

It appears that the station will benefit from the Australian experience of Mr McKay who has experience in the launching of new stations as has Mr Egerton. We were also impressed with the practicality of the approach which would not result in totally different music programming. We do believe however, that when the station becomes established its horizons will widen in order to distinguish it from its AM rivals. In Mr McKay's opinion the ideal combination would be one station aiming for 10-34 and the other 25-44.

We were satisfied with the sources of capital for Metropolitan and the amount available.

We were impressed with its own research and preparation of the survey and consider this applicant to be the more impressive applicant for an older age group. They have good programming attitudes, have used their survey material wisely and show a depth of experience and insight into broadcasting.

We accept that 1ZM-AM has some coverage difficulties. It is not alone in that.

But it is interesting to compare the absolute dollar levels of income of 1ZM and its competitor Radio Hauraki in relation to audience share as a guide to the performance of each. We set out below a table which shows average audience share (over three BCNZ surveys) and reported levels of income for these two stations.

1980	Audience Share*	Income to 31/3/80	Income per %
1ZM	16%	546,848	33,531
Hauraki	22.7%	2,873,478	126,585
1981	Audience Share*	Income to 31/3/81	Income per %
1ZM	13.3%	737,759	55,486
Hauraki	21.0%	3,125,881	148,581

*Average of 3 BCNZ surveys in each year—June–August/September–December/February–April

The conclusion we draw is that Hauraki is performing substantially better in the market place relative to audience share than 1ZM.

With less than 12 percent of the Auckland radio audience, Radio Pacific is able to generate income in excess of \$1.6m.

Comparison of performance by sales staff for a BCNZ station and a private station is also significant. Evidence was given by BCNZ witnesses that good sales people would achieve \$150,000 of sales per annum while the private operator considered \$250,000 to be an average.

The Tribunal was concerned regarding the principal thrust of the evidence given on behalf of the BCNZ. It was seen to seek to make a case, that the finances of the BCNZ would suffer drastically as a consequence of 1ZM ceasing to be a commercial station and that to avoid this serious effect a warrant should be issued.

This argument appeared to be based on the fact that head office costs, part of which are apportioned to the various stations within the network, are an immovable and immutable force. The emphasis appears to us to be one where head office comes first and the various services provided are placed around the centre. It must be remembered that the primary financial considerations in providing a network of programmes are those costs incurred at local station level. Head office costs should be incurred in support of radio services provided their existence clearly is to provide standardisation and economies of scale in the provision of certain services to the network of stations.

In the same way as commercial stations are added to the commercial network there should be an acceptance by the BCNZ that in certain circumstances a reduction in commercial services may also be required. The services offered by head office and the costs that arise therefrom should be tempered to reflect the changing number of stations being serviced.

In the Tribunal's view the ultimate test of a station's "contribution" to the overall finances of the corporation must be after allocation of all centrally incurred costs.

In the situation where a deficit is incurred before the allocation of certain centrally incurred costs it is assumed that that deficit can only increase when those costs are actually allocated, regardless of the method of allocation selected.

In any event, the effect on the Corporation's finances arise from a decision to change 1ZM-AM to a less commercial role.

The revenue budgets for Stereo FM and Metropolitan were realistic although we have some doubts about the estimate of national advertising which would be obtained by Stereo FM.

If the 1ZM performance had been better, as an ongoing enterprise, it might be expected to do better than its estimates. But we believe the figures are probably optimistic.

We doubt that Enterprises would succeed in achieving its sales goals.

(f) The likelihood of the applicant carrying on the proposed service satisfactorily.

Enterprises intended to operate a computer based broadcast system. We would have a good deal more confidence in a computer operated station if that station had already been operating and proved its expertise in the field or if the promoters had actual experience of doing so. The formidable task of not only starting a new broadcasting station, but of implementing a system which is new to New Zealand and which it is claimed will reduce staff costs in a company which appears short on management skills, was, in the opinion of the Tribunal, asking more of a development period than should be expected in a highly competitive market. The Tribunal acknowledges the skill of the Stebbing connection in dealing with computer equipment. But we consider it one thing to provide these facilities in relation to recording and another to continue day after day on a live broadcast situation.

However, we did not consider it a demerit. We simply felt unable to consider it an advantage to the application.

Enterprises contrasted its line of sight to Waitarua with the doubtful arrangements of Metropolitan. We do not consider this to be an important element. Such problems occur to be overcome and we do not consider the exact location of the studio important to the Metropolitan application. It is intended however, that it should be on the North Shore and we are confident that some arrangement can be entered into which would provide an adequate linking arrangement with the Waitarua transmitter.

The Corporation saw itself as having a sound commercial structure and a corporate base, experienced and dedicated broadcasters, a target audience that was accessible and the availability of research.

It was claimed that the Corporation had financial and commercial ability which required no further comment. The Corporation would carry on the service satisfactorily. The Tribunal accepts that. We are satisfied its staff, such as Mr Bolton the manager, are competent and accomplished broadcasters. We are not satisfied that the structure within which they work is an ideal one for the successful launch of commercial FM in Auckland.

Stereo FM satisfied us by their personnel, structure, preparation and research that they would carry on the service satisfactorily.

(g) The results of any survey available to the Tribunal.

All the applicants, except the BCNZ, produced surveys prepared for the purpose of the applications.

Stereo FM's was not just a radio survey. It involved segmented analysis of life styles of people 15 to 39. It was comprehensive and far reaching. But not all the material gathered was particularly relevant to the issues to be determined by this Tribunal and much was not made available as evidence.

The survey was an in-depth analysis containing a wealth of material of use to programmers. It was an impressive indication of the resources and commitment the company was prepared to put into identifying and serving its desired audience's needs.

Enterprises carried out a survey of persons 30 years and over in the Auckland metropolitan area. The survey covered expectations from FM radio when it is introduced.

Respondents were also asked how much of 9 different radio services and programmes they would like to hear on FM radio and to indicate whether they would like more, the same or less of it.

The Tribunal was told the results suggested that there were some types of radio services people aged 30 years and over clearly wanted more of on FM radio than were currently featured on existing radio programmes. They were easy listening/middle of the road music (59 percent, news and information (40 percent), light classical music (33 percent), country and western music (43 percent).

It is the Tribunal's experience that in nearly all surveys a substantial number of people want more news and information. These particular results have to be treated with some caution and we came to the conclusion that the applicant had based too much programming judgment on these particular results without considering the practicability of the format.

Another question arises. Will people listen in accordance with their expressed orders of preference? We do not accept that 33 percent wanting classical music and 45 percent wanting more light classical music, will necessarily listen to a station which presents those types of music along with easy listening/middle of the road and country and western music.

Metropolitan carried out a survey reinterviewing a sample of people aged 25-54 who had previously completed a detailed diary of radio listening patterns for the McNair Radio Audience Survey. The advantage of this survey was that it related actual listening patterns and volume as well