

he station is a well targeted one and did not tend to stray beyond its target audience. It would have difficulty reaching its projected 20 percent of the potential audience 15-30 but would have a better chance than most stations of achieving its target because the younger age groups accept more readily the change in listening habits involved in the use of the FM band on their receivers.

Canterbury FM Ltd. proposed an 18-39 target age group. It claimed its programmes would be an alternative to AM programmes even if, as we commented in Northland, the music played was not substantially different. It emphasised consistency and familiarity in music selection.

he *Canterbury FM* submission opposed the grant of any other warrant but claimed it could survive and be complementary to warrants granted to either *Radio Avon* or to *3ZM*. It argued that its target age group would encompass people who would more readily change to FM than would *Music 90 FM's* target audience.

combination of *ZM-FM* programmes and the *Radio Avon* programming would provide little audience cross-over between the 2 FM stations which would limit the real choice of most listeners to 1 FM station. That argument centres on the desirability of two new FM stations each having a complementary programme but with some overlapping of audience so that many listeners have a second choice. It tends to strengthen the popularity of the FM band.

ainland's preferred solution was to receive a warrant with *Radio Avon* as the other FM warrant holder provided *Radio Avon* did not continue its AM service.

was opposed to a *ZM-FM* grant since *3ZM* did not propose to change its programming enough to suit the FM mode. It did not "hold the promise of vitality and enrichment and personal programming content. . ."

he target audience for *Mainland FM*, the 15-35 age group, would make it a directly competitive station with *ZM-FM*.

he *Mainland FM* application was criticised as being ill-prepared and the service likely to be carried on at a distance. The applicant's case was certainly less convincing than the *ZM-FM* case to serve a similar audience.

*Music 90* proposed to introduce an audience described variously as 30 plus and 25-44.

fter listening to the evidence we are satisfied that this audience would be principally a 30 plus audience and, while the service may be desirable in that it would attempt to tackle the higher end of the audience demographic served by FM stations in New Zealand, the difficulty of attracting an adequate audience casts doubts on the viability of the proposition.

romoted on the air by *Radio Avon AM*, *Music 90 FM* would certainly provide a new service for an audience which would not be served adequately by *ZM-FM* or *Mainland FM*. Part of the audience would be served by *Canterbury FM*.

*Radio Avon* has an established commitment to news and the new station would provide a more substantial news service than most FM stations. However we concluded that it could probably survive in the first few years only with the cross promotion available from *Radio Avon AM*.

he grant of 2 warrants would extend a FM music service to a wide range of audience. The *ZM-FM* and *Music 90 FM* would provide the widest range. The narrowest range would be served by *ZM-FM* and *Mainland FM*. A combination of *ZM-FM* and *Canterbury FM* would serve an under 40 audience with a considerable number having a good second choice FM station. We found this combination convincing and viable.

he *Music 90 FM* application seems to the Tribunal to have the potential for a stultifying effect on the growth of radio in Canterbury. Its proposal to maintain *Radio Avon's AM* operation beyond the 4 years contemplated by the regulations smacks of undue caution. A foot in both camps reflected a lack of commitment to switch Avon to FM, perhaps a reluctance to give up what it has successfully run for 10 years.

*Radio Avon Ltd.* had been confident of the need for a continued AM operation at the end of, say 4 years, it could have accepted a supplementary warrant for *Radio Avon AM* for a limited term and applied later for a new AM warrant. It was not prepared to do so.

ssuming *Radio Avon AM* continues along with *3ZB* there is a fair competitive choice for the public in the AM mode. Likewise with *3ZM* and *Canterbury FM* in the FM mode.

The Tribunal believes the public interest is likely to be best served by having choices between commercial stations on both FM and AM frequencies. After fully considering all the evidence and proposals of the various applicants it concludes the most desirable combination would be best achieved (albeit with some financial stresses) by *3ZM-FM* and *Canterbury FM Ltd.*

(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*

The grant of the Corporation's application would not adversely affect any other station.

We accepted Mr Egerton's evidence, for *Canterbury FM* that there was some room for increased revenue to be drawn from the market. *Radio Avon* predicted a real increase on the introduction of FM of about \$300,000. The extent of it is in doubt for the reasons given by the Corporation's witness, M. J. P. Dunlop.

His evidence for the Corporation was based on shares of the commercial audience: *3ZM*—32 percent, *3ZB*—45 percent, and *Radio Avon*—22 percent.

Mr Dunlop argued that an additional commercial station would impact adversely on existing operators. In Auckland there were currently 95 900 people per commercial station; 89 267 in Wellington and only 80 867 in Christchurch. A fourth warrant would reduce this to 60 650. He said that Christchurch retailers existed on a lower turnover per capita than both Auckland and Wellington and the Christchurch population had been declining since 1976. Christchurch radio currently extracted 17.5 percent more advertising revenue per capita than Auckland.

Mr Dunlop's calculation of the effect on each of the existing stations of the grant of an additional warrant was as follows:

If *Music 90 FM* were granted a warrant and gained a 9 percent share of the audience, the effect on *3ZB* would be \$134,542 loss of revenue. The impact of *3ZM* would be \$142,611. (The total effect on *Radio New Zealand* would therefore be \$277,153). The effect on *Radio Avon AM* would be \$228,829. (There was some evidence that suggested the effect on *Radio Avon AM* would be greater than that).

His estimates were based on *Music 90 FM* achieving half of its proposed revenue, i.e. \$505,982 instead of \$1,070,000. It would cause the least impact on the Corporation stations.

The grant of the *Mainland FM* application with a 15 percent audience share and an estimated income of \$656,680 (which was close to their projected \$692,000) would have an effect of \$427,000 on *3ZM* and \$228,000 on *Radio Avon*. There would be no effect on *3ZB*.

The *Canterbury FM* application achieving a 13 percent share would generate income of \$689,227 which is close to their estimate of \$600,000. The effect on *3ZB* would be \$134,542, on *3ZM*, \$249,576. The total impact on the Corporation would be \$384,118. It would however cause a loss of \$305,109 revenue to *Radio Avon*.

A grant to *Canterbury FM* would have the greatest effect on *Radio Avon* (\$305,000)

Mr Dunlop's figures cannot be a precise prediction in dollar terms but they do indicate a relative effect on each station of each scenario.

We are not certain that the audience shares predicted by Mr Dunlop would be sustained in the event. We accept some evidence which predicted a lower audience cross-over to *3ZM*—which would help *Avon AM*. And we do not expect *Canterbury FM* will attain 13 percent audience share for some time. The effect on existing stations will therefore be less than he predicted.

We believe *Radio Avon* has the potential to improve its present share of audience anyway. After FM starts up, with proper fine tuning, *Avon AM* could secure its profitable niche in the market with an AM format appealing to a younger demographic than *3ZB* and with an appropriate music/news/information mix. We expect in that case it should gain audience from *3ZM* and *3ZB* (audience it used to hold) and reduce the financial impact of the new FM station.

The effect of a *Canterbury FM* warrant on *3ZB* and *3ZM*, by Mr Dunlop's calculations, is only \$107,000 more than the effect of a *Music 90 FM* warrant on the *Radio New Zealand* stations.

Although *Mainland FM* would not affect *3ZB*, in Mr Dunlop's analysis, it would have the greatest effect on *3ZM* (\$427,000), the biggest effect on the Corporation (\$427,000) and the second greatest overall effect on existing stations (\$655,000).

The ultimate extent and distribution of the advertising dollar will depend on programme performance and appeal and cannot be accurately assessed, although there is no doubt that existing stations will lose some revenue when 4 commercial stations are competing instead of the present three.