NEW ZEALAND MEDIA OWNERSHIP 2016

AUT's Centre for Journalism, Media and Democracy

In 2016, the New Zealand media market and ownership structures were stirred, and shaken as ownership convergence plans across media and telecom sectors were announced.

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New Zealand Media Ownership Report 2016

This JMAD New Zealand media ownership report observes that New Zealand media institutions are facing major changes in ownership and management, but it is not clear what combinations will eventually emerge.

For the first time in six years, New Zealand media companies are exclusively owned by financial institutions. Media moguls and News Corp have sold all their shares in New Zealand media companies. The report also finds that the board structures of New Zealand media corporates favour further consolidation. This is not surprising, as many board directors have other directorships in financial institutions and corporate advisory businesses.

In November, the Commerce Commission declined its preliminary merger approval of NZME & Fairfax. Unexpectedly, the commission stated in strong terms that the merger would give the combined company too much editorial and commercial power in print and digital platforms. It concluded that the merger failed the public benefit test, and would not be beneficial for democracy.

However, the Commerce Commission makes its final decision about the NZME and Fairfax merger on March 2017. It is still possible that the merger will go ahead.

In October, the commission delayed its decision about Sky TV & Vodafone NZ merger as it sought answers to “unresolved issues.” The commission raised concerns about the merged company’s market power in premium content such as live sports, as well as the likely impact on consumer prices. The Commerce Commission decision about the merger is expected on December 21.

Both media merger proposals were not well received by the public and competing corporations. The Commerce Commission received 56 submissions about the NZME and Fairfax merger of which only three were supportive of it. The commission received 16 submissions about the Sky TV & Vodafone NZ merger, and they were all against.

Key events concerning New Zealand media ownership

- NZME separated from APN, listed on stock exchanges
- News Corp sells all its NZME shares
- Fairfax to own 41 percent of the merged NZME-Fairfax
- Vodafone to have a majority stake in Sky TV-Vodafone
- MediaWorks gets a new management and board

JMAD report on AUT online: http://www.aut.ac.nz/study-at-aut/study-areas/communications/research/journalism,-media-and-democracy-research-centre/journalists-and-projects/new-zealand-media-ownership-report

1. Global media ownership trends 2016

In 2016, deals between media, telecommunication, and technology companies proliferated. The *Global Media Giants* book, published in 2016, observes that “media and telecommunications consolidation [is] evident in many nations and regions” (Birkinbine, Goméz & Wasko, 2017, p.1). It also notes that the power of media corporations has been increasing “in different, complex, and, at times, contradictory ways around the world” (Birkinbine, Goméz & Wasko, 2017, p.1). The relations and dependencies between news media corporations, social media companies, search engines, chat providers, and news app companies became increasingly intertwined and complex. In her article *“Facebook is eating the world”,* Emily Bell notes that Facebook and other platform companies such as Google, Apple, Amazon, Twitter, and Snapchat have become “extremely powerful in terms of controlling who publishes what to whom, and how that publication is monetised” (Bell, 2016). Additionally, Andersson Schwarz observes that “platforms make possible a form of total control. It is, therefore, crucial to see how platforms are combined, effectively creating media ecosystems" (Andersson Schwarz, 2016). The Pew’s *State of the News Media 2016* report found that “the impact these technology companies are having on the business of journalism goes far beyond the financial side, to the very

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>
> EMILY BELL, MEDIA ACADEMIC

core elements of the news industry itself" (Mitchell & Holcomb, 2016). The report observes that in the "predigital era" newspapers controlled news production, packaging, delivery and financing. Now the technology and social media companies have become "dominant players in most of these arenas, supplanting the choices and aims of news outlets with their own choices and goals" (Mitchell & Holcomb, 2016).

Convergences between telecom, social media corporations and search engines were evident in 2016. In October, American telecom giant AT&T announced that it was buying the media and entertainment conglomerate Time Warner for $US84 billion. AT&T is the second largest wireless carrier in the United States, and Time Warner owns news channel CNN and entertainment network HBO as well as Warner Bros film studio. Forbes said that the "historic deal unites AT&T's 132 million wireless customers and 26 million pay-TV subscribers" and it is the "largest merger between cable and wireless companies and content-makers" (Solomon, 2016).

In June, software company Microsoft announced that it was buying the social media company LinkedIn in a deal valued at US$26 billion. In July, American telecom giant Verizon announced that it was acquiring search engine company Yahoo's internet businesses for US$4.8 billion (Goel, 2016). Just a year earlier Verizon bought the internet giant AOL, which owns *The Huffington Post* blogging site, for US$4.4 billion. Verizon "has a vast amount of information about its customer's internet use", and hopes to become the third most prominent platform for digital advertising after Google and Facebook (Goel, 2016).

Year 2016 also witnessed some significant changes in media ownership throughout the United States, Canada, Europe and Australia. In the US, Gannett - the owner of the *USA Today* - pursued Tribune Publishing for a merger (Barthel, 2016). Prior to this Gannett, one of the largest news publishers in the United States, bought American Journal Media Group and acquired 11 newspapers from Digital First Media (Barthel, 2016). The company then made a takeover bid for Tribune Publishing in April 2016. However, in May Tribune Publishing voted against the deal, and in November Gannett announced that it was abandoning to takeover Tribune.

Billionaires were also exerting their influence in the American newspaper industry. In May 2016, Californian pharmaceutical billionaire Patrick Soon-Shiong bought a 13 percent stake in Tribune Publishing, which publishes *The Los Angeles Times*. Soon-Shiong said that his investment in the paper will "ensure the longevity of organisations such as the LA Times" (Nicolaou, 2016). Additionally, in Nevada a casino billionaire Sheldon Adelson bought *The Las Vegas Review-Journal*, and Utah billionaire Paul Huntsman bought the *Salt Lake Tribune*. In August 2016, the American online media company Gawker filed for a bankruptcy after Pay Pal founder Peter Thiel financed professional wrestler Hulk Hogan's lawsuit against the company. Thiel attacked Gawker after the media outlet published a story which revealed that Thiel was homosexual. In an article published in Gawker.com, Tom Scocca wrote that "a lie with a billion dollars behind it is stronger than the truth. Peter Thiel has shut down Gawker.com", commenting that "Gawker.com is out of business because one wealthy person maliciously set out to destroy it, spending millions of dollars in secret, and succeeded. That is the only reason" (Scocca, 2016).

In 2016, two of the Canada's biggest media companies won a regulatory approval for a merger. In a $2.64 billion deal, Corus Entertainment bought Shaw Media, including its Global Television network. The combined company oversees 45 specialty television channels, 15 local television stations, 39 radio stations and hosts multiple digital properties (“Corus to buy Shaw Media in $2.65B mega merger”, 2016). In Italy, *La Repubblica* and *La Stampa* newspapers were merging to create “a leading European group in the daily and digital information industry”. The deal was heralded as the most significant merger in Italy’s newspaper industry “since the digital revolution” (“Two of Italy’s leading newspapers merging editorial groups”, 2016).

In Australia, Rupert Murdoch’s News Corp announced in June that it was buying APN’s Australian regional newspapers for A$36 million (Boot, 2016). At the time of writing, the Australian competition watchdog, Australian Competition and Consumer Commission (ACCC) was considering its approval for the merger. The deal includes 12 daily and more than 60 non-daily regional newspapers. After the deal, APN was transformed from a print news publisher to a media company holding just radio and outdoor advertising assets. However, before the deal with News Corp, it was reported that APN and Nine Entertainment were considering an A$1.6 billion merger, which would create a new free-to-air television, radio and outdoor advertising media corporation (Mitchell, 2016). At the time of writing, the deal had not materialized. Additionally, Australian Seven West media group confirmed in May that it was buying *The Sunday* paper and *Perth Now* website from News Corp (Perpitch, 2016).

2. New Zealand media ownership and market structure

In 2016, there were some significant changes in New Zealand media market structures and media ownership. The first major change concerned New Zealand Media Entertainment (NZME) as it was demerged from its Australian owner APN News and Media. In June 2016, NZME was separated from APN, and listed on New Zealand stock market (NZX) and Australian stock market (ASX).

After the demerger and sale of the APN's regional newspapers in Australia, APN became an Australian radio and outdoor advertising company without any exposure to print news media. APN chief executive Ciaran Davis commented that the company had achieved its key objective – getting out of print: "the company will have zero exposure to traditional publishing assets, and 100% exposure to growth media assets with good cash flow profiles" (Jones, 2016).

In May, and before the NZME's stock market listing, APN and Fairfax announced that they were considering the combination NZME's and Fairfax's New Zealand media assets. In September, the two parties confirmed that NZME would pay A$55 million in cash for Fairfax NZ assets, and additionally Fairfax Media would get 41 percent of the merged company's shares. The pay-television company Sky TV was next to announce merger plans. In June, the company revealed that it was planning to join forces with Vodafone New Zealand (more in-depth below). After these two announcements, speculation about further mergers intensified, and the merger combinations of TVNZ & Spark or TVNZ & MediaWorks were suggested (Drinnan, 2016). In June, Prime Minister John Key confirmed that "there's some interest on the TVNZ side in some of the assets owned by MediaWorks". However, State-Owned Enterprise denied that the government had any plans to sell TVNZ, acquire MediaWorks assets, or to merge the two entities (Nippert, 2016a).

The merger of NZME and Fairfax would mean that New Zealand would be left with one dominant newspaper publishing group which would also dominates national online news. As seen in table 1, in 2016 there were two major news publishers: Fairfax and NZME. There were three major players in commercial television: MediaWorks, TVNZ and Sky TV. Additionally, RNZ remained as the only public service broadcaster, and Maori TV continued as a public interest broadcaster. The magazine market was mainly controlled by German publisher Bauer Media Group.

Table 1: Major media companies in New Zealand in 2016

Company	Ownership	Focus	Most important NZ assets
Allied press	Private	Commercial	*The Otago Daily Times*
Bauer Media	Private	Commercial	*Metro, The Listener, North & South, The New Zealand Women's Weekly*
BusinessDesk	Private	Commercial	BusinessDesk
Coliseum Sports Media	Private	Commercial	Coliseum Sports Media
Fairfax	Shareholders	Commercial	*The Dominion Post*, *The Press, Stuff,* Neighbourly
MediaWorks	Private	Commercial	TV3, Bravo, TV3plus1, 3NOW On Demand, 3news.co.nz, The Edge TV, The Edge, RadioLIVE, The Breeze
Maori TV	Crown owned	Public service	Maori Television Channel, Te Reo Channel
NBR	Private	Commercial	*The National Business Review,* NBR radio, *nbr.co.nz*
NZME	Shareholders	Commercial	*The New Zealand Herald*, The Radio Network, GrabOne
RNZ	Crown owned	Public service	Radio New Zealand National, Radio New Zealand Concert, *thewireless.co.nz*
Sky TV	Shareholders	Commercial	Sky TV, My Sky, Prime, Igloo, Neon, Fan Pass
TVNZ	Crown	Commercial	TV ONE, TV2, TV ONE plus 1, TV2+1, TVNZ Ondemand, ONENews.co.nz
Scoop	Private	Independent	*scoop.co.nz*
The Spinoff	Private	Commercial	The Spinoff

In 2016, NZME was owned by its shareholders and headquartered in Auckland. Fairfax Media, also owned by shareholders, was headquartered in Sydney. Sky TV operated in Auckland, and was also a public company owned by its shareholders. Bauer Media is a privately owned, global media conglomerate, headquartered in Germany. MediaWorks, which has a headquarter in Auckland, is privately owned by the American vulture fund Oaktree Capital.

There were three Crown-owned companies: Television New Zealand (TVNZ), Radio New Zealand (RNZ), and Maori Television. TVNZ is owned by the state, but it is commercially funded with no public service obligation. Approximately 95 percent of its operations are funded by advertising, and its primary mandate is to pay a dividend to the New Zealand government.

As a public broadcaster, RNZ aims "to provide reliable, independent and freely accessible news and information, and to give expression to New Zealand's national identity and diversity" (Treasury, 2014). In 2016, the Radio New Zealand Amendment Bill was passed in the parliament, and the RNZ Charter was updated to reflect the broadcaster's commercial capacity. The charter states that RNZ continues to provide services commercial free, but it can take "advantage of commercial opportunities" (Bagge, 2016a). RNZ's communications manager John Barr explained that the charter

> makes a stronger statement about RNZ's role, reaffirming our commitment to a core free-to-air service with no advertising, but it does not prevent RNZ from taking advantage of opportunities such as the recent presence on iHeartRadio and MSN, or licensing its content for re-use by commercial providers (Bagge, 2016a).

The updated charter opens new ways for RNZ to collaborate and monetise its content. Broadcasting Minister Amy Adams notes that "the Bill strongly reaffirms

RNZ's role as an independent, commercial-free, public service broadcaster, providing it with the freedom to speak for and comment on New Zealand society" (Adams, 2016). Adams believes that the changes to the Act allow the national broadcaster to "explore opportunities for strategic partnerships and audience-building through content, without losing any integrity as a public service provider" (Adams, 2016).

Maori Television, also funded by the government, is specifically required to revitalise the Maori language. Maori TV's general objective is to be "an independent Maori television service that is relevant, effective and widely accessible" (Maori TV, 2014).

Print newspapers and online news outlets

Print market

In 2016, NZME and Fairfax had a duopoly in the New Zealand print newspaper market, and they dominated online news. The combined market share of Fairfax and NZME newspapers was 89.3 percent (based on circulation). Fairfax's market share was 45.9 percent, NZME's 43.4 percent and Allied Press had an 8.4 percent market share (Molineaux et al., 2016). The leading weekday newspapers included *The New Zealand Herald* (NZME), *The Dominion Post* (Fairfax), *The Press* (Fairfax) and the *Otago Daily Times* (Allied Press).

The figures from Audit Bureau of Circulation show that all four papers saw their year-on-year circulation falling from March 2015 to March 2016. As seen in table 2, the weekday circulation of *The New Zealand Herald* fell 6.5 percent to 131,446, *The Dominion Post* 14.3 percent to 57,367, *The Press* 9.2 percent to 57,022, and the *Otago Daily Times* 3.1 percent to 34,578.

Table 2: Circulation of the NZ newspapers

Daily Press	**31/03/2016**
The Dominion post	57367
The NZ Herald	131447
The Otago Daily Times	34578
The Press	57022
The Waikato Times	22831
The Southland Times	20828
Hawkes Bay Today	19238
Taranaki Daily News	16317
Weekly Press	
Herald on Sunday	94539
The National Business Review	5836
Sunday News	22856
Sunday Star-Times	98421

Source: ABC

The readership for newspapers published from Monday to Saturday also declined. Roy Morgan's print readership data (ending December 2015) shows that in 2015 the readership of *The New Zealand Herald* dropped 11 percent from the previous year (549,000 per average issue), *The Dominion Post* 4.5 percent (256,000 per average issue), *The Press* 11.3 percent (188,000 per average issue) and the *Otago Daily Times* 7.9 percent (93,000 per average issue) (Roy Morgan, 2016a). Of Sunday papers, the *Herald on Sunday* readership fell less than one percent, the *Sunday Star-Times* 6.4 percent and *Sunday News* 37 percent (Roy Morgan, 2016a).

In 2015, the total brand audience for NZME's newspapers was 2.1 million and Fairfax's 3.2 million (Meadows, 2016). In May 2016, NZME and Fairfax stated that there was 'no material overlap" between their newspapers in New Zealand (Fairfax Media and Wilson & Horton, 2016, p.4). They further noted that "there is no region in which there is head to head competition between two strong incumbent paid dailies focused on the same region" (Fairfax Media and Wilson & Horton, 2016, p.4). However, they had overlapping operations in Whangarei, Rotorua, Hamilton, Coromandel, Hauraki, Taupo, Taranaki, Hawke's Bay, Napier, Hastings, Manawatu, Kapiti and Wairarapa (Fairfax Media and Wilson & Horton, 2016, p.127-129). In June 2016 NZME sold its regional newspaper the *Wairarapa Times-Age* to Masterton businessman Andrew Denholm, and the company indicated that it would sell more regional newspapers in future.

In 2016, digital-subscriptions – paywalls – were a permanent feature for local and special newspapers. The *Otago Daily Times* was the latest newspaper to introduce a paywall after other local newspapers such as *Ashburton Guardian*, *Whakatane Beacon*, *The National Business Review*, *The Gisborne Herald* and *Greymouth Star* had implemented them. In 2016, a digital subscription to the *Otago Daily Times* cost $27 a month, and print subscribers had free access to online news. The paper's paywall was a metered one, meaning that the paper gave its readers free access to 10-30 stories per month. Allied Press's commercial director Matthew Holdridge commented that the paywall was a necessity as the paper had been "giving away our content free for long enough" (Armitage, 2016a). He added that the paper can't "sustain the business in online banner advertising alone" (Armitage, 2016a).

In magazine publishing, Bauer Media Group had the strongest foothold. The company owned magazines such as the *Listener*, *North & South* and *Metro.* Bauer Media is “the country’s largest and most influential magazine publisher” (Bauer Media Group, 2016). Its portfolio also includes magazines such as *Woman’s Day NZ*, *New Zealand Woman's Weekly* and the highest-selling women’s monthly title *The Australian Women’s Weekly NZ*. In October, Bauer launched a new free weekly publication *Paperboy* which is distributed in Auckland on Thursdays. The print size of the publications is 100,000 copies, and it is targeted to audience “who is around 35 years old” (Venuto, 2016). In an interview with *The Spinoff*, Bauer New Zealand CEO Paul Dykzeul commented that “the magazine business is still terrifically successful” adding that “in the areas like current affairs, or homemakers, or food, it’s still strong as all hell” (Greive, 2016a). However, the launch of *Paperboy* means that the *Metro* will be published bi-monthly, not monthly as previously.

Online sites

In their merger application, Fairfax and NZME confirmed that there was an overlap between *The New Zealand Herald’s* online site *nzherald.co.nz* and *Fairfax’s stuff.co.nz.* However, the two companies stated that these sites “compete for consumers with strong local and global content providers”, indicating that the merger would not have a negative impact on online news competition (Fairfax Media and Wilson & Horton, 2016). Their list of competitors included the online sites of TVNZ (One News Now), MediaWorks (Newshub), RNZ (radionz.co.nz and Wireless), the *National Business Review*, the *Otago Daily Times*, *The Spinoff*, Google news, Yahoo, *The Daily Mail*, MSN, CNN, BBC, *The New York Times*, Facebook, Twitter, Instagram, and YouTube (Fairfax Media and Wilson & Horton, 2016, p.4). However, Molineaux et al. (2016) pointed out that “no one can coherently argue that publications like *The Guardian*, *The New York Times*, BBC online” are competitors in local news production as they “do not produce original New Zealand news content of any significance” (Molineaux et al. 2016, p.21-22).

It was clear that NZME and Fairfax dominated New Zealand’s online news. As seen in table 3, in 2016 *stuff.co.nz* was ranked as the fifth largest and the *nzherald.co.nz* as the eight largest online site measured by the unique monthly audience. Based on Nielsen figures, the combined audience of the two was 3,748,000 which was larger than Google’s or Facebook’s. However, *NBR’s* Chris Keall argued that “while Fairfax and NZME are dominant in print, online is more even, with TVNZ closing in on the million mark and MediaWorks' Newshub just outside the top 20 on 647,000” (Keall, 2016a).

In 2015, *maoritelevision.com* - the website of Maori Television - had “2,505,25 unique users” adding that the “website now represents approximately 11 percent of our total weekly reach” (Maori Television, 2016). In June 2016 *radionz.co.nz* had 1,431,248 users and 5,798,978 page views and the *thewireless.co.nz* had 82,508 users and 144,860 page views (RNZ, 2016a). In 2016 Canon Media Awards, *thewireless.co.nz*, which is co-funded by NZ On Air, was named the best website in New Zealand (“The Wireless wins top website award”, 2016).

To grow their potential audiences, NZME expanded its offerings and Fairfax hired some high calibre journalists. In August 2016, NZME announced a joint venture with the *Chinese Herald*. The two parties launched a new digital platform called the *Chinese New Zealand Herald* which publishes “selected articles translated from *nzherald.co.nz,* as well as articles from the print version of the *Chinese Herald*).

Carolyn Luey, NZME chief operating officer, said that as “the Asian population is forecasted to grow to 21% of the Auckland population by 2021, launching a Chinese edition is a natural move” (NZME, 2016a).

Table 3: Sites by unique monthly audience (000s)

1	Google	3,025
2	Facebook	2,484
3	MSN	2,450
4	YouTube	2,046
5	*stuff.co.nz*	2,044
6	Microsoft	1,926
7	Trade Me	1,785
8	*nzherald.co.nz*	1,704
9	NZ government	1,670
10	Yahoo	1,248
11	Wikipedia	1,166
12	TVNZ (One News Now)	916
13	Inland Revenue	911
14	ANZ	852
15	The Warehouse	797
16	Apple	795
17	Blogger	765
18	Amazon	727
19	Ask Search Network	666
20	Air New Zealand	662
22	Newshub	647
49	RNZ	407
143	*Otago Daily Times*	143

Source: NBR, Nielsen Media View survey, May 2016

In February 2016, Fairfax strengthened is news offering by signing an award-winning investigative journalism team which included Paula Penfold, Eugene Bingham, and Toby Longbottom. The Stuff Circuit team also included journalist Phil Johnson. The team is producing video-led, longform journalism for *stuff.co.nz.*

At the time of appointing the trio, Fairfax Executive Editor Sinead Boucher said that

> we know that our audiences have a deep need and appetite for journalism that is thought-provoking, serious and in-depth. They expect us to hold the powerful to account and champion the causes that matter to New Zealanders, and we are committed to doing so (Fairfax Media, 2016a).

Penfold, Bingham, and Longbottom are known for their three-year investigation to the Teina Pora case. Other recent ground-breaking stories they have worked on together include the case of Tania Billingsley, the victim in the Malaysian Diplomat sex attack case (Fairfax Media, 2016a). Fairfax also owns 44.99 percent of the New Zealand online site *Neighbourly,* which was launched in June 2015. It is a neighborhood website where people can share information and trade goods. In 2016, Fairfax's *Neighbourly* employed staff of five, and had 330,000 members (Fairfax Media, 2016a).

The two major online sites to consider are *Scoop* and *The Spinoff. Scoop* website receives approximately 344,000 visitors a month, and *The Spinoff* has 350,000 monthly users (Molineaux et al., 2016). *Scoop* functions mainly as a news aggregation website rather than a news site. It produces little original content, and mainly provides comments and press releases provided by other sources. *The Spinoff* website, headed by publisher and editor Duncan Greive, employs 13 people. The site provides commentary and analysis rather than news, and "has grown to become a must-read source of analysis, humour and cultural commentary", while its posts offer "fresh content daily, working across text, audio and video on a 21st century media brand" (The Spinoff, 2016). The site's staff writers include Alex Casey, Steve Braunias and Toby Manhire. In June 2016 Greive said that the site would not become one to break news or offer hard news reporting, because producing news was “really hard to justify financially" (Pennington, 2016). The business model of the site is based on native advertising and sponsorship, and its biggest sponsors and advertisers include Spark’s Lightbox (on-demand television services), Bigpipe (gaming), Unity Books (bookstore), AUT University, MBM (media agency), Callaghan Innovation and Vinomofo (Australian wine merchant). *The Spinoff* states on its site that some of the sponsors have more influence on its content than others. While the MBM media agency “will place a monthly piece of editorial authored by one of their co-founders assessing a different element of the state of New Zealand media” on the site, “Callaghan Innovation can suggest businesses to be profiled, but have no influence on the content” (The Spinoff, 2016). In 2016, the site also received a $20,000 grant from Creative New Zealand for its commercially-sponsored book review section.

Other sites worth mentioning are the subscription-based *Hive News* and *Politik*. *Hive News* offers a daily summary of stories focusing on government and business. Its monthly subscription fee is $29, and non-subscribers have access to five articles per month without a payment. Its publisher is Bernard Hickey, a financial journalist, who previously was managing editor of the *interest.co.nz.* The site also employs Lyn Grieveson as a reporter and sub-editor. Another subscription based site is *Politik* which is run by experienced political journalist Richard Harman. The site requires a monthly subscription of $15.99 for accessing the content, but it offers the first month free for those who subscribe. The site focuses on New Zealand politics and policy.

In May 2016 Tim Murphy, former chief editor of the *NZ Herald*, and Mark Jennings, former head of news at TV3, confirmed their plans for a new online news site (Armitage, 2016b). The duo was hoping to find a foundation partner and sponsors to fund its operations. Murphy commented that “we’ll cover the sport, entertainment, and some business but we won’t pretend to be the *NBR* or a sports site either” (Armitage, 2016b). In August 2016, Murphy and Jennings confirmed that they were progressing with the site, but they didn’t disclose any launch date for the venture.

Independents

In 2016, New Zealand’s independent media outlets included the *National Business Review*, which is a privately owned financial news outlet; Allied Press, which is privately owned newspaper publisher; *Scoop*, which is a trust owned not-for-profit media outlet; and BusinessDesk which is a privately owned independent news provider focusing on business and financial news. *Scoop’s* operations are mainly funded by crowdsourcing and a license fee. In 2015, the company introduced an “ethical paywall” for its professional users – meaning that organisations utilising its press releases and news services must pay a license fee which varies from $420 to $3,000 per year. The site employs four full-time and one part-time staff member. *Scoop’s* editor Gordon Campbell notes the site has “one person being paid a proper professional salary – but still considerably less than 100k - on the business side”. He adds that “three other full-time staff earn between 30-40k, annually” (Campbell, 2016a).

The *National Business Review* (*NBR*) is the only business newspaper in New Zealand. Publisher Todd Scott bought the paper in 2012 from the previous publisher Barry Colman. The print version of the newspaper is published only once a week, but the online site *nbr.co.nz* is updated regularly. In 2016, the news outlet employed 20 full- and part-time journalists. In 2016, *NBR* had 202,000 total weekly domestic page impressions and 49,000 unique browsers per week (NBR, 2016). The business model of the company is based on subscriptions, and in August 2016 *NBR* had "about three hundred companies and over 4,000 individual subscribers" (Todd Scott, personal communication, August 16, 2016). Todd Scott states that "we are member subscriber focused which makes it an appealing audience to advertise to" (Todd Scott, personal communication, August 16, 2016). According to *NBR's* media kit, 75 percent of its content is behind a paywall (NBR, 2016). However, a study concerning *NBR's* paywalled content found that the paper locked only 41 percent of its homepage content. The most paywalled content of the digital *NBR* included hard news and opinion pieces (Myllylahti, 2016).

Allied Press is an independent, Otago-owned media company, which employs more than 400 people. The company publishes the *Otago Daily Times* and holds a majority interest in the *Greymouth Evening Star*, an evening daily. As discussed above, the company launched digital subscriptions for the *Otago Daily Times* in 2016. It also has a range of community and farming newspapers throughout the South Island including *North Canterbury News, The Ashburton Courier*, *The Timaru Courier*, *The Oamaru Mail*, *The News*, *The Mountain Scene*, *The Star* and *The Ensign*. Additionally, the company has television stations in Christchurch and Dunedin. It employs more than 400 people.

In June 2016, Allied Press announced that Sir Julian Smith was stepping down from the day-to-day running of the company after 40 years at the helm. Dunedin City Council group financial manager Grant McKenzie was appointed as new chief executive officer. McKenzie commented that "the key thing, in my view, is that content is still king. We need to leverage that as much as we can'' ("Sir Julian stands down, McKenzie appointed CEO", 2016).

Wellington-based BusinessDesk, established in 2008, is jointly owned by journalists Jonathan Underhill and Pattrick Smellie, and employs six full-time journalists. Its business strategy is based on a news wire model, which gives the customers “an access to high- quality news at a price that is highly competitive compared to what they would pay for it either through their own staff or by hiring freelancers” (Pattrick Smellie, personal communication, August 19, 2015). The outlet provides mainly business and financial news to New Zealand media outlets such as the *National Business Review,* NZME, and AAP. Smellie commented that the current media environment in New Zealand is “challenging but not impossible”, and BusinessDesk “is sustainable in its current form” (Pattrick Smellie, personal communication, August 19, 2015).

Blogs

The 2015 JMAD report observed that bloggers had gained in prominence as they kept breaking news stories. However, in 2016 the blogosphere was somewhat more subdued. Some saw Fairfax’s and NZME’s upcoming merger as opening new opportunities for bloggers, but others were not as optimistic. Most of New Zealand blogs provide analysis and commentary rather than news. *Scoop’s* Gordon Campbell put it: “the blogosphere does not have the resources to compensate for the reduction in competition that will be the inevitable outcome of this merger” (Campbell, 2016b). He further noted that blogs “run on a shoestring” and have no, or very little resources for news gathering” (Campbell, 2016b). Campbell believes that blogs and news organisations have a “genuine symbolic relationship” because news outlets provide the news, and blogs the commentary. However, this symbiotic relationship between legacy news outlets and bloggers is not straightforward.

The 2014 JMAD report warned that “the capability of blogs to retrieve the principles of public interest journalism became questionable, because of unethical alliances among bloggers, politicians, PR companies and legacy media” (Myllylahti, 2014). However, Campbell points out that “if there’s a decline in newsgathering capacity, this will damage the ability of the blogosphere to carry out its valuable contribution to the public discourse” (Campbell, 2016b).

Some of the most well-known blogs in New Zealand include Martyn Bradbury’s *The Daily Blog*, Russell Brown’s *Hard News*, David Farrar’s *Kiwiblog*, *The Standard* and *The Dim-Post.* In 2016, PublicAddress.net, which is a community of New Zealand blogs including Brown’s *Hard News*, won the Canon Media best blog award. Other nominees for the award were Rosabel Tan’s The Pantograph Punch (culture and arts) and Lizzie Marvelly’s *Villainesse* which is aimed at young women.

In 2016, Martyn Bradbury and broadcaster Willie Jackson launched a daily current affairs discussion show Waatea 5th Estate which is streamed live on *The Daily Blog* and YouTube, and it also screened on Face TV. Bradbury said that the program had “anywhere between 50,000 to 70,000 [viewers] tuning in per episode so we are very happy” (Harvey, 2016). The show covers issues which other media outlets don’t usually cover, including “the inequality issues we have in New Zealand, the incredible incarceration rates, the poverty, the real social issues that are happening right on the front line” (Harvey, 2016).

Television broadcasting, on-demand and streaming services

Commercial television broadcasters

In 2016, the commercial television market in New Zealand faced some significant changes. The pay television operator Sky TV and telecom company Vodafone New Zealand were seeking merger approval. According to their plan, Vodafone Europe would control 51 percent of the combined company's shares if the merger was approved. (The merger is discussed more in detail below.) The other two leading commercial television operators were Crown-owned TVNZ and MediaWorks, which is 100 percent owned by American vulture fund Oaktree Capital. Roy Morgan's *State of the Nation* report 2016 found that 77 percent of Kiwis watched free-to-air TV shows via broadcast, 39 percent via recorded shows, and 12 percent watched catch-up programs (Roy Morgan, 2016b).

The merged Sky-Vodafone would be the leading mobile company in New Zealand, and the "clear number two broadband provider with over 2.35 million mobile connections and over 500,000 fixed-line connections" (Sky TV, 2016a, p.9). The company would also be the leading pay television provider with over 852,679 subscribers (Sky TV, 2016a). Sky TV broadcasts live sports including Rugby Union, Rugby League, cricket and netball. It offers pay television services via its own platform and Igloo; general video-on-demand services; subscription video-on-demand via NEON, and over the top services via Fan Pass and SKYGo. FanPass offers its users passes to view premium sports content, and SKYGo enables its satellite customers to stream a selection of Sky's linear channels and view content on-demand. Additionally, Sky owns free-to-air TV channel Prime. In 2016, Sky had

10.6 million viewers on free-to-air Prime, 17.9 million viewer hours on traditional Sky TV, and 13.3 million viewer hours on over-the-top Sky which includes Fan Pass and SKYGo (Sky TV, 2016a).

MediaWorks owns nationwide television brands such as TV3, Bravo, Edge TV, and two plus channels which broadcast duplicate content from the main channels. MediaWorks also owns half of the New Zealand's radio network, and has an on-demand video service 3NOW. MediaWorks operates under the Newshub brand, which was launched in February 2016, and its online site *newshub.co.nz* provides updated online news. Mark Jennings, MediaWorks group head of news at the launch time, said that Newshub "combines the power of our radio, TV and digital newsrooms and is focused on providing tailored content to all platforms", and that under that umbrella "specialist teams will work on breaking stories in the areas of most interest to New Zealanders" (MediaWorks, 2016a).

In May 2016, MediaWorks continued to strengthen its entertainment focus by forming a joint venture with NBCuniversal. The company replaced channel FOUR with Bravo, a new light entertainment channel. MediaWorks said that Bravo was to "become the premier destination for premium unscripted programming, focused on the brand's unique passion points of glam, design, food and pop culture" (MediaWorks, 2016b). One of the first local programs launched on the channel was "*The Real Housewives of Auckland*". MediaWorks' then CEO Mark Weldon commented that "the Bravo brand has been one of NBCU's breakout successes of the last decade" (MediaWorks, 2016b). In November, it was reported that MediaWorks was planning to end its current affairs show Story which replaced Campbell Live (Current affairs show Story to be axed by Mediaworks, 2016). However, MediaWorks has not confirmed if this was the case.

However, the focus on reality television and light entertainment shows has not worked financially well for MediaWorks. In June, the company revealed that its profit “nearly halved in the year to December 2015” because the weak advertising market and a “suite of big-budget reality programs that ramped up production costs” (Nippert, 2016b). Acting CEO David Chalmers revealed that “radio is the biggest part of our business - in revenue and earnings" (Nippert, 2016b).

TVNZ is a national television broadcaster mainly funded by advertising revenue. It operates six channels including two main channels and two plus channels. In September, TVNZ was rebranding its 40-year old channels TV One and TV to TVNZ 1 and TVNZ 2. As a part of the rebranding, its flagship news program One News was renamed 1 News. When announcing rebranding, TVNZ’s chief executive officer Kevin Kenrick said that “time poor viewers don't wait for content. In response, you can expect to see TVNZ premiere more content OnDemand than ever before” (“Bye TV One, TVNZ’s new channel names”, 2016). From 2017, the broadcaster will offer live streaming on TVNZ 1, TVNZ 2 and TVZN Duke. The broadcaster launched the DUKE channel in March, and it is available on free-to-air channels. The channel streams sports, dramas, factual shows and movies. The broadcaster also has its ONE News Now online site and a video content site TVNZ OnDemand.

In March 2016 TVNZ reported that its half-year profit fell 36 percent from the same time in the previous year. Operating revenue for the half-year was $179 million, and net profit $12.7 million. Kenrick said that TVNZ grew its share of peak television audiences, and this was “led again by news and current affairs programming” (TVNZ, 2016a). ONE News was the most watched program with an average audience of more than 680,000 viewers (TVNZ, 2016a). Kenrick further stated that TVNZ maintained its leading share of television advertising revenue (above 60 percent), but its profit declined “primarily due to increased online competition from global players and the one-off sale of some assets last year” (TVNZ, 2016a). In August 2016, TVNZ confirmed that it had hired newsreader Hilary Barry and TVNZ’s US correspondent Jack Tame to host its Breakfast show. In April, Barry resigned from MediaWorks after 23 years in its service. Her departure contributed to a process which led to the resignation of MediaWorks CEO Mark Weldon.

On-demand and streaming services

The 2016 *Where are the audiences?* report by NZ On Air observed that while linear television in New Zealand still attracted the largest audience, “perhaps the biggest single change in media consumption since 2014 is the growth of SVOD consumption since the launch of Netflix, Lightbox and Neon in NZ” (NZ On Air, 2016a). SVOD refers to the subscription video-on-demand. The report found that 23 percent of New Zealanders stream online video content each day (NZ On Air, 2016a). The report observes that audiences of on-demand sites have “grown significantly since 2014” with four in ten of New Zealanders tuning in each week, and nearly one in five daily (NZ On Air, 2016a). The report also notes that there is a generational gap in media consumption: in 2016 more 15–34-year old’s streamed online video each day than watched linear television (NZ On Air, 2016a). Similarly, Roy Morgan’s *State of the Nation* report found that “83 percent of Kiwis access one or more types of content on-demand” (Roy Morgan, 2016b). The report observes that the subscription video-on-demand services have rapidly expanded after Netflix entered the market in 2015: “by the final quarter of 2015, 904,000 Kiwis (24%) had access to at least one of these services in their home” (Roy Morgan, 2016b).

Telecom company Spark launched its Lightbox in 2014, Netflix entered the New Zealand market in 2015, and Sky TV's NEON was also launched in 2015. At the end of 2015, Netflix had 264,000 subscribers, Lightbox 128,000, and Sky TV's NEON 22,000 (Roy Morgan, 2016b). While commenting on its 2016 half-year result, Spark said that "the take up of Lightbox has doubled to over 150,000 customers and is accelerating towards the next milestone of 200,000 customers" (Spark, 2016). In its merger application, Sky TV noted that "Spark makes Lightbox available to all its residential broadband customers at no extra cost" meaning that "consumers in at least 680,000 households are entitled to use Lightbox free of charge" (Sky TV, 2016a, p.14). In 12 months to August 2016, Netflix usage had grown "350 percent on Orcon, Slingshot and Flip" (Ryan, 2016). Netflix had overtaken YouTube in data usage on these three internet providers, "showing the phenomenal growth the streaming platform has experienced in New Zealand" (Ryan, 2016).

Another operator in on subscription video on demand market is Coliseum Sports Media, which is a digital media company specializing delivering live and on-demand sports content for its subscribers. Its offerings include the RugbyPass web platform, which allows the users live or on-demand streaming of rugby games in 23 countries. In April 2016, American Discovery Communications acquired a minority stake in RugbyPass. Earlier on, in 2014 Coliseum partnered with Spark's Lightbox in the Lightbox Sport joint venture, but it was closed after losing the New Zealand rights to broadcast English Premier League (Pullar-Strecker, 2016a). Spark's 2016 half-year profit was affected by this outcome because the company had to write off $8million of investment (Pullar-Strecker, 2016a). Later Lightbox CEO Kym Niblock said that Lightbox continued to be interested in sports broadcasting: "We are certainly looking at other ways to invest in sports and bring it into the platform” (Pullar-Strecker, 2016a).

In February 2016, TVNZ OnDemand had one million registered viewers. At the time of writing, there were no publicly available figures for MediaWorks 3Now service. In April 2016, MediaWorks launched a new version of its 3Now mobile app which offers live-streaming of the broadcaster’s shows and viewers can watch programs via Apple TV. MediaWorks hasn’t confirmed the number of downloads for its new app, but said that it's "currently the number one free entertainment app in the New Zealand app store” (Bagge, 2016b).

In September, MediaWorks partnered with music video provider Vevo to sell advertising on its video content, “which is viewed about 50 million times per month by New Zealanders” (“MediaWorks partners with Vevo in NZ”, 2016). MediaWorks' acting chief commercial officer Glen Kyne said that the deal “will allow us to reach more New Zealanders than ever before and be the prime location for any advertiser looking to purchase premium digital content and connect to engaged audiences" (“MediaWorks partners with Vevo in NZ”, 2016)

In August 2016, the New Zealand government announced that it was updating the Broadcasting Act to govern on-demand and video streaming providers, such as Lightbox, Sky’s NEON and Netflix. Broadcasting Minister Amy Adams commented that the law change was necessary because “on-demand content is either regulated inconsistently or not at all, which can potentially expose the public to harm, as all content is not subject to the same classification standard” (Adams, 2016).

Public interest television

Maori Television, launched in 2004, is funded by the government, and is specifically required to revitalise the Maori language. In 2016, the station received $10.6 million funding from the government budget over the next four years. Maori TV's general objective is to be "an independent Maori television service that is relevant, effective and widely accessible" (Maori TV, 2014).

In 2016 the broadcaster introduced a rebranding program. Some reports claimed that the broadcaster was discussing whether Maori should be dropped from the broadcaster's name, but this was denied by its management. Maori TV spokeswoman Lana Simmons-Donaldson said that rebranding was part of the broadcaster's plan to grow audience numbers which "had risen more than 16 percent since it introduced new programming in March" (Pullar-Strecker, 2016b). She said that "our programs have broad appeal with just as many non-Maori viewers watching as there are Maori viewers, which helps us achieve our goal of growing the use of te reo Maori" (Pullar-Strecker, 2016b).

In its 2015 annual report, Maori TV confirmed that its future strategy was "multi-platform", and that it was planning to attract million Kiwis per week to interact with its content (Maori Television, 2016). In July 2015, the station launched the FreeviewPlus platform (with TVNZ and MediaWorks) which allows "expanded audience access to our television and on-demand content, including our extensive back catalogue" (Maori TV, 2016).

Radio broadcasting

Commercial radio

In 2016, the NZ On Air report on New Zealand audiences concluded that linear television (73% daily reach) and radio (59%) remained the most popular media forms among New Zealanders (NZ On Air, 2016a, p.27). However, the report also observed that audiences “for nearly all traditional media have declined since 2014 whereas nearly all online media have grown significantly” (p.45).

The daily reach of RNZ was 13 percent, The Edge eight percent, ZM seven percent and Newstalk ZB also seven percent (table 4). New Zealand’s commercial radio market had a duopoly structure with NZME and MediaWorks controlling the airwaves. NZME owns The Radio Network, which operates more than 130 radio stations across New Zealand. Its most popular stations include Newstalk ZB, ZM, Hauraki, Flava and Radio Sport. The company also has an all-in-one digital radio service called iHeartRadio. Its main competitor, MediaWorks, owns radio stations such as MORE FM, RadioLIVE, The Sound, The Edge, The Breeze, The Rock and LiveSPORT.

In July 2016, market research company GfK published the latest commercial radio audience figures. Its survey showed that of the commercial stations, The Edge (MediaWorks) had most listeners with 518,400 tuning in each week. NZME’s Newstalk ZB had the second highest number of listeners - 398,600, this was followed by More FM (MediaWorks) with 391,000 listeners.

However, the report also said that the “highest commercial station market share was achieved by Newstalk ZB with an 11.7 percent share of all commercial radio listening” (GfK, 2016a). The Edge’s commercial share was 8.3 percent, More FM’s

8.2 percent, The Sound's 7.6 percent and the Breeze's 7.5 percent (GfK, 2016a). Newstalk ZB and More FM had the highest and second highest number of breakfast show listeners.

Table 4: Daily reach of NZ radio stations

RNZ	13%
The Edge	8%
ZM	7%
Newstalk ZB	7%
More FM	6%
Classic/hits	5%
Mai FM	5%
The Breeze	5%
The Rock	5%
Sound	4%
Radio Live	3%
Hauraki	3%
Radio Sport	3%
Flava	2%
iHeartRadio	2%

Source: NZ On Air 2016

Public service radio

In 2015, RNZ was hiring 'big names' to appeal to large audiences, and this clearly paid off in 2016. GfK ratings showed that in 2016 RNZ National reached 529,000 people each week, a 13.2 percent reach of all people age 10+ across the New

Zealand (GfK, 2016b). In the breakfast radio market, RNZ National reached 385,900 or 9.6 percent of the audience (GfK, 2016b).

After the ratings were released, *Stuff* declared that "the king of breakfast radio, Mike Hosking, has been dethroned by the state broadcaster's Morning Report programme" ("Bloody marvellous! John Campbell and Morning Report lead RNZ to a ratings resurgence", 2016). *Stuff* commented that "RNZ has attracted the highest national audience against commercial radio news rivals in all key time slots" including *Morning Programme* hosted by Guyon Espiner and Susie Ferguson; *Nine to Noon* with Kathryn Ryan; Jesse Mulligan in afternoons and *Checkpoint* with John Campbell ("Bloody marvellous! John Campbell and Morning Report lead RNZ to a ratings resurgence", 2016). *Hard News* blogger Russel Brown commented that "It's a very strong result for RNZ" (Brown, 2016).

To capitalize its 'new commercial possibilities', RNZ partnered with *Stuff* to provide it with audio and video content. Glen Scanlon, RNZ's head of digital, said that "we make great story-telling and we just want people to engage with it. This means recognising that we need to be where audiences are – one of those places is *Stuff*" (RNZ, 2016b). RNZ chief executive officer Paul Thompson commented that the revenue from content sharing will only deliver "a few thousand bucks a year" ("Bloody marvellous! John Campbell and Morning Report lead RNZ to a ratings resurgence", 2016). Therefore, it is not surprising that the Coalition for Better Broadcasting has continued its campaign against the RNZ's funding freeze. The coalition points out that "with inflation the eight-year freeze equals a cut of 14%" (Coalition for Better Broadcasting, 2016). In 2007, an independent KPMG report recommended RNZ funding increase by 18 percent - six million dollars. Currently, RNZ receives $34 million from the government.

3. New Zealand media ownership: patterns and main events

In 2013, the JMAD New Zealand media ownership report found that New Zealand media outlets were increasingly owned by financial institutions, and noted that

> financial ownership has brought an exclusive focus upon revenue streams and profit rates. This shift has increased commercial pressures within media companies. Instead of concentrating on public interest stories, main media outlets produce even more commercially driven content (Myllylahti, 2013, p.41-42).

> Large investment groups tend to employ a standard formula in managing their newspapers—aggressive cost cutting paired with revenue increases and financial restructuring.
>
> PENNY ABERNATHY, KNIGHT CHAIR IN JOURNALISM AND MEDIA ECONOMICS

Similarly, a study analysing 9,500 American newspapers from 2004 to 2016, found that newspaper ownership in the United States had concentrated into few hands, and that financial owners focused exclusively upon profit maximisation and cost cutting. The report, compiled by Penny Abernathy, states that the large investment groups which own newspapers "tend to employ a standard formula in managing their newspapers—aggressive cost cutting paired with revenue increases and financial restructuring" (Abernathy, 2016, p.7). The report reveals that more than a third of the newspapers studied changed ownership from 2004 to 2016. Abernathy notes that "astute buyers with access to financing have snapped up newspapers at bargain rates in small and mid-sized markets" (Abernathy, 2016, p.7). She also observes that the largest newspaper companies have become "larger than ever" - in 2016 the three largest newspaper companies in the United States owned 900 papers with the combined circulation of 12.7 million (Abernathy, 2016, p.7).

In 2016, the market and ownership structures of New Zealand media were facing some substantial changes. One of the biggest changes concerns NZME (New Zealand Media and Entertainment) which was demerged from its Australian parent company APN News and Media. On June 27, NZME was listed on New Zealand (NZX) and Australian (ASX) stock exchanges. On the first day of the trading, NZME shares fell 16 percent. As seen in figure 1, the share price peaked at the start of the August as investors were expecting its merger with Fairfax New Zealand to go through. In the middle of October, and after News Corp sold all its shares in the company, the shares were trading below the NZME shares listing price, and in November 8, the share price hit all time low. This was after the Commerce Commission’s preliminary decision to decline NZME and Fairfax merger.

Immediately after the demerger, Rupert Murdoch’s News Limited emerged as the fourth largest shareholder in the company with an 11.39 percent holding (table 5). Later, when the company increased its holding to 14.99 percent, it became the third biggest shareholder in NZME. However, in October, News Corp sold all NZME shares “at the deep discount” (“News Corp dumps NZME stake at 11% discount”, 2016). News Corp sold its stake for NZ$8.8 million which represented an “11 percent discount” from the previous day’s closing price (“News Corp dumps NZME stake at 11% discount”, 2016).

Figure 1: NZME share price June 27 to November 8 2016

Source: NZX

Most of the shares sold by News Corp were picked up by the investment bank Morgan Stanley and Westpac Banking Corporation. In October 2016, NZME 's substantial shareholders – all financial institutions - held 85.6 percent of the company's shares (table 5). HSBC owned 15.88 percent of the company's shares, JP Morgan 15.6 percent, National Nominees, which hold shares for unnamed shareholders, had 10.8 percent of the company's shares (NZME, 2016b). Additionally, in October, Morgan Stanley disclosed that it had a 5.1 percent shareholding in the company, and Westpac Banking Corporation confirmed its 5.6 percent ownership. In November, stock market announcements of previous investment companies revealed that Allan Grey Investments held 11.94 percent of NZME shares, Perpetual 9.7 percent, UBS 5.18 percent and Forager Fund Management 5.68 percent. In 2016, NZME's board members included Sir John Anderson (chairman), Peter Cullinane and Carol Campbell. The trio also held other directorships in banks such as Commonwealth Bank of Australia and Kiwibank.

None of the board members had declared experience in media industry (table 6). However, Cullinane holds a directorship in STW Group which is an Australian marketing and content communications company. Both Anderson and Campbell were directors at NPT Limited, a property investment company, and Campbell was also director of Marlin Global which is an international investment company.

Table 5: NZME substantial shareholders in 2016

Substantial shareholder	***Ownership***
HSBC Custody Nominees	15.88%
JP Morgan Nominees Australia Ltd	15.62%
Allan Grey Investments	11.94%
National Nominees Ltd	10.83%
Perpetual	9.74%
Forager Fund Management	5.68%
Westpac Banking Corporation	5.6%
UBS	5.18%
Morgan Stanley	5.1%
Total	85.57%

Sources: NZME, NZX

Table 6: NZME board members 2016

Board member	***Other director roles***
Sir John Anderson, Chairman	Commonwealth Bank of Australia, Steel & Tube, NPT Limited, Turners & Growers
Peter Cullinane	STW Communications, Lewis Road Creamery
Carol Campbell	NZ Post, Kingfish, Marlin Global, Kiwibank, NPT Limited

Source: NZME

In August, NZME announced that its 2016 half-year revenue had declined eight percent from the previous year and that its advertising revenue had dropped 14 percent over the period last year. The company’s total revenue was NZ$198 million, and net profit after tax NZ$10.4 million. Approximately NZ$118 million of the revenue came from print operations, NZ$55.8 million from radio & experimental services, and

NZ$24 million from digital and e-commerce assets (NZME, 2016c). NZME's chief executive officer Michael Boggs said that "NZME will maintain a strong focus on costs and improving value to shareholders" (NZME, 2016c). He also stated that "combined with the potential merger with Fairfax NZ, the future for NZME is exciting" (NZME, 2016c).

In 2015, Australian mining billionaire Gina Rinehart sold all her Fairfax shares, and investment management company Allan Grey reduced its holding in the company substantially. In 2016, neither Rinehart nor Allan Grey appeared as a substantial shareholder. Table 7 shows that the privately owned investment management firm Ausbil Investment Management was the company's largest shareholder with an 8.99 percent holding. Investment company Henderson Global Investors had 7 percent, financial services company IOOF Holdings 6.24 percent, Australian state super fund SAS 5.95 percent, privately owned fund advisory group Dimension Fund Advisors Group 5.92 percent, and investment management firm Schroder Investment Management also 5.92 percent. These six substantial shareholders, all financial institutions, held 39.69 percent of the company's shares.

Table 7: Fairfax substantial shareholders 2016

Substantial shareholder	Ownership
Ausbil Investment Management	8.99%
Henderson Global Investors	7.0%
IOOF Holdings Ltd	6.24%
SAS Trustee Corporation	5.95%
Dimension Fund Advisors Group	5.92%
Schroder Investment Management	5.92%
Total	39.69%

Source: Fairfax Media 2016

The Fairfax board was chaired by Nick Falloon, who has 30 years' experience in the media industry. Another board member, James Millar, also had a directorship in Macquarie Media which in 2015 merged its radio assets with Fairfax. The other board members held directorships in the companies such as a corporate advisory firm Saltbush Capital Markets, asset management company Mirvac, Domino Pizza, Qantas Airways and Kathmandu (table 8).

Table 8: Fairfax board members 2016

Board member	***Other director roles***
Nick Falloon, Chairman	Not declared.
Patrick Allaway	Saltbush Capital Markets, David Jones, The Country Road Group, Metcash, Woolworths SA
Jack Cowin	Domino Pizza Enterprises, Bridgeclimb
Greg Hywood (CEO)	Not declared.
Sandra McPhee	Kathmandu, NSW Public Service Commission Advisory Board, St Vincent's Health Advisory Board
James Millar	Mirvac Limited, Slater and Gordon, Macquarie Media, Export Finance and Insurance Corporation, Forestry Corporation of NSW.
Linda Nicholls	Japara Healthcare, Medibank Private Limited
Todd Sampson	Qantas Airways

Source: Fairfax Media

In the financial year ending 2016, Fairfax made an after-tax net loss of $A893.5 million because of company - yet again - wrote down the value of its newspapers. Fairfax revenue declined two percent from the previous year to $A1.8 billion. The company's publishing revenue fell 11 percent, and its revenue was mainly supported by Domain, which is the company's real-estate listing service. Chief executive officer Greg Hywood said that "digital and non-print earnings now constitute more than 40% of Fairfax's earnings" (Fairfax Media, 2016b). In New Zealand, the company's revenue declined nine percent from the previous year, and profit fell 14 percent from the financial year 2015.

In 2016, all of Sky TV's substantial shareholders were financial institutions, as seen in table 9. The shareholding of the investment group Perpetual had grown from 8.1 percent in 2015 to 13.2 percent in 2016. A stock market listed asset manager Blackrock Investment Management (Australia) had increased its holding from 5.45 percent to 9.3 percent. The Commonwealth Bank of Australia was the third largest shareholder with a five percent holding. Together, these financial shareholders owned 27.5 percent of the Sky TV's shares. If the Sky TV - Vodafone New Zealand merger goes through, Vodafone Europe will own 51 percent of the new company's shares. In July, Sky TV's shareholders backed the merger, the "final tally showed 99.96 percent in favour of the resolutions" (Rotherham, 2016).

Table 9: Sky TV substantial shareholders 2016

Perpetual Limited	13.2%
Black Rock Inc.	9.3%
Commonwealth Bank of Australia	5.0%
Total	27.5%

Source: Sky TV

Table 10: Sky TV board members 2016

Board member	***Other director roles***
Peter Macourt, Chairman	Prime Media, Virtus
John Fellet (CEO)	Not declared.
Susan Paterson	Airways Corporation, Theta Systems, Goodman NZ, Arvida Group, Les Mills NZ
John Waller	Fonterra, Donaghys, Property for Industries
Geraldine McBride	Fisher and Paykel Healthcare, National Australia Bank
Derek Handley	Not declared.

Source: Sky TV

In 2016, before the suggested merger, Sky TV’s chairman of the board was Peter Macourt who also held a directorship in the Australian television company Prime Media (table 10). Other board members (excluding Derek Handley) held directorships in financial institutions such as National Bank Australia, and consumer goods corporations such Fonterra and Fisher & Paykel.

Sky TV’s revenue for the full year 2016 was NZ$928 million, at the same level to the previous year (Sky TV, 2016b). However, its net profit fell 14.4 percent to NZ$147 million, partly due to costs related to its merger with Vodafone New Zealand. In 2016, the cost of maintaining broadcasting rights to sports, television series and movies rose 11.6 percent to NZ$331 million – these made 36 percent of the company’s total expenses. Sky TV’s chief executive John Fellet said that the rising cost of premium content was "ironic given the current global over-supply of TV content” (Smellie, 2016).

Table 11: MediaWorks board members 2016

Board member	***Other director roles***
Jack Matthews, Chairman	Crown Fibre Holdings, Network for Learning, Trilogy, APN Outdoor
Michael Anderson (CEO)	Oztam, oOH! Media
Julie Christie	Julie Christie Inc., The Drug Detection Agency, The New Zealand Story Group
Jonas Mitzschke	Oaktree Capital
Paul Lockey	Callaghan Innovation, Auckland Transport

Source: MediaWorks, LinkedIn

In 2015, American hedge fund Oaktree Capital took 100 percent ownership of MediaWorks. In June 2016, the fund appointed one of its own representatives, London-based investment manager Jonas Mitzschke, to the company’s board.

Additionally, a former Fairfax Australia executive Jack Matthews was appointed to the board, and he also became the company's chairman. Matthews held other directorships in other New Zealand companies including Crown Fiber Holdings and Trilogy (table 11).

Merged NZME-Fairfax would be too powerful on print and online

As discussed, in May 2016 APN announced that it was demerging NZME. At the same time, the company confirmed that NZME and Fairfax New Zealand were planning a merger of their New Zealand assets. In May, NZME and Fairfax submitted a merger approval application to New Zealand's Commerce Commission. The commission was expected to deliver a decision on August 22, but delayed its final decision until March 2017. In November, the Commerce Commission published its draft determination of the merger, declining the preliminary merger approval.

Table 12 shows that in 2015 the combined revenue of NZME-Fairfax was NZ$802.6 million, and the earnings before interest, tax, depreciation and amortization (EBITDA) NZ$133.7 million. In September, the two parties agreed that NZME would buy all Fairfax New Zealand shares for NZ$55 million in cash. Additionally, the company would issue new shares to Fairfax Media shareholders in Australia, giving Fairfax a 41 percent shareholding in the new company (NZME & Fairfax, 2016).

Table 12: NZME-Fairfax combined (2015 proforma)

Revenue	NZ$802.6 million
EBITDA	NZ$133.7 million
Employees	Approx. 3,300
Ownership	Fairfax 41%, others 59%

Source: NZME 2016

Fairfax will also have two directors on the combined company's board. In a market announcement to NZX, NZME and Fairfax stated that the two parties had "undertaken a review of expected transaction synergies, and as a result of this review, expect that the combined business could generate significant synergies" (NZME & Fairfax, 2016).

In September 2016, the two companies had approximately 3,300 employees. However, former NZ Herald editor Tim Murphy estimated that the merger would result in 750 job losses ("Union fears major job losses if merger goes ahead", 2016). Media organiser Paul Tolich of E Tu union commented:

> I think it [merger] will lead to a decline in the available jobs for journalists. They have already cut the numbers of subeditors to a very small number, and you can see that they are now going to cut reporters and front line journalists ("Union fears major job losses if merger goes ahead", 2016).

Table 13 outlines some key events concerning NZME's demerger from APN, and its merger process with Fairfax NZ. In their merger application, Fairfax and NZME said that combining their businesses was a necessity: the two companies print newspaper revenue was rapidly declining, and their digital advertising revenue was under threat because of increase in competition. The companies stated that the new media corporation would "result in substantial public benefits to New Zealand", adding that it would enhance "advertising competition against Google and Facebook" (Fairfax Media New Zealand and Wilson & Horton, 2016, p.80). The parties further noted that the "transaction supports the investment required to continue to deliver high quality local and regional news" as they compete "head-on against global news/information giants such as CNN, *The Daily Mail,* BBC, *The New York Times*" (Fairfax Media New Zealand and Wilson & Horton, 2016, p.80).

Table 13: Key events towards NZME & Fairfax merger

Timeline	***Occasion***
September 2014	APN New Zealand rebranded as NZME
September 2015	NZME announces newsroom integration across print, radio and digital platforms
February 2016	APN cancels the IPO for NZME
March 2016	Chief executive officer Jane Hastings resigns
May 2016	APN shares put into a trading halt
	APN proposes the demerge of NZME, and announces listings to New Zealand and Australian stock markets
	APN confirms merger talks between NZME and Fairfax NZ
	NZME and Fairfax send merger application to Commerce Commission
June 2016	Commerce Commission outlines its concerns
	APN shareholders approve NZME demerger
	Overseas Investment Office approval for NMZE demerger
	Trading on NZME shares starts in the New Zealand stock exchange NZX
July 2016	Merger approval submissions sent to the Commerce Commission
	Responses to the merger proposal filed
August 2016	Commerce Commission announces that it is delaying the merger decision until March 2017
September 2016	NZME and Fairfax sign merger agreement
	NZME agrees to buy Fairfax NZ assets for $55 million in cash
	Overseas Investment Office gives the merger approval
November 2016	Commerce Commission draft determination declines merger approval
	Draft submissions and crossubmissions delivered to commission
December 2016	Conferences held to hear views about the merger
March 2017	Commerce Commission's final decision about the merger expected on March 15, 2017

However, the submission filed by those opposing the merger, including Molineaux et al., pointed out that companies such as *The New York Times* or Yahoo! did not compete with the two parties for local news (Molineaux et al., 2016).

In June, in its preliminary statement on issues concerning the merger, the Commerce Commission outlined that it would investigate whether the competition would lessen, and if the merged company would "raise the price of or reduce the quality of services it provides to readers and advertisers" (Commerce Commission, 2016a). The commission received 56 responses to the merger application of which only three were in support. One of the supporters was Communication Agencies Association of New Zealand, another one was *The Gisborne Herald's* managing director Michael Muir. One supporter remained anonymous.

Three of the submissions were conditional. For example, MediaWorks proposed that if the merger was approved, the combined company should be forced to sell one of its websites: either *nzherald.co.nz* of *stuff.co.nz.* The other 50 submissions were against the proposal. Seven of the submissions were filed by anonymous sources, six by individuals, two by academics, four by organisations, and the other 31 by competing news providers and regional newspapers such as Allied Press, the *Ashburton Guardian*, and Horton Media.

Six of the submissions were filed by individuals including business journalist Rod Oram; two submissions were from academics including Gavin Ellis and Julianne Molineaux et al.; four were from organisations including Coalition for Better Broadcasting and labour union E Tu.

The main concerns outlined in submissions against the merger were as follows:

- Lessening of competition
- Monopoly control of news content
- Dominance in advertising
- Failure to meet public benefit test
- Erosion of journalistic capacity and quality
- Concentration of editorial power
- Harm to small, independent publisher
- Hinders market entrance for newcomers

A submission by the *Ashburton Guardian* noted that the merger would “drive smaller independent publishers out of their respective areas and local community”, and it would lead to “a reduction in the quality and quantity of editorial scrutiny and content across the country” (Ashburton Guardian, 2016). In their response on July 29, Fairfax and NZME argued that “if the competitors are opposing, it is often an indicator that the merger will be pro-competitive, as the merged entity is potentially expected to provide a better offering to customers“ (Fairfax & NZME, 2016, p.1) The two parties added that “the Commission, which is interested in evidence-based analysis and decision-making, should treat those views with considerable skepticism” (Fairfax & NZME, 2016, p.1). In a market announcement, NZME stated that it “has seen nothing in the submissions filed by interested parties that undermine the key arguments made in its original application” (NZME, 2016d).

On August 22, the commission announced that it was delaying its merger decision to March 15, 2017. Additionally, it confirmed that it would publish a draft determination about the merger in November 2016. In September, the Overseas Investment Office granted consent for the NZME-Fairfax merger. In its statement, the commission explained that the delay was necessary because the merger was “complex and involves two-sided markets – advertisers on one side and consumers (readers) on the other” (Commerce Commission, 2016b).

In August, the commission stated that it would assess "the effects of the proposed merger on areas such as the provision of national, regional and local news content and information, including the impact on the quality, accuracy and range of the news media in New Zealand" (Commerce Commission, 2016b). Many of the submissions opposing the merger were concerned with local news provision and quality of news. Molineaux et al. pointed out that:

> The merger application asserts that the partners would pursue a high-quality (rather than mass journalism) strategy, but their track record suggests the reverse. We suggest that the merged company would likely narrow the market, effectively treating all consumers as different demographics of fast-food customers, because those are the market incentives it currently recognises. (Molineaux et al., 2016, p.13).

However, Fairfax Media NZ managing director Simon Tong said that both NZME and Fairfax "have a tradition of innovation and a combined business allows us to continue to invest in quality New Zealand journalism – ensuring a strong future for storytelling by Kiwis, about us, and for us" (NZME & Fairfax, 2016). Others continued to be concerned about the quality of content provided by the *NZ Herald* and *Stuff* homepages.

Tim Murphy observed that the sites are

> sweeping the journalism under the fluff of the carpet. And here is the worry. If the audience is constantly presented the sugar and not the protein or greens, there is a risk that an obesity crisis of information develops. People are left dulled and de-energised (Murphy, 2016).

Russell Brown added that the *NZ Herald* is "in pursuit of a low-quality, high-volume model that may well be unsustainable. It's entirely possible that it's not even a matter of editorial decision-making so much as the constant feedback loop of live analytics" (Brown, 2016b).

On November 7, Commerce Commission issued is draft determination against the NZME-Fairfax merger. In a strongly worded document, the commission ruled that the merger "would be likely to substantially lessen competition in a number of markets, including the markets for premium digital advertising, advertising in Sunday newspapers and advertising in community newspapers in 10 regions throughout New Zealand." The commission also warned that the merger may lead to price increases and the introduction of a paywall on "at least one of its websites" (Commerce Commission, 2016f).

> The detriments resulting from this concentration of media ownership are, in our view, likely to be significant and not in the public interest. In particular, the potential loss of plurality is a factor.
>
> COMMERCE COMMISSION NEW ZEALAND

More importantly, the commission ruled that the merger would give NZME-Fairfax too dominant position in both print and digital market, and deliver too much editorial power to one single company. It also ruled that the lack of competition may negatively affect the quality and quantity of news. The commission stated that the merger would lead to "an unprecedented level of media concentration in a well-established liberal democracy" (Commerce Commission, 2016g, p.9).

As discussed below, the NZME-Fairfax merger would mean that the New Zealand print newspaper market would be the second most concentrated in the world after China, if the merger went ahead as planned. The combination of the *nzherald.co.nz* and *stuff.co.nz* would have a "population reach more than four times larger than the next biggest New Zealand news website". Additionally, the merged entity would own

50 percent of New Zealand’s commercial radio market (Commerce Commission, 2016g, p.9).

NZME and Fairfax were clearly disappointed by the decision, and in a stock market release claimed that the commission “has failed to properly take into account the diversity of opinions that will continue post-transaction in an increasingly converged digital world” (NZME, 2016e).

Sky TV and Vodafone merger: It is all about premium content

In June 2016, the pay television operator Sky TV confirmed that it was in merger talks with Vodafone New Zealand. The two companies delivered their merger clearance application to the Commerce Commission on June 30. In July, Sky TV’s shareholders gave their backing to the merger plan (table 14). The commission was expected to announce its decision by November 11, but it was later delayed. The Commerce Commission is expected to announce its final decision about the merger on December 21, 2016.

As discussed, Sky TV is the dominant provider of pay television in New Zealand, and it holds exclusive rights to sports content such as cricket and rugby. Vodafone is one of the leading telecommunication companies offering mobile, telephone and broadband connections. The combined revenue of the merged company is estimated to be NZ$2.9 billion in 2017, and the combined company is expected to make NZ$145 million profit next year (Sky TV, 2016c). In 2017, it is estimated that the merged company will have 845,000 media and entertainment subscribers, and 2.4 million mobile customers (table 15).

Table 14: Key events toward Sky TV-Vodafone merger

Timeline	***Occasion***
June 2016	Sky TV and Vodafone NZ announce merger
June 2016	Sky TV and Vodafone Europe leave application for merger approval
July 2016	Sky TV shareholders vote to approve the merger
July 2016	Commerce Commission's statement of preliminary issues
October 2016	Commerce Commission sends a letter to request more information about "unresolved issues"
November 2016	Deadline for Sky TV, Vodafone and other parties' new submissions
December 2016	Commerce Commission expected to publish its final merger decision on December 21

In its merger approval application, Sky TV pointed out that the operations of Sky TV and Vodafone New Zealand were complementary rather than overlapping. Sky TV believes that the merger would give it "a better position to respond to changes in pay-TV and content markets". It would "benefit from enhanced cross-marketing opportunities", and it would enable it to "develop new innovative offerings" (Sky TV, 2016a). The company noted that it is facing fierce competition and price pressure from other services such as Netflix and Lightbox. It stated that "there is increasing competition for the rights to premium content. As a result, the price of premium content, a key input for any TV service, is going up" (Sky TV, 2016a, p.9). In its 2016 global media and entertainment outlook PwC observed that "subscription services are shifting from satellite-based services to digital", and that "subscription content services delivered through digital channels is one area which is certainly appealing to New Zealand consumers" (PwC, 2016).

Table 15: Sky-Vodafone combined in 2017 (estimate)

Revenue	NZ$2,914 million
Earnings before interests and tax	NZ$278 million
Profit for the year	NZ$145 million
Media and entertainment subscribers	845,000
Mobile customers	2,385,000
Ownership	Vodafone Europe 51%, others 49%

Source: Sky TV 2016

In July, the Commerce Commission outlined the issues related to this merger. It noted that “we will give clearance to a proposed merger only if we are satisfied that the merger is unlikely to have the effect of substantially lessening competition in a market” (Commerce Commission, 2016c). Additionally, the commission said that it would assess whether the merged company could discriminate against other on-demand and video streaming companies (Commerce Commission, 2016c). On October 30, the commission announced that its decision about Sky TV-Vodafone merger would not meet the November 11 deadline as it was seeking further submissions to the “unresolved issues” (Commerce Commission, 2016d). In its letter to Sky TV and Vodafone the commission noted that it was “not satisfied that the proposed merger would not give rise to competition issues”, and that it was concerned that the merged company “would have substantial market power by virtue of its portfolio of content, including premium content such as live rugby” (Commerce Commission, 2016d, p.3). The commission also noted that the merger may lower the consumer prices in a short term, but in a long term the prices may raise if the other telecom companies fail to compete with the new entity. The commission’s letter confirmed that it needs more information to assess how the merger affects broadband, mobile and retail pay television markets.

Before asking for new submission in October, the commission received 16 submissions of which all were opposed to the merger. Two of the submission were from anonymous sources, 11 from competitors and three from other organisations. The submissions came from the rival telecommunication companies such as Spark, Trustpower and 2degrees; television companies TVNZ and Fetch TV; and lobby groups Internet NZ, Telecommunications Users Association New Zealand (TUANZ) and the Coalition for Better Broadcasting. Spark, which owns Lightbox, stated that "Sky's monopoly in premium sports content - and the lack of a viable and credible wholesale market that provides better online, on-demand choices for New Zealanders to watch their sports - is a key concern" (Spark, 2016). It further said that "we believe a merged Sky/Vodafone will be able to leverage its monopoly power in the sports content market, to the detriment of consumers" (Spark, 2016). In its submission TVNZ proposed that Sky TV should sell its free-to-air channel Prime if the merger is approved. TVNZ said that over the "last decade" Sky had put more premium content "behind its paywalls", and therefore the quality of programming on the free-to-air platforms has degraded (TVNZ, 2016b, p.2). The broadcaster further noted that the merger would accelerate this process, as it would become "even more uneconomic for a stand-alone free-to-air provider such as TVNZ to acquire premium content" (TVNZ, 2016b, p.3).

The case of content rights for the Rio Olympics illustrates how the boundaries between traditional broadcasters and other media outlets are blurring as their interests conflict. In July, NZME and Fairfax pulled out of the Rio Olympics after a disagreement with Sky TV over broadcasting rights. Sky TV had acquired exclusive rights to broadcast the Rio Olympics in New Zealand. On the other hand, New Zealand's fair dealing laws allowed NZME and Fairfax to rebroadcast short video clips of Sky' TV's Olympic coverage on their websites. In August, Sky TV took Fairfax to the High Court to stop it from showing 'too much' of its content on the *Stuff* website. Sky TV said that Fairfax had undermined "its rights as a copyright holder which it paid millions for" ("Sky TV asks court to block Fairfax using its Olympics video online", 2016). Sky TV's lawyer, Julian Miles QC said that "the way Fairfax has taken footage and used it is not reporting for the purpose of current events, it is simply entertainment" ("Sky TV asks court to block Fairfax using its Olympics video online", 2016). A High Court judge refused to issue an injunction to stop Fairfax using video clips from Sky's Olympic coverage. However, the judge acknowledged that "in some cases the coverage had gone beyond what was fair" ("Sky TV asks court to block Fairfax using its Olympics video online", 2016).

MediaWorks gets a new board and management

Former NZX boss Mark Weldon was appointed as chief executive officer of MediaWorks in 2014. At the time Weldon stated that "the role offers the chance to be a key shaper" of MediaWorks future, adding that the company was "a healthy organisation with a great team in place and a dynamic future ahead of it" (Myllylahti, 2014). When he left the company, it most certainly was in a different shape. *The Spinoff*'s editor Duncan Greive comments that the Weldon era "started with such bombast and promise. I remember watching in something like awe" (Greive, 2016b). However, things started to unravel quite quickly as Weldon put an end to the current affairs programs Campbell Live and 3 Degrees. The company also experienced a disintegration of the management team as seven people resigned from their positions. In February 2016, Mark Jennings, MediaWorks' group head of news, resigned just months after the company had integrated its news services under Newshub brand. In April, popular newsreader Hilary Barry resigned from the network (and later moved to TVNZ). Jennings comments on Weldon's management style was less than complimentary: "the issue for Mark is that he wasn't really a cultural fit. He, for his own reasons, wanted to develop a culture that he believed in but it ran very contrary to the culture that existed there" (Fisher, 2016). Barry's resignation became Weldon's downfall as he then lost the confidence of his senior managers at MediaWorks.

In May, MediaWorks announced that Weldon was stepping down as the company's CEO. In a press release Weldon stated that "I have had the full support of my board for the strategy that we have executed at every point", and that the company had "made significant progress as a business" (MediaWorks, 2016c). He went on to say that he decided to go because "the personal cost is now too high to continue in this role". This angered many journalists who had been made redundant during his leadership. Greive points out that one of the Weldon's biggest mistakes was that he "didn't understand either the value of news to TV3, or the importance of relationships within the whole organisation" (Greive, 2016b).

Massey University's management lecturer Dr Suze Wilson commented that "the profit-driven values [Weldon] ascribed to were unsurprisingly resisted by staff who believed in the public service of journalism as the fourth estate". She added that "what's astonishing is the amount of damage he was able to do in such a short time, in the name of this vision he had for the organisation" ("Beware the bold visionary, warns new book", 2016). Kevin Lowe, Director of the University of Auckland's Graduate School of Management, agrees. He says that Weldon failed in his job because he couldn’t get staff behind the restructuring of the company. He notes that the “most effective leaders of change are often skilled storytellers”, adding that the “leaders who fail to sell the story come across as arrogant and autocratic” (“University of Auckland: Where the former MediaWorks boss went wrong”, 2016). During his leadership, Weldon launched the gossip site Scout with editor-in-chief Rachel Glucina. The lifespan of the site, which was launched in June September 2015, was short. MediaWorks closed the site in June 2016 - shortly after Weldon left the company.

In August, MediaWorks appointed Australian Michael Anderson as new chief executive officer. He is also chairman of Oztam and oOH! Media, and has had a long career in Austero which is one of the Australia’s largest commercial radio groups. Anderson said that "with the global disruption in media continuing, this an excellent time to join and lead MediaWorks through a difficult but exciting period" (Satherley, 2016). Anderson will be guided by the newly appointed chairman Jack Matthews who is a New Zealand resident. *The New Zealand Herald* said that “Matthews is well-known in New Zealand”, and he is a founder of the New Zealand’s first cable television services Saturn (“meet the new chairman of MediaWorks”, 2016). Additionally, Matthews sits on the boards of other New Zealand companies such as Crown Fibre Holdings and Trilogy International.

4. New Zealand media ownership: regulatory issues and concerns

As the previous JMAD New Zealand media ownership reports demonstrated, media ownership in New Zealand has become increasingly concentrated. If the NZME-Fairfax merger gets a full clearance in March 2017, New Zealand’s news publishing sector will become one of the most concentrated in the world. Australia has also high concentration of “traditional media ownership”, and the news publishing market there is dominated by News Corp and Fairfax Media “who together own the majority of national and capital city newspapers” (Fisher & Watkins, 2016, p.77).

Table 16: Newspaper market share per company

Government of China	100%
NZME-Fairfax (NZ)	89.3%
Government of Egypt	72%
News Corp (Australia)	57.5%
El Mercurio SAP (Chile)	54.9%
INM (Ireland)	52%
Dogan Group (Turkey)	46.4%
Tamedia (Switzerland)	44.3%
Cofina (Portugal)	42.4%
Komsomolskaya Pravda (Russia)	39.6%
Naspers Group (South Africa)	35%
Murdoch Group (UK)	32.5%
Globo Group (Brazil)	28.4%

Source: Noam 2016

As seen in table 16, the Chinese government has a 100 percent market share in the country’s news publishing, and Egypt’s government owns 72 percent of the newspaper market. In New Zealand, a merged NZME-Fairfax would have an 89 percent market share in news publishing. In Australia, Murdoch’s News Corp has a 57.5 market share in news publishing (Noam, 2016).

No foreign or cross-media ownership laws

New Zealand does not have media-specific competition or ownership laws; and there is no foreign media ownership regulation either. Transparency International New Zealand (2013) points out that the country is one of the most deregulated media markets in the Western world. It says that "New Zealand has an extremely deregulated media market with little in the way of state regulations and impediments to the establishment of new and competing media" (Transparency International New Zealand, 2013, p. 265). Media academic Sean Phelan notes that the country had legislative restrictions for cross-media ownership until 1991, but that these "were removed by the National government as part of the shift to a more corporate-friendly media system" (Phelan, 2016, p.5). Another media academic, Peter Thompson, observes that New Zealand has "light-handed 'laissez-faire' approach to (de)regulation", and he also points out that in contrast to many OECD countries New Zealand has no restrictions on foreign or cross-media ownership (Thompson, 2016).

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New Zealand media has three regulatory bodies including the Press Council, which regulates the print industry; the Broadcasting Standards Authority which governs the television and radio industry; and the Online Media Standards Authority (OMSA) which governs online news and current affairs providers. Print media organisations established the Press Council and it, therefore, has a self-regulatory role whereas the Broadcasting Standards Authority is a statutory body. Both bodies regulate media content and deal with complaints concerning their content. They have guidelines for the media content to meet certain standards. In his submission to Commerce Commission concerning the NZME-Fairfax merger, academic and media commentator Gavin Ellis pointed out that New Zealand's media regulatory framework needs to be updated as the convergences in the media sector continue. He states that

> there has been a reluctance on the part of the government to move on media regulation despite the irrefutable fact that adjudication by the Press Council, the Broadcasting Standards Authority and the Online Media Standards Authority is a nonsense in the age of media convergence. The new NZME newsroom, for example, feeds radio networks, streaming video, digital platforms…as well as the New Zealand Herald (Ellis, 2016).

He further notes that if the NZME-Fairfax merger goes ahead, the new company would dominate Press Council and therefore the media regulation requires "an urgent review." (Ellis, 2016).

Australia regulates media ownership, but laws over the Tasman Sea are due to change. Under a new proposal, "current ownership restrictions would be lifted allowing mergers and acquisitions, and potentially further shrinking the ownership pool" (Fisher & Watkins, 2016, p.77). In March 2016, Australia's communication minister Mitch Fifield announced a proposal for "the most significant reforms to our media laws in a generation" stating that the reforms "will result in major changes to the regulations governing the control and ownership of Australia's traditional media outlets" (Fifield, 2016). The reforms will remove rules that limit any one media company's ability to control media assets or broadcast across different regions across Australia.

While justifying the move to relax ownership rules, Fifield noted that

> In the digital era, these regulations unfairly restrict Australian-based broadcast or publishing companies from optimising the scale and scope of their operations. These proposed changes to the media control rules will allow businesses to configure themselves in a way that best suits their needs ensuring they can continue to play a significant role in the Australian community (Fifield, 2016).

Before the 2016 elections, the Australian government suggested removing two ownership rules: the 75 percent reach rule and the two out of three rule. The 75 percent rule prevents any company from broadcasting more than 75 percent of the national population. This is relevant to broadcasting companies such as Nine Entertainment, Ten Network, Seven West Media, Prime Media Group and Southern Cross Media Group. The two out of the three rule has prevented a single company from controlling more than two media platforms out of the three media platforms (including commercial radio, television and print). The rule has prevented companies such as News Corp and Fairfax from controlling all media platforms in any given region. Australian academic Tim Dwyer notes that if the law reforms go ahead, the country will see multiple mergers across media platforms which are a concern for media diversity. He points out that the public in regional and rural parts of Australia are “facing the prospect of fewer alternative voices if News Corp were to merge with, for example, Network Ten” (Dwyer, 2016).

No media specific competition law

In New Zealand, ownership of media entities is regulated only by the general competition laws of the Commerce Act 1986. Transparency International New Zealand observes that there are no legal constraints on setting up broadcast media entities or setting up print media entities, and entry into the ‘journalistic profession’ is unrestricted by law. Academic Julienne Molineaux points out that “New Zealand is unusual in having no media-specific ownership or competition laws. When the law is applied to media mergers, the product and market are treated just the same as any other” (Molineaux, 2016).

The Commerce Act promotes competition in markets, and it is enforced by the Commerce Commission. The commission considers mergers – including media mergers – from the competition point of view. The Commerce Act 1986 outlines that mergers that substantially lessen competition in a market are illegal unless they are authorised. The act “prohibits conduct that restricts competition and the purchase of a business's shares or assets if that purchase leads to a substantial lessening of competition in the market” (Commerce Commission, 2016e). The commission can approve a merger if it is “satisfied that the merger would not be likely to substantially lessen competition in any New Zealand market” (Commerce Commission, 2016e). The commission can authorise a merger if it is “satisfied that the merger would be likely to result in such a benefit to the public that it should be permitted even though it may substantially lessen competition” (Commerce Commission, 2016ec).

Labour Party’s media spokesperson Clare Curran observes that there is clear “lack of media regulation and the weakness of a Commerce Act” in New Zealand, and suggests that the commission should be reformed (Curran, 2016). She says that under the current competition law, the Commerce Commission is not able to “require conditions on either of the two media mergers. They have to rule 'yes' or 'no’, and can’t impose behavioral conditions” (Curran, 2016). She was referring to Fairfax-NZME and Sky TV-Vodafone mergers.

Competition lawyer Andrew Matthews of Matthews Law points out that the commission can only apply structural undertakings – divesting physical or intellectual assets such as newspapers (Keall, 2016b). The commission cannot force behavioural undertakings as a merger pre-condition. For example, the commission cannot restrict Fairfax and NZME online sites from introducing paywalls.

Lack of a converged regulatory structure

The Sky TV-Vodafone NZ merger proposes a new situation in New Zealand. It is a merger between a media and a telecommunication company, and there is no national regulatory structure to deal with this kind convergence. Sky TV's and Vodafone NZ's merger is both horizontal and vertical in its nature. Horizontal merges refer the integration between two companies which operate in different products and industries. This is also a vertical merger because the new Sky TV-Vodafone entity would control content and the delivery chain via broadband and mobile devices.

The Ministry of Culture and Heritage is currently considering what law changes the converging media and telecommunications sector needs. The ministry states that "the impact of these changes on our legislation needs to be considered. In many cases legislation was written before the impacts of convergence were present in New Zealand" (Ministry of Culture and Heritage, 2015). The ministry further states that the "rapid changes in technology create the risk that New Zealand's regulatory regimes may fall out of tune with changing business models and consumer expectations" (Ministry of Culture and Heritage, 2015).

In a submission concerning the Sky TV and Vodafone NZ merger, the Coalition for Better Broadcasting notes that "given the uncertainties of the current regulatory, technological and market context", Commerce Commission should defer its merger decision "until the government has completed its response to the recent feedback on its convergence issues papers, or, if this is not possible, decline to clear or authorise the proposed merger between Sky and Vodafone at this time" (Thompson, 2016, p. 7).

5. Media content and public sphere: the restructuring of NZ On Air

Media mergers raise questions about New Zealand media diversity and the future of local news content. Previous JMAD New Zealand media ownership reports from 2011 to 2015 have tracked the shrinking New Zealand media market and the under resourcing of public interest journalism. In 2013, Transparency International New Zealand noted that

> the New Zealand media is not diverse in terms of ownership or content… only to a small extent is there a diverse media providing a variety of perspectives, and there are doubts that the mainstream media adequately represents the entire political spectrum (Transparency International New Zealand, 2013, p.262).

The New Zealand Political Studies Association believes that the proposed NZME-Fairfax merger would reduce competition and be damaging to democratic processes and the public interest. The association states that "in a democracy, a well-functioning information market must be considered a public good with a requisite threshold applied to mergers that threaten to reduce its breadth and depth" (NZPSA, 2016, p.1). The association notes that the NZME-Fairfax merger would reduce the number of political journalists and editors, and this would result in "a narrower range of political commentary and analysis and in less surveillance of government policies" (NZPSA, 2016, p.2).

As the media corporations were mulling mergers, NZ On Air overhauled its funding structure to respond to concerns about local media content and delivery. In its *Diversity Report 2016* the funding agency noted that 81 percent of the television and 85 percent of the digital production companies funded by the agency were based in Auckland (NZ On Air, 2016b). In September 2016, it announced the creation of a single funding agency the NZ Media Fund, which will allocate investments (NZ On Air, 2016c). The agency has a budget of approximately NZ$80 million which is shared between factual and scripted programmes. The fund seems to have two major goals: to deliver quality content and diverse content. According to the agency, the fund will be open to a "broader range of platforms" and it will focus on "delivering quality and diversity" (NZ on Air, 2016c). The agency's chief executive Jane Wrightson said that "With intense competition for audiences from international media it is more important than ever that NZ On Air is able to maintain a space for local content. It's vital to our cultural identity" (NZ On Air, 2016c).

Money for special interest and local initiatives

In October 2016, NZ On Air committed $9.35 million of funding for "special interest television programs, many of them offering insights to and appreciation of our multi-ethnic culture" (NZ On Air, 2016d). The agency *Attitude* which deals with the attitude towards disability; *Back Benches* which offers debates about politics, and *Media Take* which is a current affairs and discussion program of media affairs. Wrightson commented that "these programs have a high cultural value, as they bring diversity to our screens" (NZ On Air, 2016d).

Earlier in the year, NZ on Air gave NZ$1.3 million to four new local initiatives. Independent news publisher Allied Press, which also owns television channels, received $396,821 to provide audio-visual news content on its 39 Dunedin Television, and on its regional websites including the *Otago Daily Times*. Allied Press notes that the funding allows its "dedicated video journalists" to create content which is supplemented by local journalists. The company planned to extend its coverage to Ashburton, Waitaki and Timaru, and across to the West Coast ("More news from regions to see", 2016). The agency also allocated funds to a new regional media initiative *Local Focus* which is a partnership between NZME and Very Nice Productions. Local Focus has employed video journalists in Waikato, Bay of Plenty, Hawke's Bay and Whanganui to produce audio-visual stories about the regions.

Conclusions

In 2016, the New Zealand media market was not just stirred, but also shaken. There were significant changes in media ownership and institutions. One of the most notable changes concerns the demerger of NZME from its Australian parent company APN News and Media. In June, NZME emerged as a standalone media and entertainment company, owned by its shareholders, and listed on New Zealand and Australian stock markets. Another significant change also concerns NZME. In late 2016, News Corp sold all its shares in NZME: in November 2016 85.6 percent of the company's shares were owned by financial institutions: banks, investment banks and fund management companies. MediaWorks was 100 percent owned by Oaktree Capital, a vulture fund, and all substantial shareholders of Fairfax Media and Sky TV are financial institutions. For the first time in six years (since the JMAD reports have been compiled), the New Zealand commercial media corporations are exclusively owned by financial institutions.

At the time of writing, major structural changes are pending as the Commerce Commission considers final approvals for the NZME-Fairfax and Sky TV-Vodafone mergers. It is not clear if either merger will win the approval. Final decisions on the Sky-TV and Vodafone merger is expected on December 21, and the NZME-Fairfax merger ruling is not expected until March 2017.

However, this report observes that regardless of the commission, consolidation and convergence in the New Zealand media and telecommunication sectors is likely to continue. As stated, media corporations are owned by financial shareholders, and they are mainly led by the boards consisting of directors which have no other (declared) media interests, but have directorships in financial firms and corporate advisory corporations. The main motivation of the financial owners is to seek profit, revenue and shareholder value, and this is the driving force behind media mergers and consolidation.

The planned mergers aim to achieve substantial cost savings, and they would affect hundreds of newsroom jobs. As previous JMAD ownership reports have noted, the New Zealand media sector has already seen thousands of jobs disappear. A former *The New Zealand Herald* journalist Chris Barton describes this well: "In my time at the *Herald*, redundancies became an unstoppable trend. Every few years there would be another bunch gone as the bean counters invented new ways – outsourcing sub-editing in 2007, changing to tabloid format in 2012 – to cut costs." He further states that "Beside the body count, there has also been significant collateral damage to journalism – a slow suffocation that makes it difficult for a certain type of journalism to breathe" (Barton, 2016).

If further job cuts are executed in media firms – with or without the merger - they will seriously undermine journalists' ability to report on matters of importance on the local, regional and national level. This report notes that the elections in the United States showed that there was a disconnect between media corporations and local communities. Having a vibrant local and regional media has become even more crucial for democracy.

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