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September 1998
'As Easy as 1-2-3'

The Introduction of TV3 to the New Zealand Television Industry

Craig McCauley

In partial fulfilment of the requirements for the degree of B.A. (Hons)
At the University of Otago, Dunedin.

History Department, 2000.
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Introduction

“Television is our most popular and pervasive medium. Medium because it’s neither rare nor well done”
(American Comedian Ernie Kovacs)¹

Since its introduction to New Zealand in 1960, Television broadcasting has been subjected to continuous public and political pressure. This is best reflected in that almost every election since then has brought at least one change to the broadcasting structure.² The only television in New Zealand was broadcast over two national channels run by Television New Zealand (TVNZ) under the control of the Broadcasting Corporation of New Zealand (BCNZ). The BCNZ also controlled two national non-commercial radio stations, a fleet of local commercial stations and a symphony orchestra, and was administered with input from the Minister of Broadcasting. The Corporation was funded by advertising and a public licensing fee that was essentially a tax on those members of the public lucky enough to own a television set.³ Politicians were able to alter many facets of broadcasting but they ignored what the public believed to be the most important – namely quality. In fact, if TVNZ proved anything under tight Government control, it was that monopoly meant monotony.⁴ As Pam Corkery (then TV critic, later politician) said: “In most countries, people go to sleep in front of the television. In New Zealand the television goes to sleep in front of the people”.⁵

As the politicians slowly realised that what they were delivering was not what the people wanted, they began to see major changes in broadcasting as inevitable. Change was only partially being driven by demand. New and increasingly affordable technology was a must for any broadcaster wishing to retain viewer support.⁶ Yet demand and desire for choice remained the loudest

¹ Peter Allison, “TVNZzzz...”, Metro, no.95, May 1989, p.120.
⁴ Allison “TVNZzzz...”, Metro, p.112.
⁵ Ibid. p.114.
voice in the chorus crying out for a change in New Zealand broadcasting. Tom Parkinson, who would later head the successful application for TV3, was a programme producer for TV2 at the time. He tried to retain a separate identity for TV2 but came to the conclusion that this was near to impossible: “In my view, quality broadcasting and the public interest had clearly taken second place to the self interested survival of the BCNZ executive. The only answer to my mind was a competitive private channel”. Ian Cross, the Chairman of the BCNZ, agreed with Parkinson, although his motives smacked of self-interest. He told the Minister of Broadcasting, Ian Shearer, that splitting up TVNZ’s two channels would be ‘difficult, disruptive and highly disastrous’. As political and financial pressure built for just such a solution, Cross put his weight behind the idea of a new third channel to be owned and operated by private interests.

All of this was taken on board by Shearer who announced that the National Government agreed to the introduction of a third channel ‘without delay’. The Broadcasting Tribunal was authorised to take applications for a third channel from interested parties and to put forward to the Government their suggestion for the best candidate. This was delayed by the introduction of a Labour Government and new Broadcasting Minister (Jonathan Hunt) but would continue with unchanged aims. The stage was set for New Zealand to be introduced to a new television channel and broadcasting competition.

The purpose of this study is to consider the introduction of the new television channel into what was once a monopolised market. In the year 2000, it is relatively common knowledge that the applicants for, and winner of, the third channel licence did not have an easy path laid down for them. The winning contender which became known as TV3 (Televid 3) faced a number of challenges to its existence, both before and after its establishment. From the interference of the BCNZ, to the Wall Street crash of 1987, to the sudden deregulation of the whole industry – nothing was ever made easy for the

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8 Ibid.
9 Ibid.
newcomer, despite the fact that most of the players in New Zealand broadcasting circles had agreed that the introduction of a third channel was a necessary measure.

The first Chapter of this essay will look at the problems the fledgling channel faced in its creation in the mid to late 80s. This includes the lengthy hearings at the Broadcasting Tribunal, which delayed the introduction of private television by several years. It will look at the difficulties caused by the sudden Labour decision to deregulate the entire industry, effectively rendering the outcome of the Tribunal worthless. It will also analyse the internal difficulties suffered by TV3 as it sought to build a financial base to build upon. Chapter Two examines the TVNZ response to the attack on their hold of the broadcasting market. The TVNZ restructuring and counterattack was crucial in blunting the advances of private television and needs to be looked at more closely. Chapter Three will look then to explain why TV3 fell into receivership after just six short months of operation. It will summarise the reasons for their failure and examine the reasons not only for their economic collapse, but also for their inability to break the TVNZ hold on the viewing public.

The essay relies on a number of articles penned at the time, and those few books written in hindsight. With the issue being a recent one (just ten to fifteen years), there has been little in the way of critical analysis. The author who provides the most comprehensive coverage of the broadcasting industry is undoubtedly Paul Smith. Smith was the media analyst for both The Listener and the National Business Review. His book, Revolution in the Air! is perhaps the most detailed work on the emergence of a private channel and the reasons for its failure. He gives a clear accounting of important events occurring in the brief history of TV3, including their establishment and ongoing troubles, and is generally critical of all parties involved in the establishment of the private network. The other key source consulted was The Remaking of Television New Zealand by Barry Spicer. Spicer dealt primarily with the events described in Chapter Two, namely the restructuring of the state broadcaster and its re-emergence as New Zealand’s broadcasting superpower. As such he gives
greater emphasis to the actions of TVNZ and assigns less importance to the actions of the other parties involved. While many sources were used, the other key texts were those involving the opinions of the various industry insiders; Hugh Rennie, Marcia Russell, Bill Ralston, Alan Cocker and so on. While their accountings were certainly influenced by their own experiences and are open to bias, they provide important revelations on how each section of the industry is viewed by the others. Russell for instance is particularly critical of the Labour Government as having done too little to ensure the viability of TV3. They all combine to answer the most important question in this essay; whether or not TV3 was given a fair deal by all parties involved, or whether it was merely the sacrificial lamb for an industry that espoused change but refused to embrace it.
Chapter One

'The Good Times are Coming'

In the mid 1980s, under pressure from market reformists and the voting public, the Labour Government agreed to pass legislation authorising a new television channel to begin operation in New Zealand. This was not a decision that they made lightly - or quickly. Before formal authorisation was given to the Broadcasting Tribunal to seek tenders for the third channel, the Government established a Royal Commission to examine the future role of broadcasting in New Zealand. This was expected to provide the Government with a blueprint for the next decade, and was to consider not only the viability of a third channel, but also the role of the industry in general. Yet the Commission would arrive at different conclusions to the rest of the New Zealand broadcasting industry. It was here that problems first began to develop for those battling for the creation of private television.

The Royal Commission began its research in 1984. The Government had expected that it would show a clear path for the future of broadcasting, with less political intervention and more emphasis on quality. In fact it's report proved to be a discursive document, with deeply split views on many of the key issues. It did not determine a broadcasting future in the way that those who had planned the Commission had intended. By the time it had reported, the topic had been overrun by new technology, disrupted by major change in both the BCNZ (Broadcasting New Zealand) and the private sector, overshadowed by the Tribunal’s third channel hearings (begun in May 1985) and imprisoned by new economic policies favouring less Government intervention. No one figure has ever been able to state why the findings of the Commission were the opposite the Government’s intentions. Perhaps the Minister of Broadcasting failed to make his wishes fully known, or perhaps the members of the Commission believed that New Zealand broadcasting simply wasn’t ready for full privatisation. In any case, the findings of the

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Commission proved to be a minor embarrassment for the Labour Government, who had believed that the Royal Commission would find in favour of Labour’s policy of reform, privatisation and deregulation being extended to the broadcasting industry.

The Commission finalised its recommendations in 1986. The report favoured a more traditional and regulated future. Cable and satellite systems would be prohibited from entering New Zealand until all VHF (Very High Frequency) and UHF (Ultra High Frequency) frequencies were in use. There would be tighter programming standards (codes of broadcasting), a new Department of Communications, a licensing fee spent only on state broadcasting, and limits on advertising and local programming levels. The role of Broadcasting New Zealand was to be expanded giving it more control. Such proposals were at extreme odds with the deregulatory tendencies of the Labour Government. While the findings of the Commission were never formally rejected, they produced no immediate change and were largely ignored. Thus the Commission set the pattern for the following years — lengthy and largely unhelpful proceedings, which would lead only to further trouble for those attempting to establish private television. Never was this more obvious than at the Broadcasting Tribunal where the hearings from applicants for the third channel had degenerated into a farce.

The Broadcasting Tribunal had to decide initially whether the grant of another warrant was in the public interest. Did the public really want another channel? Would it gain enough support to keep it financially viable? The Tribunal conducted lengthy public surveys to determine the public level of interest in the establishment of a new channel. They found, perhaps surprisingly, that there was little overt public opinion expressed for or against a third channel. With the initial industry excitement over the introduction of a new channel dying down, some were quick to voice their disapproval. Mr A.G. Parry, who was at one time chairman of a TV1 Advisory Committee, said he was “not

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5 Ibid.
very enthusiastic” about the idea of a third channel. He did not believe a third channel was necessary, and thought it was beyond the resources of New Zealand.7 After some internal debate and input from outsiders, the Tribunal decided that this would not necessarily inhibit the channel’s growth and they made the decision to allow the channel to go ahead. This decision was unpopular with some. Public Service Association President Mr C. Hicks added his voice to the debate.

The decision will almost inevitably mean less money for public service broadcasting. The Broadcasting Corporation will now have to compete for advertising revenue with a third channel devoted entirely to profit-making and will have less money to spend on local productions and public service broadcasting.8

Applications were called for in early 1985 and the Tribunal then convened to weigh the merits of each bidding consortium.

The Tribunal itself sat for 126 days between August 1985 and February 1987 – an exceptionally long time to determine who would run the new channel. Analyst Margie Comrie calls the proceedings “a ten million dollar marathon where the eight major contenders engaged in close cross-examination and legal manoeuvres”.9 The wide cross-section of petitioners for the channel was an unforeseen problem for the Tribunal. The decision to allocate another frequency, competitive and in private hands, produced enthusiastic but varied responses.10 Applicants proposed single city stations, regional stations, a national network, a Maori network, a Christian value system, and a satellite based system. Not one strictly met the Tribunals pre-determined concept of the new network and most argued for something radically different.11 The Tribunal proved itself to be largely inflexible and tempers rose as a result. The

7 “Third channel raises doubts”, Otago Daily Times, August 26, 1987, p.3.
8 “Regional TV view triumphs”, Otago Daily Times, August 26, 1987, p.3.
10 Rennie, in Comrie and McGregor, p.62.
11 Ibid.
Some cynics thought nothing would be gained from the introduction of a private television channel.

contest: between rival bidders was often niggly, spiteful, and full of one-upmanship. The Tribunal stopped and members reconsidered their options before deciding to proceed anyway. Hearings staggered on until 1987 and several applicants withdrew due to mounting costs. Money went to lawyers and arguments instead of programmes and broadcasting. The Government grew frustrated. Minister of Broadcasting Jonathan Hunt later agreed that that the activities of the Broadcasting Tribunal were like those of the Royal Commission – unsatisfactory. He believed that allowing proceedings to continue without a set time limit was a mistake on his part. As the Tribunal slowly drew closer to making a decision, the BCNZ (which to some extent had enjoyed watching its would-be competitors squabble) stepped forward to play its trump card.

As applicants fell away and it became obvious that a decision was not too far off, the BCNZ came to the conclusion that it had not yet begun adequate preparations for the onset of commercial competition. Originally it had backed the introduction of the Maori channel as it was viewed as being largely uncompetitive, but this support was later withdrawn when it became apparent that the bid had little chance of success, meaning the BCNZ would probably face determined opposition. The delay in the Tribunal’s decision-making process was fortuitous for the state broadcaster, and it set about gaining itself even more time to adjust. It made lengthy submissions on the effects of current broadcasting and asked for strong public service commitments from the new channel, adding to the paper war and stirring up further debate. It contributed to the snail’s pace of the hearings by joining the contenders in close cross-examination of each witness, and asking for and eventually obtaining through the courts, the opportunity to make further late submissions. The BCNZ’s grounds for such manoeuvres were that a third channel would have a detrimental affect on both the BCNZ and New Zealand television. They wanted the matter to be examined closely to ensure that the granting of a

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14 Personal Communication with Jonathan Hunt, August 1, 2000.
16 Ibid.
warrant would not harm the future of the broadcasting industry, primarily by reducing the overall amount of revenue available and creating financial difficulties for all networks involved. In reality the judicial process lengthened the hearing by six months and won the state broadcaster much needed time to mobilise against the winner of the third channel warrant – whoever it was. The BCNZ moves were described by TV3 head Tom Parkinson as “delaying tactics saving TVNZ (Television New Zealand) a million dollars a month in advertising revenue which otherwise would have been lost to the new channel”. In any case, the BCNZ only added to the delays created by the Tribunal itself. It was unnecessarily lengthy and filled with bureaucracy. An unnamed Tribunal spokesman blamed the process on the applicants: “The system of dealing with warrant applications should not be discredited because, in one unprecedented instance, parties exercised their rights to bring a large volume of evidence before the tribunal and then to cross-examine extensively”. The end result was that the third channel, despite having been given the green light by the Government as early as 1984, was still only a dream in 1987.

Eventually a winner had to be found. The Tribunal’s decision was made in favour of Tom Parkinson’s group, which was known as TeleVid 3 or TV3. The Tribunal stated that they had found the TV3 application to be the strongest both “individually and collectively”. Hunt himself had favoured the application backed by The New Zealand Herald and headed by Alan Cocker, which he believed had greater financial backing. The tribunal argued in favour of TV3 instead, saying “The TV3 applications were either superior to or had fewer disadvantages than the other applications. If they were not in the number one position, as they were most often, they were in the number two position”. While Hunt may have been unhappy, others expressed a certain amount of satisfaction with the decision. Media critic Mr J.P. Kennedy said

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18 Ibid. p.29.
19 Comrie, Boxing On? p.15.
20 “Regional TV view triumphs”, ODT, p.1.
21 Smith, Revolution, p.29.
22 Personal Communication with Jonathan Hunt, August 1, 2000.
23 Smith, Revolution, p.29.
that he was glad the licence did not go to a major applicant in which existing media groups had interests because he felt there was already too great a concentration of media interests in the hands of a few larger companies.\textsuperscript{24} Marcia Russell, who would head the news and current affairs department at the newly created station, pointed this out: “The TV3 case was based on the practical broadcasting experience of its promoters and senior management rather than on corporate financial muscle”.\textsuperscript{25} The years of experience present on the TV3 team was a significant reason for the Tribunal’s decision. Yet media analysts wondered if experience alone would be enough to ensure long term success. The fact remained that TV3 would have to be profitable to survive, and dividing available revenue three ways instead of two would result in less for all. Furthermore private enterprise had to compete with an established corporate service that had the lucrative advantage of a licensing fee.\textsuperscript{26} For TV3, however, finance was not currently top of the agenda. They were more than happy to bask in their victory and leave the business for another day.

Rapid change in broadcasting was matched by changes in government. Richard Prebble stepped into Hunt’s shoes, leaving the broadcasting portfolio in the hands of an enthusiastic free marketer. After taking office in July of 1987, Prebble’s first act was to ask industry insiders to prepare a report on the future of its broadcasting SOEs (State Owned Enterprises). The Government still had the Royal Commission report written in its previous term but its recommendations were out of step with the Labour view of the industry. Furthermore, there was considerable frustration at the cost and time involved in deciding who should run the country’s third television channel. In the Government’s view, broadcasting by current methods had become slow moving, costly and unresponsive.\textsuperscript{27} It was time to move in a new direction.

The Steering Committee, commissioned by the Government and chaired by Hugh Rennie, returned later in 1987 after just a few short months— a marked

\textsuperscript{24} "Third channel raises doubts", \textit{ODT}, p.3.
\textsuperscript{25} "Regional TV view triumphs", \textit{ODT}, p.3.
\textsuperscript{27} Cocker, “The Business of Broadcasting”, \textit{The Listener}, p.39.
contrast to the amount of time taken by the Royal Commission. This time the Committee’s advice was in line with Labour policy and signalled a new era in New Zealand broadcasting. The monopoly of the BCNZ (Two television channels and thirty four of the country’s sixty four radio stations) was naturally a target for market reformers. Its existence and operation were incompatible with the state’s economic policies. The report recommended the disestablishment of both the Broadcasting Tribunal and the BCNZ, and their replacement by a New Zealand Broadcasting Authority. It also suggested the reorganisation of the BCNZ into separate SOEs – TVNZ and Radio NZ, believing that the positive aspects of separate radio and television structures outweighed the advantages of continuing with the status quo. (This will be further covered in Chapter Two). TVNZ would continue to operate two channels. Some thought was given to privatising Channel 2 but Rennie believed that control of two channels would give TVNZ substantial benefits, including complimentary programming and more market power for advertising. He agreed that there was no time to be lost. Challengers were on the horizon and restructuring had to begin immediately. According to Rennie’s Committee: “existing operators must be given the flexibility to react, attack and diversify”. On this occasion, the Government chose to listen to advice. Prebble happily agreed to the restructuring and on the 22nd of August 1988, the BCNZ to all intents and purposes ceased to exist. Never was it more obvious that New Zealand broadcasting was undergoing radical change. Not only was there to be a new participant, but the institution that had controlled broadcasting for so long was no more.

The restructuring of the BCNZ was not the greatest change Prebble had in store for New Zealand broadcasting. He was primarily responsible for the most radical reform, one that would have a detrimental affect on the fortunes of TV3. On the 26th of April 1988 the Minister of Broadcasting announced

28 Smith, Revolution, p.32.
29 Ibid, p.33.
33 Smith, Revolution, p.42.
major changes in broadcasting “intended to introduce greater competition, efficiency and flexibility into broadcasting markets by allowing more open entry to the industry by new broadcasting and narrowcasting”. In simpler terms, Labour had chosen to deregulate the entire industry, sending shockwaves through TV3 management. The decision effectively rendered the Tribunal process useless, as a warrant was no longer needed to establish a new channel. This was a major blow for TV3. All of the time, effort and money they had put into winning the Tribunal’s approval no longer mattered. And to make matters worse, satellite group Sky TV signalled their intention to begin preparations for broadcasting almost immediately after Prebble had announced deregulation. Prebble did not hold the Ministerial position long enough to see the results of his changes. He was ousted after an outburst in parliament and replaced by Jonathan Hunt who returned to his old portfolio. Parkinson, now Managing Director of Region One (Auckland) put on a brave face saying that anything that leads to more genuine competition has to be good for TV3, “With publicly owned TV1 and TV2 channels now being required to compete on commercial terms, it will be a much fairer fight”. TV3’s Chief Executive Trevor Egerton said they were “not peeved” that the rules had been changed, bringing a bigger scramble for revenue. Hunt would later justify the measure saying, “In the last two years a revolution has taken place in New Zealand broadcasting. The revolution was necessary to align television and radio with new technology and international trends”. In reality, such changes mirrored those occurring worldwide, and then went much further, demonstrating Labour’s determination to deregulate wherever possible. Margie Comrie wrote that “In the last decade, rapid changes in New Zealand’s broadcasting structures first reflected, then outstripped developments in the rest of the Western world”. Meeting international trends may have been good for the future of the industry but deregulation did little for those at TV3.

34 Broadcasting in New Zealand: Waves of Change (Report to the Communications Division, Ministry of Commerce), Wellington, 1994, p.56.
35 Smith, Revolution, p.31.
Allowing excessive amounts of foreign ownership, according to Jonathan Hunt meant an increase of lowest ‘common denominator television’ or ‘junk TV’.

Like TV3 management, very few people were prepared to announce that they opposed an environment of open commercial competition. Analysts, however, were split over the introduction of full market deregulation. Some chose to view deregulation as a positive measure. *The New Zealand Herald* printed an article stating: "After the deregulation of broadcasting, life will never be the same. Out television is about to blossom with new channels linked to global systems and international television giants". Others approached it with a more cynical view. Peter Stewart, editor of *The Listener* was one such figure.

Ostensibly the moves have all been made in the interests of efficiency and profits, of increased competition, of more choice. There will be many observers however, who see them as just one more demonstration of New Zealand politicians wanting to reshape a powerful communications force. It is an elementary truth that some politicians regard television as something to appear on rather than to watch.

The long-term effects of deregulation could not have been predicted. For the present it signalled immense changes in the nature of the New Zealand television industry and would have an enormous affect on both TVNZ and TV3.

In order to deregulate broadcasting, the Labour Cabinet had agreed to remove all legislative barriers to market entry. This included warrant applications such as the one TV3 had to fight for. Restrictions on the introduction of new technology were also removed, allowing cable and satellite television companies to enter the market. Concern was expressed in parliament over whether or not this would lead to an influx of foreign companies, and thus the gradual death of ‘New Zealand’ broadcasting. To that end the Government also decided to meet certain social objectives. Public ownership was to be retained in broadcasting companies. Foreign ownership was subject to a

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special shareholding restriction of no more than 5% in any one company. This figure would later be raised to 15% in 1989 before eventually being done away with altogether by the National Government. The perceived benefit of this restriction was the protection and enhancement of New Zealand identity and culture. The downside was that the potential for competition was hindered because of an inability for overseas investors to enter the market. Cross media ownership was also restricted, meaning that there could be no media consortiums such as those in Australia under billionaires like Rupert Murdoch and Kerry Packer. Hunt defended the limit, telling the *National Business Review*: “We did not want New Zealand TV stations owned by the Packers, Murdochs, Bonds and what have you. We wanted New Zealand private TV largely in the hands of New Zealanders”.

Finally, the Government agreed to establish an independent Broadcasting Commission that would promote a ‘New Zealand identity’, providing grants for homegrown programmes, and funded by a public broadcasting fee. They also established an Independent Standards Authority to promote and maintain “acceptable standards” within the media. Broadcasting had changed significantly in just three or four short years. It was said that New Zealand had travelled further, and more rapidly down the road to privatisation than almost anywhere else in the Western world: “Of all the Anglo-American countries with strong public broadcasting traditions, New Zealand went the furtherest in restructuring the entire broadcasting system”. Some media and economic analysts were concerned that this was too much, too soon, but that remained a question that would be solved only by time.

For TV3, their first concern was the establishment of their network. Parkinson and company laid out a very thorough plan for the first five years of operation. This included a detailed forecast of probable budgeting, sales and

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46 Smith, *Revolution*, p.98.
47 Spicer, *Remaking of Television New Zealand*, p.11.
programming. VTV3’s structure was sound in principle. The company would be split into four geographical networks, each responsible for programming in its own area, and with each being part of a national news service. They were aiming for a simultaneous start in all four regions, reaching an optimistic 80% of New Zealand from day one. Transmission was expected to begin at the start of 1989. Yet there were problems for the fledgling network. In order to beat off the rival applicants for the warrant, TV3 had been forced to make several concessions to the Tribunal which would cause the newcomer headaches in the months to come.

One such concession (and one that was certainly played up by the media) was the requirement for a minimum amount of local programmes to be aired. The issue of New Zealand content had first reared its head during the scrappy debates of the Tribunal hearings. During those hearings, the Independent Producers and Directors Guild had argued for the imposition of minimum New Zealand content levels on the third channel. Officials at TVNZ swiftly agreed to this. They said that commercially orientated competition would have an impact on New Zealand made programmes. Their Director General, Julian Mounter, said the third channel would lead to lower programme standards and “diminished New Zealand identity in television”. An unnamed TVNZ employee reinforced this view: “Making Gloss costs two thousand eight hundred dollars a minute; buying Dallas thirty one dollars a minute. When competition comes, its all going to come down to money. Local drama is just too easy to ignore”. Tribunal members also agreed. They saw broadcasters as having social responsibilities, not only to inform, educate and entertain, but also to promote national identity and culture and meet the needs of minorities. The obvious solution to this problem was the imposition of a minimum quota of local content on the new channel. Each of the applicants had realised this and all offered a significant New Zealand presence in their

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49 Smith, Revolution, p.22.
50 “Regional TV view triumphs”, ODT, p.1.
51 John Burnett, (speaking on New Zealand content), in Keeping it Ours, Paul Norris and John Farnsworth (eds), Christchurch 1997, pp.71-2.
52 “Regional TV view triumphs”, ODT; p.3.
53 Peter Allison, “TVNZZzz….”, Metro, no.95, May 1989, p.117.
54 Spicer Remaking of Television New Zealand, p.2.
schedules. TV3 in particular promised forty percent New Zealand content within five years of going to air.\textsuperscript{55} The licence eventually granted would see a gradual elevation to such a lofty level. No one expected a new network to achieve such a target immediately. Conditions imposed a level of 26% in the first year, 36.5% in the second, and almost 38% in the third year.\textsuperscript{56} TV3 pledged to raise and maintain such levels. Management showed their intentions by signing comedians McPhail and Gadsby and New Zealand favourite Billy T. James to headline their local content.\textsuperscript{57} What TVNZ saw as a way of causing problems for its future rival quickly became a cause for embarrassment for the state broadcaster. The Royal Commission returned in 1986 amid the calls for minimum levels and reported that TVNZ’s own level of local content was only 25.05% in 1972 and had not increased in the following decade ‘or more’.\textsuperscript{58} With the damage to TV3 already done, TVNZ quickly distanced itself from the debate. Even after Prebble announced deregulation, thereby rendering the Tribunal process irrelevant, the conditions imposed by it remained. TV3 was stuck with a quota of local content that it was obligated to meet. Several Commerce officials challenged the decision to retain the quota, saying that the changes to broadcasting were supposed to ensure that all competitors enjoyed a “level playing field”.\textsuperscript{59} Hunt always maintained that he was opposed to the imposition of percentage quotas on the grounds that broadcasting hours could be filled with lowest common denominator programming.\textsuperscript{60} Filling such a quota he determined should not have been a problem for TV3: “You just need quiz shows and sport for local content”.\textsuperscript{61} In any case, he saw no hindrance for TV3 and the quota remained part of their daily worries. Staff at TV3 maintained that they were not fazed despite their competitors having no such imposition on their programming.\textsuperscript{62} Maintaining such levels though was always going to be pricey and financial difficulties were something the staff at TV3 were fast becoming used to.

\textsuperscript{55} Burnett, in Norris and Farnsworth, pp.71-2.
\textsuperscript{58} Smith, \textit{Revolution}, p.23.
\textsuperscript{59} Smith, “TV3 loaded with 38% Local Content”, \textit{NBR}, p.1.
\textsuperscript{60} Ibid.
\textsuperscript{61} Personal Communication with Jonathan Hunt, August 1, 2000.
\textsuperscript{62} Cocker, “The Business of Broadcasting”, \textit{The Listener}, p.47.
The management at TV3 had experience, skill and determination, but they did not have significant financial backing. The *Otago Daily Times* reported that the consortium had a combined capital base of just twenty five million dollars, 70% of which was taken up by the regional set-up even before the expensive warrant hearings began in 1985.\(^6^3\) Financially, TV3 was always going to struggle to be secure. Just three weeks after TV3 won the Tribunal’s warrant, the Wall Street stock market crashed. On the 20\(^{th}\) of October 1987 the collapse wiped out personal wealth and companies alike.\(^6^4\) The TV3 venture looked like it might fall apart due to a lack of financial support. The planned regional networks had fallen through. Regional aspirations were always going to be difficult to fulfil after the stock market crash. There was simply not enough finance available to allow for the creation of four individual networks. Eventually they were scrapped and replaced by one larger network, TV3 Network Ltd.\(^6^5\) Marcia Russell explained the reasons for the move:

Deregulation literally meant people could go and grab UHF warrants, where we had been trying to set up a combination of regional and network operations, and that would have placed us at a disadvantage. The implications of deregulation meant that we were forced really to consider centralising the network park of it. It wasn’t what any of us wanted, but the rules by which we had played for two to three years ... they had all been blown out of the water by Richard Prebble.\(^6^6\)

TV3 was now to be a national broadcaster based in Auckland, with a newsroom in Wellington and a nominal presence elsewhere.\(^6^7\) Even this remained in doubt until TV3 director Trevor Egerton called a press conference in December of 1988 to announce a major broadcasting coup. Egerton had signed massive American broadcasting network NBC (National Broadcasting Corporation) as a partner for the fledgling New Zealand outfit. The massive resources of the NBC gave TV3 important commercial credibility. Fears about

\(^{6^3}\) "Regional TV view triumphs", *ODT*, p.3.
\(^{6^4}\) Smith, *Revolution*, p.46.
\(^{6^5}\) "Major commitment to news, current affairs and sport", *Otago Daily Times*, November 29, 1989, p. 4.
\(^{6^6}\) Smith, *Revolution*, p.47.
\(^{6^7}\) Comrie, *Deregulated Broadcasting Market*, p.5.
TV3’s future subsided when it became known that the NBC had agreed to take up all of the 15% available for overseas investment. In financial terms this was worth ten million dollars for TV3. In reality though, it was worth far more. The NBC is the oldest television network in America, and one of the most successful. They were able to provide new technology and experience, as well as links to many of the world’s leading broadcasters. The NBC also had a 15% share in Australia’s Network Seven, meaning that TV3 could draw upon assistance from across the Tasman. The NBC did not represent all of TV3’s financial muscle. Egerton’s company Metro Media Ltd held a large 20% share with the remaining portion being held between National Mutual Ltd, the AMP Society and Norwich. TV3 had gone from the proverbial pauper to prince in just a few short months.

Optimism within TV3 was high, and was reflected in their initial estimates of likely advertising revenue. Management expected to take 23% of all available advertising revenue in its first months and 36% of the total within four years. Such an increase was to be explained by the expansion of the TV3 broadcasting signal across New Zealand. Although these estimates were perhaps a little optimistic, TV3 staff felt they could be pulled off. Morale climbed. TV3 receptionists answered the phone with the cheerful greeting: “The good times are coming, only on Three”. The addition of financial backing also saw a shift at the top of TV3. Egerton was now the undisputed head of TV3. Parkinson remained on as a director for three months before leaving to found what would become Isambard Productions. His role in establishing TV3 was finished. He had been the one to first introduce the concept of a private network and start the ball rolling, but Egerton now controlled the direction of New Zealand’s newest broadcaster, and the future looked rosy. He had rounded up heavyweight financial support, restructured management and confirmed the backing of a major overseas broadcaster. Although TVNZ had the advantage of two channels, TV3 had the aid of a

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68 Mary Holm Ansley, “Paying for the Good Times”, The Listener, December 11-17, p.20.
69 Smith, Revolution, p.49.
70 Ibid., p.50.
72 Smith, Revolution, pp.48-9.
73 Holm Ansley, “Paying for the Good Times”, The Listener, p.20.
powerful US network and access to its programming and expertise. TV3’s Media Director, Marcia Russell felt moved to say “When TV3 goes to air ... there’ll be a ratings war with TVNZ”. \(^74\) All TV3 had to do now was sell itself to advertisers and the public.\(^75\)

In just a few short years New Zealand broadcasting had been subject to wholesale change. What had once been a tightly regulated, state controlled broadcasting industry was left wide open and partially privatised. New Zealand was fast approaching the introduction of a third channel. The public had been forced to sit through endless enquiries and commissions and was impatient for the final product, as were politicians and those at TV3 themselves. The only people content with the delay were those at TVNZ who welcomed the chance to restructure. Mounter and the heads of TVNZ had realised the precariousness of their position and acted in response. While TV3 was rounding up the financial support it required, TVNZ was busy readying itself for competition and preparing for the assault by the new broadcaster. TV3 would soon find it no longer faced an archaic dinosaur from the days of state broadcasting, but rather a powerful corporation fully embracing the freedom offered by deregulation.

\(^74\) Jenkin, “Three’s Company”, *The Listener*, p.23.
\(^75\) Smith, *Revolution*, pp.50-1.
Chapter Two

'The Dinosaur Stirs'

There had been no competition in the New Zealand television industry since (before) 1980, when the Government forced both its state-run channels to merge, forming Television New Zealand. For TVNZ, TV3 equalled competition, and this caused problems for those in charge of the state broadcaster. TVNZ had been a monopoly in the industry for nearly a decade and there was considerable concern that the conservative directors in charge could not cope with an enthusiastic, aggressive competitor. Many industry insiders believed that if there was to be change in the industry, then there should also be change in TVNZ. Thus the state broadcaster embarked on a widespread and ambitious restructuring plan, designed to thwart the advances of TV3. Although criticised by many, these changes lifted TVNZ into a position of strength from which they could face the newcomer. The counterattack, undertaken before TV3 had got on its feet, only added to the problems faced by Egerton and his band of television revolutionaries.

TV3 won its broadcasting warrant in August of 1987. Even before then, TVNZ was beginning to reorganise to meet the challenge of the third channel contender - whoever it was. TVNZ executives relished (and added to) the postponements that marred the start-up dates for TV3. Delays gave the organisation time to push on with decentralising its operation, building a television studio and hiring new talent.1 Most TVNZ executives felt that the network was in a weakened position and in dire need of such an overhaul. But in reality, TVNZ was in possession of major assets its competitor didn’t have. These included two channels, each with their own distribution arm and a history of viewer support (albeit forced by monopoly); long established relationships in advertising, programme procurement and product distribution; and a detailed knowledge of New Zealand audiences.2 TV3 management

2 Broadcasting in New Zealand: Waves of Change (Report to the Communications Division, Ministry of Commerce), Wellington, 1994, p.17.
would spend years building towards any one of these advantages. Leading TVNZ executives searched for a figure who could work with these advantages and take TVNZ into a position of dominance over TV3. They hired Englishman Julian Mounter. Mounter had accrued years of broadcasting experience in Britain and was seen as an innovative, business savvy figure who would rebuild a post-monopoly TVNZ into a competitive broadcasting force capable of overcoming the threat posed by TV3.

Mounter took the position of Director General in 1986, believing that TVNZ was in poor shape. Although it possessed a number of very competent, professional broadcasters, it was ill prepared to meet the challenges of competition or to cope with the technological changes in broadcasting that were sweeping across the globe. Change was essential. TVNZ had lived under state protection for too long and Mounter expressed his own doubts over its ability to compete financially: “Everyone knew there was likely to be a third channel. Somebody had to do something to get this place in shape. I thought we were going to be wiped out”.3 In Mounter’s mind, TVNZ was afflicted with inadequate and ineffective financial systems, poor internal discipline and restrictive management practices.4 TVNZ was archaic and riddled with inefficiency, making it difficult for most analysts to know where to start. For Mounter, the choice was obvious – start with your strengths. Creative licence was given to internal reformers and their first target was TVNZ’s two-channel structure.

As early as 1987, just a year after the appointment of Mounter, TVNZ moved to establish a different identity for each of its two channels. It was no secret that TV3 programmers were intending to target a young audience by presenting itself in a ‘more lively, more community orientated fashion than TVNZ’.5 Thus TVNZ needed one channel to compete directly with TV3, and one to offer something markedly different. In this way they could best appeal to the greatest percentage of television viewers and therefore advertisers. It

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4 Ibid.
positioned and promoted TVOne as the best option for information and sport, and Channel 2 as the choice for entertainment. TVNZ had in essence moved to a two channel branding strategy. Results came almost immediately. Within four months, going against prevailing international viewing trends, TVNZ was able to claim an overall 3% audience increase.\(^6\) Competition was a blessing in disguise for TVNZ. Viewers had long been dissatisfied with programming choice and quality. TV3’s entry forced it to energise its news and current affairs shows, and transform its second channel into a light entertainment vehicle to directly counter TV3’s bid for younger viewers. At the same time it left TVOne as the undisputed “information” channel.\(^7\) TVOne would carry TVNZ’s main news programmes, current affairs, drama, documentary, sport and some high quality (British) entertainment. It was a little upmarket and its programmes were designed to attract viewers in the 40+ age bracket. Channel 2 was designed for entertainment with little more than relaxation and some fun: it carried the movies, mini series, soaps, game shows, quizzes, children’s programming and short news bulletins.\(^8\) It was complementary viewing, plain and simple. The aim was to achieve over time, a 50/50 split between TVOne and Channel 2.\(^9\) In a broader sense, TVNZ was using its two channels intelligently, niche programming for its audiences, leaving TV3 to cater for an undifferentiated mass of 18-49 year olds with only one channel.\(^10\) Some analysts believed this would cause serious difficulties for those at TV3. Alan Cocker, head of one of the bids that failed to get past the Broadcasting Tribunal, noted: “TV3 will be aggressively populist, TVNZ has long prepared its Network 2 to compete with such a challenger”.\(^11\) Equally important, the improved TVOne/Channel 2 structure provided a base for a range and quality of services that no single channel could hope to achieve.\(^12\) For Mounter, building an identity for each of his channels was only one step towards

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\(^9\) Smith, *Revolution*, p.64.

\(^10\) Ibid.


shutting TV3 out of the broadcasting picture. Image could only take you so far: product was everything.

Before Egerton’s coup with the NBC, when TV3 was still a poorly financed pipedream, Mounter was looking to the future. He had identified areas of weakness where TV3 might have been able to compete – if they had time. Mounter moved to ensure that they did not. While TV3 was courting investors and restructuring after the failure of its regional ambitions (covered more fully in Chapter three), agents for TVNZ were very busy. They courted key programme distributors and assured that TVNZ had long-term contracts securing exclusive access to the world’s top rating programmes. By March of 1989, (the time TV3 was expected to go to air but in reality eight months short of the actual date) TVNZ had secured most of the world’s top shows. Their repertoire included nineteen of the top twenty shows from the United Kingdom, six of the top ten American shows, ‘six or seven’ top Australian shows, sixty four mini series and nine of the top ten biggest box office hits of all time. Emphasising their dominance, the tenth had not yet been assigned to television. Likewise, TVNZ had ensured that TV3’s commitment to local content would struggle. TVNZ had contractually tied up all of New Zealand’s main television sports – cricket, rugby, league and netball, the last three until 1990 at the earliest. TV3 would struggle not only to find enough sport to attract demographic interest, but their loss meant that the most common and cheapest form of local content was no longer available. Long time media analyst Paul Smith noted: “Television, particularly in the competitive situation emerging between our state owned channels and TV3, is about entertainment and ratings”.

With their acquisitions, TVNZ had almost assured the viewing public that it was they, not their competitors, who would be best able to provide entertainment. With such an impressive line-up, Mounter could almost afford to be relaxed over the prospect of competition. He was exceedingly confident in the quality of TVNZ’s purchases: “It will all come down to

13 Smith, Revolution, p.63.
14 Spicer, Remaking of Television New Zealand, pp.63-4.
product – and we have all the product”. Yet Mounter did not allow complacency to filter through into proceedings. There was still more work ahead before he would consider TVNZ to be ready for open market competition.

The daily news bulletin was one aspect TVNZ needed to work on. Both TVNZ and TV3 acknowledged that the evening news was of crucial importance and would amount to the winning or losing of the ratings war. According to TV3’s Marcia Russell, the news is so important to the networks because it is “the gateway to primetime and the image of the station”. If you could lure in viewers for the evening news, they would be more likely to stay on that channel for the remainder of the night. This was desirable in that advertisers were drawn primarily by viewer numbers. Keeping viewers for the night meant more advertising revenue for the stations. With that in mind, TV3 announced that it would air its news bulletin at six o’clock. Not willing to be pre-empted and risk losing viewers, TVNZ immediately announced that its own news programme would shift from its regularly scheduled time of six thirty back to six. This emphasised the depths to which TVNZ staff were willing to go to to avoid giving TV3 any kind of advantage. Six o’clock was viewed as too early for a conservative nation that generally only tuned in at teatime, around half an hour later. Yet TVNZ was unwilling to run even the remote risk of losing viewers to an earlier time slot. When the TV3 news finally came to air, there would already be a competing programme holding the same time slot and presumably viewer loyalty. Mere timing though would never be enough to win a permanent victory. Under the guidance of Mounter and Paul Norris, TVNZ’s Deputy in Charge of News and Current Affairs, the TVNZ news began to undergo subtle changes. The news hour (actually thirty minutes of news and thirty of current affairs) moved away from the traditional single broadcaster BBC style of news reading towards what Brian Edwards

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17 Smith, “TVNZ builds Fortresses while rival swims moat”, NBR, p.11.
20 Smith, Revolution, p.64.
TVNZ’s restructuring was to some extent a superhuman effort. This cartoon also emphasises the lengthy delays experienced by TV3.

has described as the ‘Cootchie Coo’ news. This was essentially a multiple presenter, family style of news presentation designed to appeal to the average New Zealander.\textsuperscript{21} It was a clever move, intended to be different to anything TV3 could come up with, and was started early enough in the year so that viewers would be used to it by the time that the TV3 equivalent came to air.

One problem arose when it came time to consider who would front TVNZ’s showpiece. TV3 had a number of well known, successful television personalities who were proven in their field. Most had in fact been poached from TVNZ so Norris was well aware of the strengths possessed by his rivals. TVNZ itself was a little short on popular personalities as a result. It was hoped that the new viewer friendly style of news would be able to promote some of TVNZ’s lesser-known talent into the spotlight in time for the advent of competition. In the end Norris and Mounter chose to display the fresh, young face of TVNZ. Newsreaders Richard Long and Judy Bailey would take on TV3’s (and formerly TVNZ’s) broadcasting veteran, Phillip Sherry, for the news content. Weather, by far the most popular segment on the news, saw Penelope Barr going up against bubbly TV3 newcomer Belinda Todd. The six thirty current affairs segment would see Paul Holmes (of Holmes) taking on former TVNZ stalwart Genevieve Westcott (of A Current Affair).\textsuperscript{22} Public approval of the presenters was an integral part of achieving high ratings and it was hoped that New Zealand would quickly warm to the new faces. Head-to-head matchups would be intriguing, but the TVNZ selection had the jump on their TV3 counterparts. Like the news style, the public would be used to the TVNZ presenters before TV3 hit the market.

In many ways, having to select new broadcasters to go against former TVNZ employees only further emphasized the extent of talent that TVNZ had lost to its competitor. The drain on TVNZ experience had begun with Tom Parkinson and continued at speed throughout the mid 1980s. The reason was simple: New Zealand did not possess the depth in broadcasting ability to produce

\textsuperscript{22} Smith, Revolution, p.68.
enough experienced staff for a third television station. TVNZ executives understood this, but became piqued at the extent of the theft of talent. The state broadcaster lost a great deal of skill and experience, including broadcasting icons like Sherry, Westcott and Bill Ralston.\textsuperscript{23} Having lost so much of their established talent, management at TVNZ became determined to retain staff at any cost. Ralston, in an article for North and South magazine, described the situation: “Paul Norris was paranoid about potential staff losses to TV3 and so determined to starve his rival of talent that all budgets appeared to have gone out the window”.\textsuperscript{24} This attitude was financially draining for TVNZ and frustrating for TV3. Rod Pederson, the Deputy in Charge of News and Current Affairs and Norris’ counterpart at TV3, stated: “Anyone who wants a rise out of TVNZ only has to ring Norris and tell him they’ve been speaking to me and they’ll get another ten or twenty grand on their contract”.\textsuperscript{25} Feelings reached boiling point and bitterness ensued as the rival networks engaged in general one-upmanship and a tug-of-war over staff acquisitions.

The situation intensified after an in-house TVNZ video was leaked to TV3 management. It showed Mounter somewhat bitterly stating that those who had gone [over to TV3] weren’t worth worrying about.\textsuperscript{26} After this incident, the TVNZ versus TV3 rivalry grew intense, and sometimes personal. TV3 Programme President Kel Geddes described Mounter as a ‘relocated Englishman trying to find a way in the commercial world’.\textsuperscript{27} In reply, Mounter dismissed Geddes’ complaints about TVNZ and its alleged indifference to viewers as ‘so much old bullshit’.\textsuperscript{28} It was obvious that there was going to be little common ground between the two broadcasters, and equally obvious that after the expression of such sentiments, that there was no chance that TVNZ would lift the pressure it had been applying to the private broadcaster. If anything TVNZ looked for more opportunities to frustrate the newcomer.

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\textsuperscript{23} Wichtel, “Let the Good Times Poll”, The Listener, p.3.  
\textsuperscript{24} Bill Ralston, “TV3 or not to be”, North & South, July 1990, p.58.  
\textsuperscript{25} Ibid.  
\textsuperscript{26} Wichtel, “Let the Good Times Poll”, The Listener, p.3.  
\textsuperscript{27} Smith, Revolution, p.68.  
\textsuperscript{28} Ibid.  
\end{flushright}
Thankfully for TV3, one such opportunity was badly mishandled by TVNZ staff and cost the state broadcaster a good deal of credibility across the industry. Media companies accused TVNZ of pushing up advertising costs by falsifying demand for airtime. Normally advertisers could nominate a time slot and if no other buyer appeared, they would receive that airtime at a cheaper rate than usual. TVNZ cut pre-emptive buying though, meaning that advertising agencies had no option other than to pay 100% to secure airtime they could normally have had far cheaper. Media directors representing 75% of the advertising dollars spent by the country’s top ten agencies said their clients planned to boycott TVNZ because its tactics amounted to an effective 20% price hike. Spokesmen for the advertising industry claimed the rise on advertising costs was little more than an eleventh hour price gouge before the Government-owned broadcaster had to face competition from the private sector. Chris Sparks, media director for advertising agency DDB: Needham stated: “They are milking the market for what its worth before the introduction of competition”. With the industry in uproar and a smug look on the faces in the marketing department at TV3, bosses at TVNZ moved swiftly to quash the problems. A 15% discount on advertising time was agreed to immediately. Despite the concession the damage had already been done. Advertising giant Saatchi & Saatchi, for so long synonymous with TVNZ, issued a statement saying that TV3 was by far more attractive to advertisers than the state broadcaster. TV3’s average charge for thirty seconds of peak time (six to ten pm) was around four thousand three hundred dollars whereas TVOne charged seven thousand four hundred dollars and Channel 2 seven thousand one hundred. TVNZ’s attempt to squeeze the industry of every last dollar before TV3’s arrival had backfired. Not only was there animosity amongst advertisers towards the established network, but now TV3 stood to gain from the TVNZ mistake. It was an embarrassing and potentially costly mistake.

31 Slade, “Advertisers Angry with TVNZ over Air Time”, NBR, p.5.
33 Mary Holm Ansley, “Paying for the Good Times”, The Listener, December 11-17, p.20.
TVNZ needed to show the industry that it remained in control - and opted for a flamboyant approach.

As late as November 1989, the very month when TV3 would go to air, TVNZ was still looking for ways to draw viewer attention away from the prospect of ‘new’ television and back to the state broadcaster. In the very week of TV3’s launch, TVNZ promoted and funded the introduction of a new charity group – the Variety Club. This was an enormous occasion for self-promotion and amounted to the TVNZ equivalent of the upcoming TV3 channel premiere. It was a large party, supposedly to promote the new charity, but hosted by TVNZ personalities, interviewing other such figures and with a general attempt to capture the audience friendly television style of the Telethons of years gone by. Cynical media analysts asked the question “Is TVNZ guilty of using a children’s charity for commercial gain?” Some argued that there was not enough room or money in New Zealand for another charity but TVNZ went ahead anyway. There were existing charities equally in need of funding yet they were not approached by TVNZ. Why? Because donating money to an existing charity did not offer the same marketing opportunities as helping to start a new charity did. The Variety Club, while a worthwhile enterprise, was primarily seen by TVNZ as a marketing opportunity. The strength of TVNZ’s desire to pre-empt TV3 was in some ways concerning. TVNZ had not investigated the new charity to great depths before deciding to launch it to national prominence. Use of a children’s charity to gain a commercial advantage over a competitor was frowned upon by many – but not all. A Variety Club spokesman was quick to acknowledge: “We knew there was a commercial aspect to it. We needed them and they needed us”. The extent to which TVNZ was concerned about upstaging the TV3 party less than a week later is best emphasized in that estimates suggest that TVNZ gave the Variety Club eight hundred thousand dollars worth of advertising and, after picking up the bill for the party, around one and a half million in total. Although TVNZ

36 Ibid., p.112.
37 Ibid.
Playing monopoly is a lonely business.
When you have it your own way for 25 years, you have nothing to gauge yourself against. But that's all about to change.
So welcome, TV3. We look forward to the competition. Not only does it force us to maintain our high standards, it also means TV3 will have to work hard to achieve them.
And that means, in the end, everybody wins.

TVNZ used this full-page advertisement to officially welcome TV3 into the industry.
has in recent years become a permanent supporter of the Variety Club, it should be remembered that their association originally came about because of the opportunity to gain an advantage in what would be the first month of legitimate broadcasting competition.

One of the largest advantages TVNZ possessed was the amount of time they had to prepare for competition. They were an established firm with a solid hold on New Zealand audiences. In order to gain public interest and attention, TV3 staff were forced to release details of their operation long before they could go to air. While they could not hope to compete without doing so, this was advantageous for the state broadcaster. Pederson announced his presenters and TVNZ was able to predict the style of news programme that TV3 would use. As a result TVNZ was able to design a news programme radically different from anything TV3 could come up with. TV3 also had to promote the range and quality of their programmes. TVNZ was able to schedule a directly competitive line-up of their own in response, designed to shut down viewer support for those TV3 shows that TVNZ analysts thought might be popular. Most noticeably, TVNZ reacted quickly to the TV3 proposal to introduce morning television. Their own version of a.m. programming was designed to begin in November of 1989, just before the TV3 alternative. Insiders noted that TVNZ would never have introduced weekday morning broadcasting had the idea not been presented by TV3 first. ‘TVNZ is still examining details of the project but is committed to it as much as to upstage TV3 as it is to earning more revenue’. 38 TVNZ programmers were able to react to TV3 initiatives quickly and shut the private broadcaster out of previously untapped opportunities, such as morning television. They masterfully exploited their position as the existing network and allowed TV3 no uncontested ground. Arguably they were more reactionary than active. Many of their actions were in response to TV3 initiatives rather than innovative new strategies. This is no way diminished their effectiveness, as will be explained in Chapter Three.

TVNZ did not have everything going its way, however. TVNZ management had already discovered the perils of annoying advertisers and at one point it seemed like they may have also have been about to alienate the viewing consumer. TVNZ programming directors had opted to retain quality movies and shows for the battle with TV3, expected to begin around April of 1989. This would gain them no public support until that time, but management felt it would be worth it in order to have a succession of popular shows ready for the time of competition. Mounter commented in *The Listener*:

> The strategy was that we would stop using our prime weapons between December last year and April this year when audiences are down to half what they can be at other times. Otherwise when they come on they have wall-to-wall great programmes and we've only stacked up a few. This gives us a terrible time in the ratings, our position is weakened and our buying ability is weakened.39

Theoretically it would be a good tactical ploy in the long run. TV3 would go to air in the face of the very fiercest competition that TVNZ could muster. In reality it caused the state broadcaster a good deal of trouble. TV3 was afflicted with many delays, some of which had been ironically caused by TVNZ. They had no definite knowledge of when they would be going to air and TVNZ suffered as a result. ‘TV3 compounded TVNZ’s problem by remaining a fuzzy blank space on the spectrum. TVNZ’s programming strategy of holding back good shows has proved to be an embarrassment.’40 Politicians began to voice opposition to the tactic. Concern was expressed over the fact that TVNZ was spending public dollars to fight TV3 rather than to produce quality local programmes.41 The public was likewise growing restless and there remained a very real chance that their frustration would lead to a viewer exodus to TV3.

Despite the ongoing concerns of management that not enough had been done in preparation, TVNZ was in remarkable shape. It no longer resembled the archaic, conservative force it had been under the BCNZ. For two years it had

40 Ibid.
vigorously prepared for competition, retaining key staff and shedding others where necessary, while streamlining its operation into profit centres. It had entered into long-term production partnerships with programme makers. But maintaining substantial relationships with suppliers was only one part of the networks programming strategy. TVNZ also ensured that key sports were given similar treatment to top movies and shows. TVNZ signed up renewable contracts with New Zealand’s four largest sporting codes. They had the luxury of time and money on their side. Nor were these the only assets enjoyed by the existing broadcaster. The company was able to lift its performance to face Egerton’s crew, but did so knowing that it had the use of two established channels versus one untried one, and with a rumoured $25 million in funding supplied from the broadcasting fee. Nothing could be taken away from TVNZ though. Under the guidance of Munter and Norris, staff had worked hard to ensure their own future while keeping the possible impact of the third channel to a minimum. Hugh Rennie summed up the enormous changes made by the national broadcaster:

In very different economic times, and in the face of competition, TVNZ has lifted audience levels, pursued quality, diversity, and local relevance in programming. Such success is built by establishing channels with a carefully planned style, programme selection, promotion and presentation.

TVNZ had aggressively restructured in the face of energetic opposition and had done their utmost to spoil the party for those at TV3. They possessed a number of advantages not shared by the newcomer but achieved much through hard work. Certainly not everything had gone their way but that was hardly unexpected. All in all, Munter and company were very pleased with the emergence of the new Television New Zealand. All that remained was the on-air arrival of TV3 and the initiation of full cutthroat competition.

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42 Smith, “The good times soon rolled to a stop at TV3”, NBR, p.3.
43 Smith, Revolution, p.63.
45 Rennie, in Hawke, p.29.
Chapter Three

‘Downward Spiral’

On the 27th of November 1989, TV3 made their long awaited debut on New Zealand television screens. There was a general party atmosphere at TV3 headquarters in Auckland with champagne and good cheer in abundance. The obstacles and problems of the previous years looked unimportant as TV3 management and staff watched the first ever TV3 news bulletin being broadcast to the nation. Yet just six short months later, in May of 1990, TV3 Network Ltd was forced into receivership. The good times had come to a crashing halt. Egerton and his management had built TV3 a substantial platform to work from, but it appeared that it simply was not enough. Media commentators, politicians and the general public were quick to apportion blame, with most falling squarely on management at both TV3 and TVNZ. While this was partially true, the issue was much more complicated than that.

When TV3 finally made it to air, it looked to be in remarkable financial shape. American television giant NBC had injected millions of dollars worth of capital into TV3’s operations, as had other backers like Metro Media Ltd and National Mutual Ltd. The private network also gathered income from its float on the New Zealand Stock Exchange. Shares were priced at two dollars fifty cents each and were expected to sell quickly. Business interest was high and shares were rapidly snapped up. The Otago Daily Times reported the day after TV3 made it’s first broadcast that TV3 had raised $13.7 million from the float, an amount equal to around 15% of its total capital.¹ Company accountants had warned that TV3 stood to make a substantial loss of $22.5 million in its first four operating months.² This was only to be expected. TV3 had incurred tremendous installation costs including $18 million in write-off costs, $21 million in studio equipment, $13 million in transmission gear and $5 million in land and buildings.³ Nevertheless, management were sure they could

³ Mary Holm Ansley, “Paying for the Good Times”, The Listener, December 11-17, p.20.
bounce back almost immediately. According to the prospectus issued with their shares, TV3 expected to make a profit of $14.9 million in their first full financial year. Confidence was so high they even budgeted for a dividend of eight cents per share. Profit was expected to rise to an optimistic $40 million within three years. All profits were of course dependant on TV3 successfully living up to its pre-launch prediction that it would win around one third of the television advertising market, beginning with 28% in 1991 and rising to 36% by 1994. Financial success therefore rested on whether or not TV3 could put together an attractive enough product to draw in viewers and through them, advertisers.

The ratings war was always going to be difficult for TV3 to win after the immensely successful restructuring undertaken by TVNZ. The lack of quality programmes available for broadcasting was of special concern. TVNZ’s tactic of buying up foreign shows in their entirety had worked well for the established network. TV3 were conscious of just how few resources they had with which to compete. They placed Mobil Monday Night Sport head to head with some of TVNZ’s highest rating shows. It was seen as as good a way as any to combat a strong TVNZ line-up, and also a way to fulfil the required amount of local content each week. But sport was a worrisome area for TV3. There was simply nothing to show. TV3 had to bid excessive amounts of money for those events not already taken by TVNZ, in the hopes that viewer response would justify the expense. The best example of this was the bidding war that erupted over the broadcasting rights to the 1992 Winter Olympics. The new network outbid its established competitor, offering $4,327,000 to TVNZ’s $3,728,000. TVNZ Head of Sports John Knowles publicly stated that the price was excessive and would almost certainly result in a loss for TV3: “Per capita, the price is the highest rate in the world, for the two week event and cannot be recouped through advertising”. The price was high but

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4 Myers, “No Public Allotment for TV3 Share Issue”, NBR, p.3.
5 Holm Ansley, “Paying for the Good Times”, The Listener, p.20.
6 Myers, “No Public Allotment for TV3 Share Issue”, NBR, p.3.
Knowles was bitter that his department had been beaten to the rights by the newcomer. He immediately organised a response. While TV3 called a press conference to announce its win, TVNZ responded by saying it had the rights to the far more prestigious Summer Olympics in Barcelona the same year. They also listed their rights to other major sporting events including the upcoming Auckland based Commonwealth Games. The move was essentially made to garner more publicity for TVNZ and to emphasize to TV3 the precariousness of their position. TV3 was heading into a ratings war almost unarmed.

Sport was the not the only programming concern for TV3 management. Initial head to head ratings did not bode well for the private network. TVNZ publicly claimed the lions share of the television watching population with a market share of 85% compared to TV3’s 15%, having commissioned a survey the day after the new channels launch. This was not good news for TV3. They had expected the hype surrounding their launch to extend to ratings success. The survey supposedly proved that this was not the case. TV3 management moved to restore morale, quickly pointing out that TVNZ never mentioned just how many of the nine hundred people surveyed had been in an area able to receive the TV3 broadcasting signal. Official ratings for the first week of competition confirmed that TV3 had not entered the marketplace in a particularly strong position. TV3 featured only twice in the list of the twenty most watched shows of the week. Number seven slot went to TV3’s movie Superman and number fifteen to its series Nutt House. Ominously for TV3 only four of the top programmes came from TVOne. The rest were from Channel 2 which had been deliberately programmed to counter TV3’s appeal as the popular channel. Programming staff worked with management to correct the issue. TV3 brought forward shows it had been saving in order to raise poor ratings and the tactic seemed to work. Throughout most of December TV3 regularly peaked at around 25% of the viewing audience. This situation didn’t last long. The lows came with the arrival of the 1990 Commonwealth Games, of

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10 Ibid, p.2.
which New Zealand was the host country, and TVNZ the official broadcaster. During the ten days of the Games, TV3 could only manage one programme, children's cartoon *Teenage Mutant Ninja Turtles* in the top one hundred and even that was in ninety ninth spot.\(^{14}\) TV3's programmes were making no impact upon the strong TVNZ line-up on both channels, as seen in Illustration 3.1. Management looked to the nightly news programme to restore some much needed momentum.

As mentioned in Chapter two, the evening news was considered to be of crucial importance and would effectively amount to the winning or losing of the ratings war.\(^ {15}\) TVNZ had aggressively targeted the news hour and industry insiders wondered how TV3 would respond. The answer was: they couldn't. TV3 encountered the same problem that had plagued TV2 in 1975 – breaking the New Zealand habit of watching the news on an established network.\(^ {16}\) In the first four weeks of competition the TVNZ news bulletin garnered 55% of the audience share compared to TV3's 17-18%. Likewise TVNZ dominated the current affairs scene with *Holmes* (45%) outscoring *A Current Affair* (10%).\(^ {17}\) TVNZ's gamble had paid off handsomely. The 'Cootchie Coo' news was a ratings winner: viewers loved it. This was convincingly demonstrated in the comparative rating figures for TV1 and TV3 bulletins. The public was considerably less impressed when TV3 brought the much-loved doyen of the business, Phillip Sherry, out of enforced retirement to front their bulletin. Although audiences remembered Sherry with affection, his BBC style was no longer what they wanted.\(^ {18}\) Ironically TV3 was delivering a news programme of higher quality than their competitor. They were just not being rewarded for it. Comparing the two news shows, Jim Tucker, head of the School of Journalism in Auckland, found TV3's *National News* to be generally superior to *One Network News* in terms of professionalism, tightness of the writing and

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\(^ {14}\) Ibid.
\(^ {15}\) Diana Wichtel, “Let the Good Times Poll”, *The Listener*, November 27-December 3, 1989, p.3.
\(^ {16}\) Paul Smith, *Revolution in the Air!*, Auckland, 1996, p.70.
\(^ {17}\) Ibid.
TVNZ enjoyed higher viewer numbers than TV3 in the first weeks of competition. This was a cause of concern for TV3 management who had believed they would make a bigger impact on the New Zealand viewing public. This was not the case. TVNZ would enjoy a position of dominance for every week of competition before TV3's receivership in May of 1990.

attention to detail.\textsuperscript{19} It was a view shared by TV3 and former TVNZ correspondent Bill Ralston:

I looked for the corresponding drop in the standards of the news programmes to match the loss in resources, manpower and money. I may be blinded by loyalty but I have seen none. Despite being out manned ten to one by TVNZ, TV3 news maintained an equivalent and often better standard of product.\textsuperscript{20}

Certainly the TVNZ news team were doing TV3 no favours. Competition remained as niggly and petty as it had been in the previous years. TVNZ had a TV3 news crew removed from the green of a golf tournament to which they had the rights.\textsuperscript{21} Likewise, when TV3 wanted to cover news stories arising from the Commonwealth Games, they were denied access. Every media outlet in New Zealand was given permission – except TV3. TVNZ Public Affairs Director Graeme Wilson stated: “We spent millions of dollars to get this. There is no way we want to fund them to show three minutes in their news”.\textsuperscript{22} If TV3 was to establish itself as a truly competitive network, it would have to do so on its own merits.

On the 17\textsuperscript{th} of January 1990, TV3 made efforts to recover lost ratings including suspending breakfast television from the end of the summer holidays. This had rated well against the TVNZ equivalent but TV3 management felt that the numbers involved did not make commercial sense. TV3 introduced a late night news bulletin at 10:30pm and changed the broadcast times of key programmes hoping to place them against less competitive national shows. They dropped weekly current affairs show \textit{60 Minutes} (rating 11.1\%) and put its resources into \textit{A Current Affair}. Just two weeks later, \textit{A Current Affair} was itself dropped altogether and the news (now just thirty minutes) moved back to start at 6:30.\textsuperscript{23} TV3 was in financial trouble. TV3’s share price was plummeting along with investor confidence. In January it was just one dollar seventy cents, down eighty cents on its issue

\textsuperscript{19} “Mutant Ninja News”, \textit{Metro}, no.108, June 1990, p.60.
\textsuperscript{20} Bill Ralston, “TV3 or not to be”, \textit{North & South}, July 1990, p.61.
\textsuperscript{21} Wichtel, “Let the Good Times Roll”, \textit{The Listener}, p.2.
\textsuperscript{22} Slade and Smith, “TVNZ Routs Rival in Audience Poll”, \textit{NBR}, p.3.
\textsuperscript{23} Smith, \textit{Revolution}, p.72.
price. The axing of said shows was a move designed to save the company millions of dollars in production costs. The upbeat feeling at TV3 was long gone, and this was quite obvious to industry onlookers. The National Business Review reported that: ‘At the moment TV3 Network Ltd is like the nervous tightrope walker who has gone halfway across the wire. The wobbles have set in and the circus audience is wondering whether the performer can get to the other side before falling off’. Internal change was necessary and it had to be successful if TV3 was to be able to become and remain a competitive force.

After the first few months on air, TV3 was attracting younger viewers but were getting nowhere in the 50+ age bracket. This was hardly unexpected. TV3 had been targeted at a younger demographic. But they had retained many shows with the hope of gaining support in other age categories. This had not happened. A survey taken by the Marketing Department at Massey seemed to prove this. The survey was of 507 people picked randomly from the electoral role and showed that preference ratings changed dramatically with age. TVOne’s popularity increased markedly with age while Channel 2 showed a corresponding decline. TV3 was most popular amongst middle age groups-conflicting slightly with media suggestions that it was more popular with younger age brackets. (This is seen in table 3.1.) As a result TV3 chose to aggressively target Channel 2’s younger audience rather than TVOne’s dominance in the 50+ age group. This age bracket was that most desirable for advertisers and TV3 hoped this move might aid in their financial recovery. TV3 suffered from consistently poor performances in AGB audience surveys since its debut and this factored into TV3’s financial woes. The precariousness of their situation was revealed in early March. The TV3 share price on the 12th of March was a low one dollar five cents per share and closed a few days later at just sixty cents. TV3 executives approached Minister of Broadcasting Jonathan Hunt asking him to increase the level of foreign

27 Janet Hoek and Phillip Gendall, New Zealand Viewers Attitudes to TV Advertising, Massey, 1991, pp.9-10
28 O’Hare, “Come Back to the Feeling”, The Listener, p.42.
New Zealand Viewer’s Attitudes to Television Advertising

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Table 3.1.
This table illustrates the strengths and weaknesses of TV3’s appeal to the viewing public. TVOne was the most popular station for the elderly while Channel 2 dominated in the younger age groups. Realistically TV3 had to restructure in order to capitalise on that demographic they were reaching, namely those in the 30-49 age bracket.

Janet Hoek and Phillip Gendall, New Zealand Viewers Attitudes to TV Advertising, Massey University, 1991, pages 9-10
ownership to 25%, thereby allowing them to pursue more capital. This request was rejected. Management followed this by releasing a report to its shareholders. This was an attempt to explain TV3’s poor showing in the first months of competition. Among the disappointments they listed were a less than expected primetime share with a commensurate revenue effect; a counter programming strategy from TVNZ that proved too effective and a lack of sufficient support for highly rating initiatives like TV3’s breakfast programme. In response TV3 announced the redefinition of the channel’s programming philosophy, aiming directly at a broad under forty-year-old market. Media directors hailed this as a positive move that should have been taken from the outset.

Restructuring did not have the desired affect. TV3 was never likely to dominate against the two channel might of TVNZ, but its top executives had hoped for at least one third of the audience. What nobody had reckoned on was the indifferent public response. TV3 had seriously overestimated the patience of the New Zealand viewing public. The ratings proved that they had tuned in for the first few nights only to abandon the channel within days, returning in a swarm to their habitual niche on One between six and seven pm. TV3’s failure to gain audiences was so consistent that its early ratings failed to reach even the threshold assumptions of TVNZ’s own ‘TV3 impact’ planning scenarios. Without viewer support, TV3 failed to attract advertisers and fell deeper into financial trouble.

In April, TV3’s main debenture holder, Westpac Banking Corporation put up a refinancing package for the TV3 board to consider. Westpac considered that in order for TV3 to continue, the NBC had to come forward with further equity and support. This was allowed under foreign ownership laws, as it

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30 Smith, Revolution, pp.73-4
33 Ralston, “TV3 or not to be”, North & South, p.61.
would not equate to an increase in NBC’s shareholding. The NBC argued that Westpac’s loan conditions were too high and refused to inject capital. Other shareholders became inconsequential as the two business giants came to a standoff over TV3’s future. The NBC chose not to cooperate and instead withdrew its shareholding in TV3, as conditions agreed upon before their deal had allowed them to. The move was in response to Westpac’s announcement on the 2nd of May 1990 that TV3 had been placed into receivership after just 157 days of broadcasting. Westpac opted to keep TV3 on air, accepting all operating losses until a buyer could be found. TV3’s share price at the time of receivership was a miserly ten cents per share. In five months of broadcasting TV3 had enjoyed no lasting success and had placed only one programme in the top thirty since its inception. In August TV3 Network Ltd reported an overall loss of $47.8 million for the twelve months ended 31st March 1990. This was a significant increase on the projected loss of $22 million and emphasised the extent of TV3’s financial woes. Later in 1990 the new National Government would authorise the level of ownership to be increased to 49.9% allowing the injection of more capital while ensuring broadcasting companies remained New Zealand companies. In 1991 the restriction on foreign ownership would be scrapped altogether. Prime Minister Jim Bolger stated in March of 1991:

The future operation of TV3 is seriously at risk without higher overseas investment, and we consider that its continued operation is important in terms of providing a service to viewers, more competition in advertising and a counterbalance to TVNZ’s dominance of the industry.

This decision led the way for the revival of TV3. In December of 1991, after operating for nineteen months in receivership, TV3 was reorganised and restructured. Canadian broadcasting giant Can West Global Communications

35 Smith, Revolution, pp.74-5.
36 Ibid, p.75.
37 Ibid.
38 Ibid, p.77.
40 John Burnett, (speaking on New Zealand content), in Keeping it Ours, Paul Norris and John Farnsworth (eds), Christchurch 1997, p.72.
41 Spicer, Remaking of Television New Zealand, p.70.
In just 90 days, TV3 has made a considerable impact on New Zealand television - and on television New Zealand!

In the toughest possible period we've achieved a great deal. Not only is total TV viewership up significantly, but the dramatic improvement that competition has forced is there for all to see. And more specifically, the latest AGB: McNair Research confirms that of all people aged 5 over, 2,192,000 tuned into television during the survey week.

TV3 reached 1,565,000 of them - an impressive 69%!

That performance has been unequalled by any new TV station anywhere in the world.

And some of TV3's individual programmes have scored just as well.

Recently the TV3 movie "Dirty Dancing" reached an enormous 62% share of all available viewers. And there's more where that came from.

In upcoming weeks TV3 will screen a host of high rating new movies, mini-series and spectaculars including "Shaka Zulu", the classic "Rocky", "Tin Men" with Richard Dreyfuss and Danny De Vito and "Down and Out in Beverley Hills".

We've already changed the face of New Zealand Television, and we've only just begun.

TV3 posted adverts asking for advertiser and viewer support when it became obvious their returns were lower than expected.

brought a 20% share in TV3 for just $14.8 million. They had the option to increase their holdings to 50%. Westpac increased their shareholding to 48% and also retained the right to raise this to 50%. Can West sought to introduce stability and a sense of the long term. This was to be slow but steady progress. TV3 finally had a secure future.

TV3 was the first example of a private television channel in New Zealand. As such it was subjected to intense pressure and scrutiny, from the moment it was created until the day it was forced into receivership. Industry insiders keen to apportion blame treated its collapse with just as much attention. A prime target for finger pointing was TVNZ. Some commentators criticised TVNZ for the strength of its response to TV3 and asserted that TVNZ used its strong market position unfairly to ‘try and kill their competition’. It is ironic that TV3 would have faced greater opposition if TVOne and Channel 2 were separately owned, than in fact occurred when it faced TVNZ. However tough the competition it faced, in a private sector environment it would have been tougher to take on two established channels. The SOE’s restructuring had been one reason why TV3 failed to be competitive. TV3 was simply shut out of the market. Bill Ralston commented on what the changes at TVNZ meant:

There is little doubt had TV3 gone to air two or three years before it finally achieved lift off, it would have rocked TVNZ’s staid operation. But the endless delays and foul-ups in establishing the new network gave Mounter and Norris invaluable time to strengthen TVNZ’s defences and anticipate many of Three’s strategies.

Nothing was ever easy for TV3. Not the winning of the warrants. Not the long legal appeals. Not the stock market crash. But the hardest job the new channel had was overcoming the two-channel dominance of Television New Zealand.

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42 Smith, Revolution, p.79.
43 Spicer, Remaking of Television New Zealand, p.69.
45 Ralston, “TV3 or not to be”, North & South, p.60.
Zealand. Brian Edwards, writing on the subject in *Whose News?* Looked at the situation in a different way:

Given the task not merely of surviving but of making a profit in a deregulated commercial environment, the former state broadcaster has fulfilled its mandate admirably. It has assessed the market accurately and given the punters precisely what they appear to want.47

From that perspective TVNZ had indeed lived up to Government expectations. TV3 never really ascertained how to contest the TVNZ dominance of the industry, and the established network exploited its position to keep the newcomer from gaining a significant market share. Unfortunately it did so too well. TVNZ was so successful there was a very real fear that the new National Government might consider selling off one of its channels.48 Hugh Rennie supported the new competitive style of broadcasting being shown by TVNZ claiming that retaining it as it was could only lead to benefits for New Zealand:

TVNZ offers our one prospect of developing a television channel of international standing, significance and influence. To push it back to an irrelevant, ABC style role, will be to destroy our past television achievements, and throw away their future.49

Even those at TVNZ could see that they had been far too successful at shutting TV3 out of the market. Some of the worst depression over Three’s troubles could in fact be found at TVNZ. They realised the positive impact that the new channel had had upon their own stations. An unnamed TVNZ senior journalist remarked: “Christ, if TV3 goes under, TVNZ will go back to black and white”.50 Eventually TVNZ withdrew from a full programming attack and relaxed when it became apparent TV3 was not able to compete. They had captured and would maintain a commanding audience lead.51 The damage had

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47 Edwards, in Comrie and McGregor, p.25.
48 Smith, “The Good Times Soon Rolled to a Stop at TV3”, *NBR*, p.3.
49 Rennie, in Hawke, p.30.
50 Ralston, “TV3 or not to be”, *North & South*, p.60.
51 Rennie, in Comrie and McGregor, p.67.
already been done. Not all of TV3’s woes however, could be blamed upon Mourter and TVNZ. Some of the worst problems inherent in the new network originated a little closer to home.

Analysts and commentators seem to have placed most of the blame for TV3’s collapse squarely on the shoulders of that network’s management. Egerton, Russell and company had made a number of mistakes that prevented TV3 from realising its full potential. TV3 executives had expected to be up and running by 1987. Yet it was more than two and a half years before legal reviews and warrants were officially secured. By that time financial markets were in turmoil and the country was heading into a depression. Management had not budgeted for any lengthy delay and were burnt by proceedings. They were under-resourced and over-stretched, trying to deal with complex start up problems including ownership issues, warrant conditions, frequency allocation, Government regulations, contracts with the NBC, and financial and commercial revenue. When they finally made it to air TV3 could not achieve the required levels and declined as a result. The network generally achieved around 16-20%, which was a reasonable level for a new station – but TV3 had fallen victim to its own hype with grand predictions of ratings and revenue. Failure to live up to these standards resulted in a decline in support for TV3 from advertisers and generally made their existence even more difficult. Sources from within the industry agree that TV3 believed its own hype and expected to make it instantly. Their predictions were that the new channel would need a minimum of two years to become truly competitive, and that it would take “good shareholders with deep pockets prepared for the long haul”. They were always going to struggle to live up to their own expectations and this ultimately contributed to their downfall.

The situation over at TVNZ contributed to their worries. The network’s restructuring was dismissed as inconsequential. TV3 continued to maintain that they could provide a superior product. In reality TV3 management had

53 Smith, Revolution, p.71.
54 Ibid, p.70.
After only one week it's already clear that there's only one channel for up to date national and international news and current affairs. One Network News and Holmes. If you're in TV3's 6pm "National News" or "A Current Affair" ask your agency why. Call your TVNZ Sales Office or Advertising Agency now.

TVNZ used ratings to draw public attention to the fact that TV3 was not competing with their stations.

seriously underestimated TVNZ. When the fiercest competition started, TV3 were simply stunned by the magnitude of the TVNZ response.\(^{56}\) The state broadcaster countered their entry by having strong complimentary schedules on its two channels, extensive promotion of upcoming TVNZ programmes and last minute counter programming versus potentially popular TV3 shows.\(^{57}\) They even went so far as to advertise the television ratings from each week on air and in publications like the *National Business Review*. Emphasising TVNZ’s dominance to advertisers only put TV3 staff under increasing pressure. Advertising support became far more difficult to keep when knowledge of how small an impact TV3 had had upon TVNZ’s ratings became public. Financial problems encountered by TV3 reflected not only the competitive strengths of TVNZ but also a range of other problems that TV3 had failed to predict.

In retrospect TV3 had made serious errors. It opened just a few weeks before the Christmas / New Year period where the country dies commercially.\(^{58}\) That meant there was less advertising revenue available and initial finances would be tight. Having been delayed for so long, the desire from TV3 to actually get to air was understandable. Sadly their enthusiasm worked against them. Management would have been better served waiting for another six months to achieve lucrative advertising time and to avoid the TVNZ sponsored Commonwealth Games. The New Zealand ‘gold rush’ was a ratings bonanza for TVNZ and was financially crippling for the newcomer. TV3 could not draw viewers away from the established network and struggled to be competitive.

Bill Ralston summed up the various problems faced by TV3:

> Under capitalisation, inability to market and sell the product, poor programming and scheduling decisions, a failure to ensure adequate distribution of the product to many New Zealand homes, and the fundamental

\(^{57}\) Ibid.
\(^{58}\) Smith, “The Good Times Soon Rolled to a Stop at TV3”, *NBR*, p.3.
management fault of grossly underestimating the cost of establishing and maintaining a television network. ⁵⁹

All of this contributed to the poor financial situation at TV3 and cast uncertainty on their future. Trevor Egerton later acknowledged that he and the other TV3 executives ignored the basic rules of business. ⁶⁰ According to Egerton, TV3 did not have modest audience and revenue expectations, a capital base large enough to cover dry spells, enough people with start up experience, or the ability to adjust to the situation and deal with beginning broadcasting late. ⁶¹ TV3 wilted under the sheer weight of the problems they were facing, which included the requirement to screen a large number of expensive local programmes. ⁶²

Local content was one factor not affected by TV3 management decisions. It was part of the burden TV3 carried through from the days of the Broadcasting Tribunal. ⁶³ TV3 was not helped by the conditions of their operating warrant to screen a high proportion of locally made shows. It was a condition not shared by TVNZ, and was not due to expire until December of 1992. ⁶⁴ The requirement to screen minimum levels of New Zealand made programs was unfair and damaging to the new network (See in Illustration 3.4). Hugh Rennie wrote: 'The programme limitations on TV3 are a last relic of the Broadcasting Tribunal system, and should have gone when the Tribunal went'. ⁶⁵ Even those at TVNZ realised to some extent how harmful the quota would be to the industry. Not long after TV3 won its license TVNZ, TV3 and the Producers Guild came close to establishing a voluntary quota of guaranteed primetime hours per channel, at a level lower than that forced on TV3. But TV3 went broke and negotiations were ended. ⁶⁶ The quota for content was to some extent, the fault of the Tribunal. While they did impose

⁵⁹ Ralston, “TV3 or not to be”, North & South, pp.58-65.
⁶⁰ Spicer, Remaking of Television New Zealand 1984-92, p.70.
⁶¹ Ibid.
⁶² Ibid, p.69.
⁶³ Broadcasting in New Zealand: Waves of Change (Report to the Communications Division, Ministry of Commerce), Wellington, 1994, p.18.
⁶⁴ Spicer, Remaking of Television New Zealand, pp.67-8.
⁶⁵ Rennie, in Hawke, p.30.
⁶⁶ John Burnett, (speaking on New Zealand content), in Keeping it Ours, Paul Norris and John Farnsworth (eds), Christchurch 1997, p.72.
Illustration 3.4.

Local content was an expensive part of TV3’s establishment costs. The state broadcaster had the funds and contracts to ensure TV3 could not find an adequate source of local programming, forcing the newcomer to pay a premium price for what they could get. By increasing their own local coverage, TVNZ put the pressure on TV3 to do the same. It was here that TVNZ’s contract buy-up first proved its worth. TVOne was aided by the Commonwealth Games in 1990 and Channel 2 by coverage of the National Rugby League competition in 1991. TV3’s content was made up primarily of home grown comedy and a mixture of sport and current affairs, all of which cost the new channel more than they could have initially expected.

those conditions upon TV3 management, to many insiders, and especially those at TV3, the Labour Government had much more to answer for.

Labour, with the broadcasting portfolio initially under the wing of Jonathan Hunt, then later Richard Prebble, espoused free market policies with a level playing field and fair competition. Yet they did nothing to assist TV3 in any way, even after it became public knowledge that the new station was financially troubled. The local content quota was allowed to remain even though Hunt had gone on record stating that he was personally against the imposition of such quotas. Likewise Labour did nothing to help TV3 when they requested an increase in the available level of foreign ownership. The decision to deny their request was based on Labour's desire for New Zealand stations to stay in New Zealand hands. Ironically, just over a year later Labour was ousted and National had abolished all restrictions on ownership levels. If Labour had granted the TV3 request, they may have gathered enough finance to continue broadcasting without first being forced into receivership. Most importantly, some at TV3 blamed their misfortune squarely on the Labour decision to fully deregulate the industry. Marcia Russell said there was no simple answer in any assessment of fault. She admitted that TV3 had made mistakes but somewhat bitterly criticised the Government primarily for inviting a third channel contender into a regulated environment, then changing that environment into a deregulated one six months later. Hunt argued that TV3’s receivership was not an effective argument against deregulation. Deregulation was not the cause of TV3’s ills. He stated that TV3 was ‘not robust enough in their organisation and structure to deliver a competitive channel’. They competed only with Channel 2 and were unable to live up to their guidelines. TV3 failed primarily because it had just one channel and TVNZ was better organised. Hunt rejected the idea that the Government had contributed to the failure of the station and believed most of the blame for TV3’s demise could be laid squarely at the feet of TV3 management.

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69 Personal Communication with Jonathan Hunt, August 1, 2000.
TV3 could only be described as a largely uncompetitive failure. Its initial impact upon New Zealand broadcasting was significant but it failed to deliver when it became time for commercial competition. They had possessed a reasonably strong financial position but couldn’t transform it into ratings success. Blame was quickly apportioned, primarily to the leading executives at both TV3 and TVNZ, but which in reality could also have been attributed to the actions of the Broadcasting Tribunal, the Labour Government and the rather apathetic New Zealand viewing public. Nothing was ever done to make life easier for those at TV3 until well after they had collapsed into receivership. Media reaction to the new station was at best lukewarm and at worst, openly hostile. This was not surprising when one considers that the arrival of a new station would create a considerable dent in the financial fortunes of other media groups. The Tribunal and the Government only made things harder by imposing an unnecessary quota of local content. The public, as the Tribunal had noted, cared little for the introduction of a new channel and gave it little support. TVNZ was overly competitive and more concerned with maintaining its own dominance than with the future of the New Zealand broadcasting industry. TV3 itself made tremendous mistakes, on financial and programming levels, and paid dearly for them. Fate did not favour the newcomer which was afflicted with strong competition, poor management and a host of other issues. With all the problems affecting TV3, were they ever really given a chance to compete or were they just a token effort at creating private television?
Conclusion

The establishment of private television was intended to revitalise New Zealand’s ailing broadcasting industry and force the archaic state channels to meet modern standards as national networks. In this respect, TV3 accomplished what was needed. Under the threat of competition, TVNZ underwent successful restructuring and was able to transform itself from an outdated network, reliant on a state enforced monopoly, to a powerful broadcasting force that Hugh Rennie described as: ‘Our one prospect of developing a television channel of international standing, significance and influence’. The fledgling private network was not as lucky. Almost immediately TV3 and its directors encountered problems that would have an adverse affect on their chances of successfully establishing a private, competitive channel. Challenges came from all directions and would lead to the station’s financial woes and eventual receivership in May of 1990.

In the early 1980s, players in the broadcasting industry put forward their voices for the introduction of a separate private channel. The reasons for their support varied – catching up the rest of the world in broadcasting technology, avoiding the break-up of the TVNZ, a desire for a private channel and more choice. Support for a third channel came from several areas, including the BCNZ, TVNZ, the Government and the some members of the public. Yet when the network was finally given the go-ahead, backing for the channel seemed to melt away, leaving those at its head to battle on alone. The National Government had originally given the green light but was denied any further part in proceedings by a Labour election victory. Labour enforced the National decision to allow a third channel but made no concessions to ease the way for the newcomer. Seemingly endless commissions added to TV3s woes and they were certainly not helped by Richard Prebble’s reign as Broadcasting

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Minister. Full deregulation was sprung on the TV3 executives shortly after they survived the arduous Tribunal process, throwing all their preparations and plans into disarray. The tens of thousands of dollars spent on securing the channel warrant were all for naught. The only thing that TV3 got from the Tribunal was the local content quota, a condition that would prove to be financially draining. Even worse, deregulation opened the way for other channels to enter the industry and compete. All of TV3’s preparations were dependant on having only one competitor (TVNZ) for the advertising dollar. Labour had not assisted TV3’s entry into New Zealand television. Nor would they bail the private enterprise out of financial difficulty. When management petitioned Cabinet through Jonathan Hunt to raise the limits on overseas ownership, Labour made the conscious decision to deny their request, all the time knowing that a negative decision would have an adverse affect upon TV3’s fortunes. National would of course approve such a measure in their next term, allowing TV3 to refloat itself following the acquisition of Can West as a major sponsor. Ironically, Labour, despite being the Government most espousing deregulation and free market competition, was the party least likely to assist private enterprise by creating a level playing ground.

The BCNZ at the time was the premier force in New Zealand broadcasting. Under the guidance of Ian Cross, the BCNZ put its weight behind the push for a third channel. The reason for their support was simple. Unless New Zealand was presented with an alternate viewing option, there was the very real chance that Labour would privatise one of their two channels, an option that would have a detrimental affect on the fortunes and profitability of the BCNZ. Thus Cross and the BCNZ gave their support to the voice for change. Despite that, there was never any real possibility that they would make life easier for the private contender. The introduction of a third channel was to their advantage. The introduction of a successful third channel was not. The BCNZ pushed for a third channel, but also moved to ensure that its influence upon the industry would be negligible. The demise of the BCNZ was unforeseen but caused no real problems as the streamlined TVNZ proved to be more than a match for

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the infant channel. The TVNZ restructuring effort was crucial in denying TV3 a prominent place in the industry and was incredibly successful. By denying TV3 quality programmes and an audience share, TVNZ assured their dominance. Their only real concession involved the proposal to lower the imposed local content quota by themselves agreeing to air more New Zealand programmes, which of course failed when TV3 was forced into receivership. Towards the end of their brief competition, even TVNZ had realised that TV3 was never a serious threat to their control of the industry and lessened their competitiveness in an attempt to keep TV3 afloat.

It is arguable whether the public could be seriously blamed for the demise of TV3’s initial fortunes. After all, that most inept of Government forces, the Broadcasting Tribunal, had found little overt public opinion expressed for or against a third channel. What support there was seemed to vanish as the years rolled on and TV3 failed to go to air. When they finally did make it to air, TV3 got enough viewer support to justify their introduction but were quickly deserted by the majority of the viewing public. Having satisfied their curiosity, they returned in droves to the familiarity of TVOne and Channel 2. TV3 simply did not have the quality goods to sustain the demands of television consumers. TV3 counted on being able to draw enough of TVNZ’s watchers to make their existence profitable. They were unable to do so. This speaks volumes for both the extent to which TVNZ shut them out of the industry and for the fickleness of the New Zealand television watchers. Realistically the New Zealand public cannot take the blame for TV3’s financial failure. Winning over viewers is the job of the network. Patronage is not freely given and TV3 simply didn’t have enough in them to win support.

In the end, TV3 was its own worst enemy. Management made dreadful decisions that impacted upon the fortunes of the network. Among their worst was the decision to go to air in a holiday season before the commencement of the Commonwealth Games. That one decision ensured that TV3 would have a rocky road to success. Added to that, TV3 was badly undercapitalised and

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unable to purchase the sorts of programmes that may have attracted viewers away from the state broadcaster. Almost everything TV3 touched turned to dust. Morning TV was cancelled due to high costs and running expenses. TVNZ’s equivalent continued throughout, achieving sound ratings. TV3’s current affairs shows failed to reach the expected audience levels and were cancelled as costs rose. The staff they had poached from TVNZ did not bring viewer loyalty with them. Nothing worked for TV3. Events and organisations conspired against them. Their introduction was continually delayed until a point where the channel was forced to debut in the middle of a recession. They were faced with determined opposition on some fronts and apathy on others. TV3 never drew the imagination of the public and suffered as a result.

The introduction of private television was the driving force behind the restructuring of the whole broadcasting industry. Without it, New Zealand may have been stuck with a state monopoly for years to come. Pressure for the third channel led the way for reforms and deregulation that turned the broadcasting industry on its head. Change occurred much faster, and to a greater extent than anyone had originally envisaged. Certainly those at the BCNZ would have been hesitant to push for change if they had seen the demise of their corporation. Yet most agreed that change was needed in an industry that had become stagnant in a decade without competition. Tom Parkinson and those who believed in TV3 knew the road to the creation of a private channel would not be paved with gold. They did not know, however, that there would be so many obstacles on it. Establishing a network was never going to be easy. TVNZ was always expected to provide stiff competition but TV3 management failed to appreciate just how much internal change was occurring within the state broadcaster. The extent of the restructuring literally revitalised the existing network and severely lowered whatever chances TV3 had of ever being able to compete. TVNZ though could not be blamed for TV3’s demise. As a competing network they had every right to use the tactics they did to shut TV3 out of the market. The strength of their response proved far too much for the patchwork station but TVNZ realised this far too late to do anything about it. The Government, while avidly supporting change in a key industry, was unwilling to do more than the absolute minimum to bring it
about. In retrospect, it almost seems like the Labour cabinet went about its job with no plan for the future. No one knew what was ahead, and reports from Government commissions and enquiries were often contradictory and backward looking. TV3 was nearly crippled by several of Labour’s decisions, most obviously deregulation. Had the Government instituted full market deregulation before the expensive Tribunal process, then TV3 may have been able to provide a competitive regional network as it had originally envisaged. Acting as it did, Labour caused irreparable financial damage to TV3’s prospects and delayed their introduction by at least a year and likely longer.

Was TV3 given a fair chance to make it in a rapidly changing industry? To some extent, yes. Despite all of the obstacles faced by TV3 management, at some point they held their well being in their own hands. Sadly their short-term success was not helped by a succession of poor financial and programming decisions that served to eliminate what little chance they had of becoming and remaining a successful broadcasting outfit. However, even if TV3 had made all the right decisions, they would not have been able to succeed. TVNZ was overly competitive. It almost seems like those in the TVNZ hierarchy failed to realise the detrimental effect killing off the competition could have on their own networks until it was too late. Had TVNZ concentrated on merely building themselves a position of strength without attempting to diminish TV3’s chances of success, then perhaps TV3 would have been successful enough to avoid receivership after just six short months. Whether or not TV3 could have been competitive will never be known but it is certain that had TVNZ not acted in such an aggressively competitive manner, TV3’s chances would have been increased. Likewise had Labour made more than a token effort at supporting the new broadcaster, then TV3 may have survived long enough to establish a self-sustaining market share. Having claimed to support a more open broadcasting system which would be less reliant on the state, Labour failed to provide support on a level which would have enabled such a structure to actually work. In conclusion, it seems as though the only people who truly wanted a private channel were those employed at TV3. Others publicly stated that a new channel was a sought-after step forward for the broadcasting industry but seemed to prove with their
actions that such a move was not all that desirable. Windows of opportunity were frequently shut on the new station and TV3 Network Ltd never saw the level playing field supposedly represented by deregulation. The arrival of a private channel, followed thereafter by deregulation was a case of too much, too soon for the small New Zealand broadcasting sector, and TV3 suffered as a result. TV3 was never really given a fair chance at success and was merely the sacrificial vessel for the advancement of the industry.
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Ralston, Bill. “TV3 or not to be”. *North and South*. July, 1990.


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Otago Daily Times (Dunedin) “TV3 will continue broadcasting”. Thursday 3 May, 1990.


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Appendices

Timeline

1984 Royal Commission convenes to determine the future of broadcasting
1985 (May) Broadcasting Tribunal calls for 3rd channel tenders
1986 Royal Commission returns, favours retaining a traditional style of broadcasting
       Julian Mounter appointed Director General of TVNZ
1987 (August) Broadcasting Tribunal decides in favour of TV3 bid
       (October) Wall Street Crash
       Steering Committee determines the future of broadcasting SOEs
1988 (April) Richard Prebble announces deregulation of broadcasting
       (August) BCNZ disbanded, split into TV and radio SOEs
       (December) Trevor Egerton signs NBC as a major sponsor for TV3
1989 (March) TVNZ finalise exclusive programme deals
       (November) TV3 go to air
1990 (May) TV3 are forced into receivership
       (December) CanWest buy into TV3
1991 (April) National Government removes restrictions on foreign ownership
Dramatis Personae

Parkinson, Tom  former TV2 Producer, head of the TV3 bid
Cocker, Alan  head of a failed bid, media commentator
Comrie, Margie  media commentator
Cross, Ian  head of the BCNZ
Egerton, Trevor  head of Metro Media Ltd, later of TV3
Geddes, Kel  Programme President
Hunt, Jonathan  Minister of Broadcasting for Labour 1984-7, 88-9
Mounter, Julian  Director General of TVNZ
Norris, Paul  Deputy in Charge of News and Current Affairs TVNZ
Pederson, Rod  Deputy in Charge of News and Current Affairs TV3
Prebble, Richard  Minister of Broadcasting for Labour 1987-8, figure primarily responsible for deregulation
Rennie, Hugh  head of the Steering Committee, former head of the BCNZ
Russell, Marcia  head of News and Current Affairs TV3
Shearer, Ian  Minister of Broadcasting for National 1980-4
Smith, Paul  media commentator (The Listener, National Business Review)