Newsroom Network which invites members with expertise to become available for the media groups journalists. (“Fairfax launches StuffNation”, 2012). The real advantage of the new initiative for the media group, as Fairfax Digital’s General Manager Nigel Tuts admits, is that “it provides us with an enhanced ability to collect demographic and behavioral information to provide a deep and robust understanding of our audience” which can be turned into advertising dollars.

Advertising markets around the world are moving towards a trend of buying audiences and eyeballs rather than pages or context, publishers need to develop a better understanding of their audience; Stuff Nation will enhance this and enable us to stay ahead of the game. (“Fairfax launches StuffNation”, 2012).

Fairfax is marketing its new adventure as a public interest initiative, but it clearly has a commercial imperative to turn audience attention into a commodity which can be sold to advertisers.
Conclusion:

Since the 1990s transnational media-communication conglomerates have colonised the national, mass mediated public sphere. As of 2010 four major commercial players dominated the New Zealand media market: APN News and Media, Fairfax Media, MediaWorks and News Corporation/Sky. During 2011 financial institutions and private equity companies purchased and restructured a range of media assets. By November 2012 this process had destabilised the prospects of three major players: Fairfax Media, APN Media and MediaWorks. Throughout the New Zealand media domain short term commercial imperatives prevailed at the expense of journalist’s livelihoods, media content diversity and public debate on issues of national importance. The government reinforced this tendency by withdrawing funding from TVNZ 7 and Stratos and by allowing the commercial dominance of Sky TV across a range of platforms. The corporate colonisation, financialisation and commercialisation of national media institutions occurs at a time when the very nature of media communication is undergoing historic change. As print media business models become less commercially viable, on line news formats and a growing blogosphere are reshaping the media environment. Here, the `churning` of already available news stories through digital platforms and the partial introduction of news paywalls confronts the emergence of public interest journalism initiatives such as journalism.org.nz. Clearly, the struggle between commercial imperatives and public sphere principles has advanced into the digital realm.
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