

We have concluded that the benefit of introducing another element of competition to the Christchurch market outweighs the adverse effect on the other stations' revenues. We also consider that the effect will take time as the FM stations will not at first attain the audience and revenue goals that, for instance, Mr Dunlop's analysis estimates.

- (c) *The effect which the establishment of the stations to which the application relates will have on broadcasting services provided by the Corporation in the public interest*

The Corporation did not oppose the grant of another FM warrant but it did oppose the introduction of a new operator. This means that the Corporation was not opposed to the *Music 90 FM* application.

Evidence was put to us by the new entrants suggesting that there was great potential in the market. For instance, Canterbury FM Ltd. suggested there was a potential growth of \$820,000. Mr Dunlop, for the Corporation, estimated that a 6 percent expansion would be required in the market or the new entrants would take money from existing stations and not attain their goals.

Mr Dunlop said that the four ZB stations contributed 44.7 percent of *Radio New Zealand's* income in 1970/71 and that had now declined to 33.7 percent over the 14 year period. With the erosion in the licence fee pressure was put on the Corporation's revenue.

The Corporation has the advantage in that it will operate a *ZM-FM* network with *2ZM* in Wellington. Its present position is not a typical one. If *Radio Avon* were performing as well as it might (and has) *Radio New Zealand* revenue would already be considerably lower.

The Tribunal found that the attractiveness of the *Canterbury FM* proposal for Christchurch outweighed the effect on the Corporation, and on *Radio Avon*.

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

All the applicants would bring to the area the added advantage of broadcasting in the FM mode. In the case of *3ZM* there will be no other existing need met. (Balanced against that is the advantage that there would be no effect on the existing services by the grant of that application.)

Radio Avon's Music 90 FM fills a need among an older audience some of whom have been less well-served by current FM stations in New Zealand.

The *Mainland FM* application would be a rival for much of the audience of *Radio 3ZM*. In this sense that applicant brings fewer advantages and more disadvantages than *3ZM*. It would, in our judgment not serve the market any better than *3ZM FM*.

From past experience it is clear that in terms of needs the demand in fact comes from the younger age group in the sense that they will use the services when provided. The older age groups tend not to use such services immediately and probably growth in that area lies only with time and the ageing of the audience which has become used to tuning to FM. This could begin to change with the introduction of the *Concert Programme* on FM later.

Radio Avon proposes some concentration on news which is one of the requirements of the older audience, but the FM station would not hope to match the whole informational gamut of the AM stations such as *Radio Avon AM* and *3ZB*.

A grant of a second Christchurch warrant to *Radio Avon Ltd.* would not stimulate the radio performance in that city. A grant to one of the new entrants will bring in some new aggression in programming.

A grant to a new entrant will promote and stimulate the development of FM broadcasting. The consequent combination would fill more needs than a possible future of *3ZB* and *Music 90 FM* and *3ZM-FM*.

Allowing *Radio Avon AM* to continue with *Music 90 FM* would mean there would be no new competitive element and could possibly deny another private operator access to the South Island.

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

We were impressed with Mr McElhinney and Mr Celmins, respectively manager and programme director of *3ZM*. It is obvious that the skills of these men and other *Radio New Zealand* executives have set a standard for others to emulate in both programming and marketing in Christchurch.

The Corporation has displayed its financial and marketing abilities in Christchurch in recent years. The financial arrangements appear to be adequate.

Radio Avon Ltd. has displayed financial and commercial ability since its inception. It has been suffering lower ratings more recently but we are not inclined to take too much notice of the immediate position which tends to be cyclical and to depend on current management and programming activities rather than reflecting the financial and commercial ability of the applicant overall. It also reflects improved performance by *Radio New Zealand*.

Mr Wesley was the key man for *Music 90 FM*. While we were impressed with his background and experience, his recent radio programming activity was limited and the new station seemed dependent, not only on those skills but also on his capability as managing director which would involve marketing and other responsibilities. The management support resources for him seemed too slight.

With regard to *Canterbury FM Ltd.*, it relies on the expertise in radio of the Metropolitan/Magic proprietors in Auckland and of local directors including those with business experience of *The Press* newspaper company in Christchurch.

Likewise *Mainland FM* will use the experience of its successful operations in Hawkes Bay.

Both have had to meet intense competition but the extensive experience of Messrs McKay and Egerton will be invaluable.

To some extent both the new entrants depend on consultative expertise from the north. Since this also applies to some extent to *Radio New Zealand*, on balance nothing seems to rest on that aspect. Consultation with stations in other markets or people experienced in programming in other markets is a wise course which is adopted by many stations from time to time.

The *Mainland FM* application was not as well researched and the depth of expertise not as impressive as with *Canterbury*. Mr Parsonage is obviously capable but he would be rather too much the linchpin in Christchurch, and at the same time responsible for the station in Hawkes Bay. We did consider too much emphasis was placed on night-time revenue, mainly because the projections by Mr Ballantine lacked the depth of research and adequate time for reflection.

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

We are satisfied all the applicants are likely to carry on the service satisfactorily.

We are not satisfied on the evidence that the alleged failure of Metropolitan to adhere to its promised target audience in the Auckland market should be drawn into this application.

The likelihood of any applicant carrying on the proposed service satisfactorily does depend to some extent on financial results. In this respect we are somewhat concerned about the practicality of the audience share proposed for *Radio Avon Ltd.* in the initial years and would expect that the FM operation would be unprofitable for several years and could be a considerable drain on the AM operation.

We have some doubts about the ability of *Mainland FM* to attract the revenue that they anticipate. Of the non-Corporation applications, *Canterbury FM's* financial projections were the most convincing.

The likelihood of the ZM operation being carried on satisfactorily partly lies in the Corporation's size which enables it to absorb any initial losses. *Radio New Zealand* would provide *3ZM-FM* with research staff and other resources.

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

The evidence produced by the Corporation showed that *3ZM* was supported mainly by 10-30-year olds and that 15-19-year olds are heavy listeners. There is a low level of dissatisfaction in Christchurch and a low level of changeover between stations. However, more of the *3ZM* audience are keen for their station to shift to FM (70 percent) than is the case with *3ZB* (49 percent), *Radio Avon* (47 percent) and *YA* (45 percent).

Their proposed format is reflected in the survey. The 15-30-age group were attracted by a top 40 format the contemporary album appealing more to the 20-24-year olds.

There was a strong view that there was room for improvement in sound quality.

The McNair Survey produced by *Canterbury FM* provided similar useful background information on the stations and their audience.

- (h) *The requirement that frequencies be best utilised in the public interest*

The ZM application will release an AM frequency which could be used in Christchurch for some other purpose in the future.