

(n) *All relevant evidence or representations received by it at the hearing.*

There is undoubtedly support for the institution of the station but we had to weigh what that support would be in relation to the alternative available of a regional FM station in the area. Essentially the merit of this application would be the ability to broadcast local news and information and provide a local identity in the area. We do not believe that this application would succeed as a proposal if the application of Northland FM were granted. That station would undoubtedly attract most of the audience seeking FM stereo programming and its standard would ensure that it took the greater market share. The news and information elements of Radio Northland are strong and professional and this new station would be left providing a second grade local service with insufficient audience and selling power to attract adequate revenue to sustain the station.

To refuse the Northland application because of the merits of this application would be to deny the greater Northland area the benefit of an FM music programme choice. To deny it a Hikurangi repeater would probably be to destroy its regional character, its access to the Kaikohe region and yet not necessarily supply to Kaikohe a programme attractive and with an adequate signal strength. It may prejudice the extension of the programme further north-west towards Kaitaia.

(o) The policy of the Government for the development of FM broadcasting as an integral part of sound radio broadcasting was taken into account, including the policy set out in the direction of the Minister of Broadcasting dated 27 October 1981.

Decision

The application is declined.

Northland FM Radio Ltd.

Northland FM Radio Ltd. applied for a warrant to provide a service for Northland from 4 transmitters; Parahaki in Whangarei with a 60 w transmitter; Horokaka, 23 kilometres south-west of Whangarei with a power of 1 kW; Hikurangi, 18 kilometres south-east of Kaikohe with 1 kW and Maungataniwha, 24 kilometres east of Kaitaia with a power of 2 kW initially and later 5 kW.

The station proposed to broadcast music with a contemporary rock-n-roll base highlighted by contemporary album oriented artists with a major appeal to all people aged between 18 and 39 years. The music would be familiar and consistent and there would be a balance of older and new music with particular emphasis on artists and groups who currently receive little exposure on the present AM station. The potential audience within the broadcast coverage area was about 100 000 but rose dramatically during the summer holiday period. It was proposed to provide a news service from Radio Pacific via a landline but it was not proposed that there would be any journalist on the station to provide local news.

Advertising was proposed to be limited to between 6 and 8 minutes but the applicant thought reasonable for the Tribunal "to impose a maximum of 10 minutes per hour average commercial content or at least a minimum of 8 minutes average".

Considerations

In considering the application for a warrant, the Tribunal before determining whether or not to grant the application, has had regard to the following matters, so far as they are applicable as required by section 80 of the Broadcasting Act 1976.

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

The proposal brings stereo FM broadcasting to the Northland audience although many in the southern part of Northland can already pick up the Auckland stations. This new service will be designed and provided to Northland by a company which has impressed the Tribunal with its determination to provide that service although it will be expensive to do so because of the capital cost of establishing the 4 transmitters required. It is a significant benefit of the proposal that it will bring this service to areas which are quite sparsely populated.

It is therefore easy to understand the support of the immediate past Mayor who is concerned about such matters as employment but sees a good future for Northland and who supported the application as another amenity for Northland people. However we have not considered the application on the basis of more buoyant economic conditions developing in the region.

The service will also bring a counterbalance to the heavily informational and highly successful Northland operation of Radio New Zealand. We do not accept that in this situation it is essential that the 2 stations target different markets as we believe the extensive services of Radio New Zealand will ensure for it a substantial audience and an audience which will listen to it for the services it provides. The music service provided in stereo FM by this station is an alternative, even if the music played is not

substantially different from a significant proportion of the music on Radio Northland. While the music on Radio Northland is said to be aimed at the same 18-39 age group Radio Northland's other content attracts an older age group as well. The advent of an FM music service for this age group is a complementary service.

We do not agree that the new station should be required to aim for a 15-24 age group.

(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.*

(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.*

There are no other services provided in the area other than those of Radio Northland and the National Programme, both owned and operated by the Broadcasting Corporation of New Zealand.

We do not consider that the establishment of the station will have any effect at all on the economics of the Auckland stations.

It will however have a substantial effect on Radio Northland. We estimate this effect as being approximately \$200,000 revenue a year. We have concluded that the benefit of the alternative service and the advent of stereo FM popular music programming to the area outweighs the effect it will have on the Corporation. We believe this will only be a pause in the development of Radio Northland and it may well find that its strength will ensure that the effect on its revenue is less than we estimate. We do not consider that that cost is an unreasonable one, having regard to the benefits a new service would bring.

(d) *The needs of New Zealand or the locality or localities proposed to be served, in respect of broadcasting services.*

The level of dissatisfaction with Radio Northland could not alone justify the application.

The Tribunal considers that stereo FM services can no longer be regarded as being in a luxury category. They are an integral part of sound radio broadcasting in New Zealand and should be developed as such. Whangarei is a city of some 40 000. Another service is needed there as well as in the more remote outlying areas.

It would be impossible for any other operator to provide a satisfactory service to the regions outside Whangarei were the applicant to have decided to serve only Whangarei. However, at considerable extra capital cost, the proposal to serve the wider Northland region will provide a first class music service to many outlying areas whose remoteness has in the past led to concern at the lack of services and in particular of radio and television services.

It was pointed out that, with about a quarter of the population Maori, little recognition of the need to provide for that community could be found in the application. The applicant should seek to find ways within its format of recognising different needs in its programming.

(e) *The financial and commercial ability of the applicant to carry on the proposed service.*

We consider here also the financial viability of the proposal.

The Tribunal does not consider that the establishment of this station will be easy. It is quite likely that greater losses will be sustained than the promoters anticipate. We have concluded however that the applicant's board of directors and its proposed manager have the commercial and financial ability to see the matter through to eventual success. Their estimates appear to be reasonable both as to the capital expenditure involved and as to operating costs. They have been practical in accepting certain programme deficiencies such as news which they cannot provide because of the economics of the operation at a local level.

The Tribunal is satisfied that the preparation analysis and local knowledge have resulted in an application that is soundly based and is supported by reasonable efforts to obtain likely revenue, audience and advertising potential.

The proposed funding is satisfactory. The high capital cost demands a high capitalisation. Otherwise costs appear to be reasonably estimated. But the profitability may be more delayed than has been estimated.

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

We deal with this in 2 respects. The first is directors and management.

The board provides a range of expertise, business ability and local knowledge which will be adequate to the challenge.