

by his client with a consultant would be successful. The applicant showed a certain lack of sophistication in programme content, marketing and management expertise. It did have technical expertise.

The IZM application would involve significant losses in the first year and it would take nearly 3 years to bring the Corporation financially back to square one with the station.

We largely accept that, in Mr O'Brien's submission, growth is likely to be relatively slow, programming paramount and that a sound financial base is needed. But that does not greatly assist the BCNZ application.

IZM's performance between its audience share and its share of dollar income falls far short of its private competitors. We are not satisfied that the Corporation can, in this large competitive market, successfully run 2 stations competing against themselves. Its marketing performance with IZM does not augur well for an involvement in a high risk operation against commercially aggressive private competitors.

We were not persuaded that the initiation of some FM network for the future (which was not a proposal accepted by the Government on the recommendation of the Tribunal after its inquiry), is a justification for the grant of a warrant in Auckland to the Corporation. The BCNZ has for many years attempted to satisfy youth needs in Auckland by means of this station in a mass programming format by AM. Its performance has been variable, but not at any time notably successful commercially.

Stereo FM brings to the radio scene some considerable directorial and management strength and will undoubtedly appeal to the younger audience. In detail its programming may need some adjustment to increase its familiarity (at least to begin with), but we consider these more matters of fine tuning of programming rather than any fundamental defect. The station is well placed financially and in promotional terms to launch a station for a younger audience. It has a determined commitment to the FM mode and to provide programming to suit the medium and an audience in more depth than IZM-FM.

Section 80, Broadcasting Act 1976 requires the Tribunal in considering any applications to have regard to the matters set out below.

Some evidence or argument relates to more than one of the matters but may conveniently be discussed under one heading.

(a) The extent to which the proposed service is desirable in the public interest.

As the Tribunal had called for applications the general desirability of having FM broadcasting stations was not in issue, except as to their number as far as Hauraki Enterprises' case was concerned. We have dealt with that aspect elsewhere. A comparatively high proportion of Aucklanders will have, at the introduction of FM radio, access to FM capable receivers.

Stereo FM's application was to serve an audience aged 18 to 39 with the emphasis on 18 to 30 and to do so on the basis of considerable drive and enterprise in promotion. As with other stations, we listened to their tape. Although, as Mr Thomas pointed out, Stereo FM does not intend to be elitist, we considered the music needed a little more familiarity to be totally successful.

However, we do not place too much importance on tapes, as we have said before. They are an artificial device heard in artificial circumstances, i.e. not on air and the presentation in the past has varied considerably from the ultimate presentation heard on the air when the station starts up. All the tapes were well produced but they were not all directly comparable, being produced in different ways and for different purposes.

We are impressed with Stereo FM's determination to use research and the extensiveness of the research undertaken. They do not intend to rely on sales charts and endeavour to programme for more than just an age group.

We believe their programme will appeal to a younger audience which will be looking for an Auckland lifestyle image in preference to an existing image changed over to FM.

The applicant has been prepared since early in its existence, to make a commitment to local artists and New Zealand music. The Stereo Artists Development Trust it proposes, could in some years, provide good support to the area it draws its revenue from.

We were impressed by the determination to succeed in an attractive, dynamic programme.

Enterprises has yet to establish a format with an Australian consultant but says it will emphasise in its programmes at different times of the day a specific type of audience. They propose "an alternative radio style". Their tape was well produced. Although they did not, at first, refer to a target audience by age, it became clear they were not aiming for

the audience under 30. The programme content would certainly have only limited appeal below that age.

In a programme sense they would attempt too much. While the music would appeal to some people, we do not believe that changes from light classical music to jazz to older rock music, would retain an adequate audience.

We believe the company has been over reliant on the survey material. It has also interpreted respondents answers to indicate preferences or desires as predictive of likely listening habits.

Metropolitan FM had an impressive tape. More importantly the applicant appeared to have embraced a consistently compatible format with music not varying too much while managing to span a fairly wide age group.

This station may well have the more difficult task since evidence is that older people are less ready initially to change to FM listening than younger people. We think therefore that the fact that the company is a private one, is a significant advantage enabling it to implement a long term development plan rather than meet the short term demands of the stock exchange.

ZM's wish was to move slightly up the demographic table but basically to produce what has been successful already in AM. Its desire to simulcast served to emphasise this. The applicant has the benefit of Corporation news services and other back-up and would provide an adequate service but there would be more commercials, and emphasis on competitions, promotions, personalities and, we feel, more clutter. It would seem they wish to adapt only a little for the FM mode. It promises however to move away from its very young audience 10-18 to a core audience aged 20 to 30. The station expected to continue to obtain advice from the Tod Wallace organisation to maximise its audience appeal. Lifestyle tapes produced were used on the station at present.

On a fine balance we considered Stereo FM would do a better job for the listener than IZM.

As to other services, there were some differences as to news and community information. On balance we did not find much to influence us in these areas. We consider that, ultimately the FM stations will not be listened to for their news and information and that the levels of talk will adjust accordingly.

They may well combine with others for basic news services but it is unlikely that the full news bulletins from say, Radio Pacific, would be suitable for Enterprises.

(b) The economic effect which the establishment of the station to which the application relates is likely to have in respect of broadcasting stations already in operation.

There will be an impact on the other 2 independent music stations in Auckland, Radio I and Radio Hauraki. It is clear that Radio Hauraki's intentions are to improve the information and news content of its programmes as it sees the market moving to FM for music and to AM for other services.

It is considered that Metropolitan would have the greatest effect on Radio I and that Radio Pacific as a specialist broadcaster, is unlikely to be much affected in audience share. We expect that all commercial stations will drop some audience share after the establishment of two more stations serving a wide range of musical tastes.

We do not consider that any adverse effect on these stations outweighs the benefits in the public interest which the grants of the warrants will produce.

The impact on the existing stations of the grant of two more commercial warrants will be diminished significantly by three factors.

First, the withdrawal of IZM from full commercial revenue seeking will mean the pool of advertising revenue available will increase.

Secondly, we are satisfied that there will be some increase in listening.

Thirdly, the burden of the introduction of the two new stations will fall on the newcomers. It will be they who will have to compete with well established operators while pioneering the FM mode.

The impact on the BCNZ stations is covered in the next section.

We were not persuaded that we could draw any reliable conclusion on the effect on AM station audiences of the introduction of FM radio in Australia which would be significant for this decision.

(c) The effect which the establishment of the station to which the application relates may have on broadcasting services provided by the Corporation in the public interest.