

IN THE MATTER of the Resource Management Act
1991

AND Notices of Requirement by
AUCKLAND TRANSPORT
pursuant to section 168 of the Act
to the Auckland Council relating
to the proposed City Rail Link in
Auckland

**EVIDENCE OF PETER CROSSAN ON BEHALF OF MEDIAWORKS NZ
LIMITED (IN RECEIVERSHIP) AND TVWORKS LIMITED (IN
RECEIVERSHIP)**

Dated: 26 July 2013

INTRODUCTION

My full name is **PETER GARY CROSSAN** and I am the Chief Financial Officer at MediaWorks NZ Limited (in receivership).

1. I joined MediaWorks NZ Limited in December 1999 following a 15 year career in various manufacturing industries. After 13 years at MediaWorks NZ Limited, I believe I have insight and in-depth knowledge of the wider television industry.
2. I am a qualified Chartered Accountant and have a B Comm from Auckland University.
3. I am authorised to give evidence on behalf of MediaWorks NZ Limited and TVWorks Limited (in receivership) (collectively referred to in this statement as “MediaWorks”) in relation to the City Rail Link Project (“the Project”). TVWorks Limited is a wholly owned subsidiary of MediaWorks NZ Limited.

MEDIAWORKS

4. MediaWorks is an independent commercial (non-state funded) broadcaster. It provides TV, Radio and Interactive services:
 - a. MediaWorks TV encompasses the national stations TV3 and FOUR.
 - b. MediaWorks Radio operates out of 23 markets and consists of the nationwide brands MORE FM, RadioLIVE, The Sound, The Edge, The Breeze, The Rock, Mai FM, George FM, LiveSPORT and Kiwi FM, as well as Times FM in Orewa, Radio Dunedin and Coromandel FM.
 - c. MediaWorks Interactive is the new media division that looks after 18 websites and a video on demand service.

5. By way of background, the first brand in the group which eventually became MediaWorks was TV3. In 1989, New Zealand's broadcast industry was deregulated. TV3 commenced operations that same year, and was floated. The company was placed in receivership in 1990 and then de-listed in 1991.
6. The company remained in receivership until the government freed up foreign ownership laws in December 1991, allowing the Canadian broadcaster CanWest Global Group to buy 20% of TV3. Over the course of the next few years, CanWest gradually bought more of the station until it gained 100% ownership in November of 1997.
7. In June 1997, the company purchased the MORE FM Group, which included The Breeze. This was also the year that CanWest launched TV4, which was at that time run by the staff at TV3. TV4 was eventually replaced by free-to-air music and youth television network C4 in October 2003, then replaced by FOUR in February 2011.
8. In May 2000, CanWest continued its move into radio ownership by purchasing 72% of the NZSX-listed RadioWorks New Zealand Limited. In January of the following year, CanWest obtained the remaining 28% of RadioWorks. RadioWorks had formed under the merger of Radio Pacific and Radio Otago in 1999 but had acquired a number of other metropolitan and regional stations since that time.
9. Over the following three years, CanWest MediaWorks enjoyed great success as the leading radio business in New Zealand, and the leading privately-owned free-to-air television networks in New Zealand. This was a period of great growth for RadioWorks' listenership and for TV3 and C4's viewership, especially for the highly successful 3 News.
10. The company expanded with the addition of NetWorks (later renamed to MediaWorks Interactive) in 2006. MediaWorks Interactive, a division of TVWorks Limited, is responsible for exploring potential new media opportunities, including development and maintenance of the

MediaWorks brands' websites, a video-on-demand system and a mobile platform for text alerts and competitions.

11. The MediaWorks group was purchased by Ironbridge Capital, an Australian based Private Equity Investor, in June 2007. The advertising income of the Television operation was impacted by the 2008 Global Financial Crisis (GFC) and profitability was significantly reduced. The underlying trading profit of the TV operation remains positive (and has recently shown improvement) and the fundamental financial results show the business remains totally viable going forward. However a combination of the GFC impact on trading with the high debt levels on the private equity owner resulted in the whole group being placed in receivership in June 2013.
12. The Balance Sheet and capital structure of the group is currently being re-arranged with the bank syndicate planning to convert a portion of its debt to equity. A new group holding company structure is currently being formed and is expected to purchase the three current operating divisions – TV, Radio and Interactive in September or October 2013.

FLOWER STREET SITE

13. The MediaWorks television and head office operations are consolidated into the Flower Street premises. That enables all aspects of the company's operations to work cooperatively and to respond quickly to any issues that require input from more than one department.
14. MediaWorks first began operating from Flower Street in 1989. The site was selected due to a number of factors including its closeness to city and motorway; line of sight to the Waiatarua transmission site and its general low noise environment. Given the need for timely and topical news services, it is desirable for the MediaWorks premises to be central to the region and to have excellent road access to the rest of the region (ideally by way of the motorway network).

15. Although the building is a former cheese factory it was attractive due to the double height basement areas that provided the scale and isolation from outside events needed to establish studios; and the provision of easy access into the building from quiet streets on several levels including the lower level which enables easy access to the studios.

Layout

16. The layout of the Flower Street premises is as follows:
 - a. Level 1 (Korari Street / Nikau Street intersection level; Korari Street vehicle entrance) – Consists of truck entrance and loading bay for building; main studio (used for TV3 News; second studio (used for sports and local production live and pre-recorded shows); third studio (also used for local production live shows and pre-recorded shows).
 - b. Level 2 – Consists of the Newsroom (Firstline, Midday, 6pm and Nightline, 3Sport, Campbell Live); news archive; news edit suites; Media Exchange; Graphics; Graphics Apparatus Room.
 - c. Level 3 (Nikau Street vehicle entrance) – Consists of the 3rd Degree offices (including two edit suites); sales offices; staff kitchen and lunchroom; make up and wardrobe; changing rooms; air con plant room; secure internal garage; generator and UPS room; waste containment area; loading bay.
 - d. Level 4 (Main Flower Street Entrance) – Consists of the IT Offices; reception; FOUR Studio; edit suites; audio suite; CAR; presentation; master control room; engineering; broadcast media exchange,
 - e. Level 5 – Consists of the Group Executive Management; Finance, Programming, Promotions (which includes multiple AVID or video editing workstations); Marketing and Publicity.

17. The most sensitive activities in the building are the studios. They have operated well to date and the number of hours per day usage has significantly increased. When the studios were established in 1989 there would have been a concern to ensure isolation from noise but managers from that time would have had no expectation that there would ever be an issue with vibration so no provision was made in the development of the studio area to ensure isolation from the ground to protect the operation from vibration effects.
18. To compile this evidence so it gives a full picture of the operational functions on site I have obtained feedback and information from the various heads of each of the functions – ie news and current affairs; programming and sales. Roger Randle our Head of Technology is also presenting evidence focused on the technical and equipment on site.

News

19. It is now accepted by all major television networks around the world that newsrooms are best sited in close proximity to television studios. In fact, many newsrooms adjoin the studios or the studios are in fact located within the newsroom.
20. News presenters or anchors are almost universally "working journalists" who are closely involved with the editorial team. The nature of today's news programmes requires the anchors to move between the newsroom and the studio quickly – often within a matter of seconds.
21. Studio directors are also intimately involved in putting news programmes together and then directing them on-air. In most newsrooms around the world, the studio directors are based alongside the editorial team.
22. The News studio is the "shop front" of television news programmes. Millions of dollars are invested in sets, studio cameras, rear projectors

etc. to create the best possible image for viewers. The studios are soundproofed and the environment is strictly controlled. Vibration, noise or disturbances of any sort are easily noticed on-air and degrade the quality of the production and in fact the actual credibility of a news service. The qualities of *Credibility* and *Authority* are crucial to news presentations. The connection between the presenter and the viewer needs to be seamless, which is why television networks go to extreme lengths to isolate their studios from any forms of vibration or noise.

23. Television News is probably the most competitive area of free to air television in New Zealand. Both TV3 and TV1 have built their schedules around news and current affairs programming. Both networks operate 24 hour news operations. In recent years "breaking news " has been an important focus for 3 News. After the Christchurch earthquake and Japanese Tsunami, 3 News went live to air with special programmes outside scheduled times and broadcast throughout the 24 hour cycle. Similar broadcasts were mounted during 9/11 and the after the death of Princess Diana. News studios remain on constant standby and must be able to be on-air in a matter of minutes.

24. The current schedule for regular news programming is as follows:

"Monday to Friday:

0430 - 0830 - Firstline - prep and broadcast;

1145 - 1230 - Midday News - prep and broadcast;

1530 - 1930 - News lead in promos, 6pm News and Campbell Live broadcast;

2100 - 2130 - Nightline Promos;

2200 - 2300 - Nightline, Sports Tonight;

Saturday and Sunday:

1045 - 1215 - The Nation (Saturday only);

0945 - 1115 - 360 (Sunday only);

1530 - 1900 - News lead in, 6pm News broadcast."

Programming

25. On the production side (ie programming that is not news and daily current affairs), a disruption to the operational integrity of the studios would cause major operational issues for key prime time projects that we make “in-house” including projects such as “X Factor”, “Top Model”, “7 Days” and “Jono & Ben” (which is recorded in the Flower Street basement studio on Thursday evenings).
26. Extensive use of on-station media storage, file serving and post-production facilities by production personal would be lost if the studios could not be used or if the studios themselves had to be located off site. These programmes would effectively move from being created “in house” with all of the advantages that brings to being commissioned productions “off-site” with major increased cost implications.

Sales

27. From the perspective of our Sales force, generally speaking each day there are a minimum of 30 sales team movements to and from the building ie team members who leave the building for meetings with advertising agencies and clients. To be faced with traffic disruption for five years will cause immense stress on people getting to meetings on time and wasting valuable time having to leave early for meetings. There are also many people who visit MediaWorks every day, who will be faced with the same traffic challenges.
28. It is also vital for the Sales and Marketing teams to be situated in the same premises as the rest of the company. The primary reason for this is the speed with which we operate. There are many functions across the business that need to work harmoniously for television to go to air and be delivered to our audience in a professional and cost effective way. There are many teams that work across the business and must communicate easily and efficiently, some of these interactions include engagement between sales teams and production (ie news, current affairs, local programming, creation of on-air

graphics) ; between sales personnel and the teams who organise the scheduling of programmes, the marketing and promotion of programmes. It is imperative that our advertising sales representatives who manage the placement of television commercials and sponsorship arrangements are intimately involved the overall television business to ensure the best possible experience for our advertisers. The fast communication across departments is vital for a 24 hour, 7 days a week television business. It is our view that it is imperative for all departments to be housed within the same building.

Infrastructure

29. While we are a very people oriented business we also use an extensive amount of equipment and technology. The infrastructure must seamlessly connect the various functions between say the newsrooms and news studios.

30. Our graphics department is a good example of the importance of housing the functions together – if say, the newsroom and the news studio/playout were in separate locations this would create major logistical problems for our news organisation by slowing the pace at which material can be created and increasing the risk that graphics information is inaccurate due to the difficulty of that department working in isolation from those that are monitoring what can be a very fast moving story. This would create another major competitive disadvantage for our business.

Summary

31. As I have outlined the entire business is intrinsically linked. Marketing and promotions promote the shows that the programming department purchase and schedule - and the websites related to television are extensions of this on air business. Seamless communication across all platforms is essential to the success of our business.

32. The studios are the core part of the business and critical to that integrated operation. Real time television events, second screen engagement and viewer interaction are key to the success of any

media company and this is becoming increasingly important. Any separation into different business units would slow us down and remove our ability to operate competitively. Not only our viewers but also our clients expect us to be linked and integrated across all areas of the business.

THE CITY RAIL LINK PROJECT

Process to Date

33. MediaWorks first became aware of the Project from newspaper reports in June 2012. Heidi Martin (Group Projects and Facilities Manager) and I then attended a public briefing session held by Auckland Transport at a local function centre. We then met separately at TV3 with key members of the Auckland Transport team (Claire Stewart, Deb Godinet, Mario Zambuto and Steve Hawkings).
34. In light of serious concerns expressed by senior management of all departments and the MediaWorks engineering team, we then engaged consultants to provide advice on the likely impact of noise, vibration and disruption. .

Need for Relocation

35. The advice that we have received from consultants is that the lengthy construction phase of the Project is incompatible with our studio operations, most obviously in terms of vibration and regenerated noise and in terms of the adverse traffic and access effects.
36. We also understand that there are very real risks regarding the ability of the rail operations to function compatibly with our studio operations once the Project is commissioned.
37. In the circumstances we consider that the only safe and realistic course of action is for the MediaWorks operations to be relocated (ie: for Auckland Transport to provide equivalent reinstatement in terms of the Public Works Act). We made that suggestion to Auckland

Transport as soon as the scale of the issue became apparent to us, in an effort to avoid the issue ultimately delaying the construction and commissioning of the Project.

38. We have been and remain extremely concerned that our issues have not been adequately considered by the AT project team. We know from our own considerable experience just how difficult – both in terms of time and cost – it is to move a 24/7 media organisation without damage to the business. At various times over the last decade, for operational reasons, MediaWorks TV has considered relocating its operation – as a result we have undertaken some preliminary planning work on such a potential project. We consider that we would need to allow at least three years for such a project to reach completion. A green fields project would necessarily involve various stages including site investigation; site selection; financing; design; construction; fit out and finally relocation.
39. From a practical perspective the new technical infrastructure (including studios) would need to be virtually fully operational prior to relocation to allow for a seamless transition from the Flower Street site. This is due to the following key facets of the TV operation – 24 hours broadcast; scheduled production hours as outlined above; electronic and IT infrastructure; transmission requirements; pre-production requirements etc. We cannot be off air at all without risking substantial damage to the business.
40. So, while as a corporate citizen of Auckland we support action to deal with traffic and transport congestion, we are understandably anxious about the impact of the proposed tunnel on our broadcast operations. Furthermore we are worried that adequate attention has not been given to the specialist nature of our operation on this site. We see enormous negative effects (which cannot be mitigated) during the construction phase. Even if these impacts could be mitigated and managed (which we genuinely doubt on the basis of the expert evidence we have been forced to commission) we have similar concerns regarding the ongoing long term train operations.

SPECIFIC CONCERNS REGARDING ADVERSE EFFECTS

Vibration and Regenerated Noise

41. Nevil Hegley's evidence will confirm that the MediaWorks studios have very low ambient noise levels and perform at the level that is desirable for such facilities.
42. John Heilig and Mark Simpson will discuss the potential effects from vibration and regenerated noise. In light of their conclusions we are concerned that our studio operations will simply not be able to provide the necessary quality of broadcast to compete in this very competitive market throughout the construction phase. That is particularly so during the excavation of the tunnels directly under the MediaWorks site which we anticipate will take several months at least. Such a period of sub-standard broadcasting could set back our market performance significantly because viewers who become fed up with the imperfections in the broadcast will change viewing habits and may be very difficult to entice back to our programmes.
43. Mr Simpson's advice regarding the potential for rail operations to also exceed the necessary noise levels raises a concern that the studios will be uninhabitable permanently.

Wider Effects during Construction

44. Quite apart from the noise, dust and vibration inevitably attendant upon the construction process (all of which is a major concern) we are particularly concerned by the following aspects relating to access to and from our site and our buildings.
45. Anatole Sergejew will discuss the road closures and fencing along the Nikau Street frontage to the MediaWorks site that will be in place for the duration of the works. Those proposals will sever access to the secure parking area on the Nikau Street frontage (used by our camera crews and specified staff members); vehicular access to the generator

and uninterrupted power supply and the Level 2 fire escape. Those steps will:

- a. Prevent us from accessing key parts of our building and effectively render the secure carpark area useless for five years;
 - b. Either compromise employee and visitor safety in the event of a fire or necessitate expenditure to implement alternative fire egress;
 - c. Require the relocation of the camera crews which will impose unnecessary constraints on their activities and compromise the security of the extensive and expensive equipment that is housed in their vehicles;
 - d. Probably necessitate relocating visitor and staff parking in front the main entrance to the building so that the camera crews can be accommodated and in doing so compromise the convenience of staff and visitors.
46. In addition, the closure of Nikau Street will remove access to major offsite parking areas that are needed in light of the unusual hours that are worked by many MediaWorks staff in order to maintain the 24 hour service.
47. We understand that Auckland Transport is wanting to be able to close roads around the MediaWorks site for up to 72 hours at a time on limited notice. Further road closures will exacerbate MediaWorks's problems. For the reasons I have discussed above our news operation in particular needs to be light footed and able to respond immediately to events. The long term changes proposed by Auckland Transport will severely compromise that ability. The prospect of additional temporary closures is simply unacceptable.
48. In addition to those matters, we understand that the proposal:

- a. Requires all access to the MediaWorks to be off New North Road but precludes use of the Korari Street lights given the closure of Nikau Street.
- b. Impacts on service vehicles accessing loading bays and staff and visitor access.
- c. Will increase overall traffic congestion in the area whilst compounding those issues by increasing construction vehicle and truck movements.

49. In summary, the traffic aspects of the Project will:

- a. Impose impractical constraints on news crew operations and staff parking;
- b. Render normal operations on the Flower Street site untenable;
- c. Render parts of the premises simply inaccessible and hence unusable; and
- d. In essence put the business on an emergency operating basis for a period of five years.

In my opinion, that will cause a huge disruption to our business and MediaWorks' ability to continue to function as a news operation will be severely compromised. Effects of the scale proposed are unacceptable to the company.

CONCLUSION

50. MediaWorks is not opposed to the Project but it is adamant that it should only go ahead if Auckland Transport recognises and responds appropriately to MediaWorks' concerns.

51. We consider that the adverse vibration, regenerated noise and traffic effects on MediaWorks inherent in the Project are so severe that they

cannot be managed and that the only logical and feasible course of action is for Auckland Transport to work with us to the relocate the MediaWorks operation. MediaWorks is prepared to work cooperatively with Auckland Transport to that end but it considers it desirable for such work to begin as soon as possible to avoid slowing down the construction of the Project.

Peter Crossan

26 July 2013