

APPOINTMENT-IN-CONFIDENCE

Minister of Broadcasting, Communications and Digital Media

Memorandum for the Cabinet Appointments and Honours Committee

Television New Zealand Ltd (TVNZ): Board Reappointment

Introduction

1. In this memorandum the Cabinet Appointments and Honours Committee is invited to note my intention to make one reappointment to the TVNZ Board, as follows:

Company	Person	Designation	Appointment/ Reappointment	Replacing
Television New Zealand Ltd	Therese Maria <u>Walsh</u>	Chair	Reappointment	n/a

Background

2. The appointment will be made in accordance with the guiding legislation, the Crown Entities Act 2004, and the company's constitution, which stipulates that the shareholders may, at any time, appoint or reappoint directors to the board. Appointments are made in accordance with the Cabinet-approved skills-based appointment process.
3. Crown appointees on this board are generally appointed for terms of up to three years and, guided by best practice and subject to their skills still being relevant to the company's business, may be reappointed for subsequent terms.

Television New Zealand Ltd (TVNZ)

4. TVNZ is a commercially focussed Crown entity company. The main business activity is the operation and broadcast of free-to-air (FTA) television channels in New Zealand. TVNZ has also had an increasing online presence with www.tvnz.co.nz, providing news and entertainment, and TVNZ Ondemand which is the main avenue for digital revenue growth.
5. In the 2016/17 financial year, TVNZ reported a net profit after tax (NPAT) of \$1.4 million (compared with a profit of \$12.7 million in 2015/16). However, NPAT for 2016/17 included the non-cash onerous contract/impairment of \$12.4 million. For the year 2016/17 TVNZ's net cashflow from operating activities was \$30.5 million, an increase of \$3.0 million from 2015/16.
6. In 2016/17 TVNZ generated total revenue of \$316.5 million and had total assets of \$295.7 million. TVNZ receives approximately 98.5% of its revenue from advertising. The company also participates in contestable funding processes with New Zealand On Air. TVNZ employs approximately 650 full-time equivalent staff.
7. Major industry trends threaten TVNZ's profitability and the value of the Crown's investment in the company. TVNZ's share of FTA broadcast television advertising revenue remains strong at approximately 60%. However, the New Zealand FTA broadcast television market is in decline due to increased competition from online FTA

APPOINTMENT-IN-CONFIDENCE

content, which is competing for advertising revenues, and due to the expansion of pay Television offerings. The online content is now available across an ever-growing number of distribution platforms and devices, which has made online viewing relatively more attractive than broadcast television.

8. Like all media companies, TVNZ has to adapt to the significant disruption occurring within the industry as a result of technological change. The company has been focused on shifting from traditional broadcasting to being a video content business and expanding non-broadcast television revenues.
9. As FTA competition, particularly from online FTA providers, erode TVNZ's TV advertising revenue base the company will need to focus on alternative revenue streams as well as its cost structure, investments, asset utilisation and its optimal content mix (to be attractive to viewers and advertisers).
10. I intend to reappoint the Chair Dame Therese Walsh for a further term of 18 months.

Reappointment –Chair

s9(2)(a)

Appointment process

11. The Cabinet-approved process was followed for this reappointment, which included the following elements:
 - identifying the skills and experience required on the board
 - assessing the contribution and skills of the incumbent directors against the ongoing needs of the board
 - discussions with the Chair regarding the skill needs of the board
 - background checks for the candidate being considered for reappointment.

Conflicts of interest

12. I can confirm that appropriate enquiries concerning conflicts of interest have been carried out in accordance with the Treasury appointment guidelines, and no conflicts have been identified. The board maintains an ongoing conflict of interest disclosure regime, in accordance with the Companies Act 1993. Further, the appointee has disclosed the nature and extent of all known interests that may relate to the company she is being appointed to, which is a further provision required by Treasury. The reappointment is also subject to the satisfactory completion of background checks.

APPOINTMENT-IN-CONFIDENCE

Representativeness of appointment

13. I can confirm that full consideration has been given to the need for the membership of the board concerned to have an appropriate gender, age, ethnic and geographical balance.

Remuneration

14. Fees will be drawn from the remuneration approved for the board by shareholding Ministers. These fees have been set in accordance with Cabinet Minute CAB-16-MIN-0678. This allows a unit rate of \$44,675 for a TVNZ director. The Chair receives twice the unit rate.

Publicity

15. Media interest and comment on the appointment is possible, given the public interest in TVNZ. A press release will be issued in the usual way.

Recommendations

16. It is recommended that the Cabinet Appointments and Honours Committee:

1. **note** the intention of shareholding Ministers to make the following reappointment to the board of Television New Zealand Ltd:

Company	Person	Designation	Appointment/ Reappointment	Term	Replacing
Television New Zealand Ltd	Therese Maria <u>Walsh</u>	Chair	Reappointment	From 1 May 2018 up to 31 October 2019	n/a

2. **note** that the reappointment is subject to the satisfactory completion of background checks.

Authorised for lodgement

Hon Clare Curran

Minister of Broadcasting, Communications and Digital Media
(on behalf of shareholding Ministers)