

Counsel: R. L. Maclaren and B. G. Impey for The Manawatu Radio Co. Ltd., M. J. O'Brien, Q.C. and B. Hudson for the Broadcasting Corporation of New Zealand.

Appearance: D. A. Campbell for Radio Horowhenua Ltd.

DECISION

THE Broadcasting Tribunal called for applications for commercial FM broadcasting stations to be established for the Manawatu area to transmit from the site of the television station of Mount Wharite. The provisional coverage area included the Manawatu and parts of Hawke's Bay, Wairarapa and Horowhenua.

Applicants—The Manawatu Radio Co. Ltd. is the holder of a commercial AM warrant (2XS) for Palmerston North. The company would convert its AM operation to an FM operation. The company is seeking a supplementary warrant to continue an AM operation for a period of 3 years. The company would seek to co-site with the Broadcasting Corporation's television transmitter.

The Broadcasting Corporation of New Zealand applied for a warrant to broadcast an additional radio service in the Manawatu area. The service would be continuous. There would be some hours of local origination; the rest of the time the station would relay 2ZM from Wellington. The Corporation would continue to operate its AM station, 2ZA in Palmerston North.

Both applicants propose broadcasting with a maximum effective radiated power of 15 kW.

The coverage area is extensive and includes the towns of Dannevirke, Levin, Feilding, Marton and part of the Wanganui area. The signal to the south extends to part of the Kapiti area.

Applications—The Manawatu Radio Co. Ltd. has been broadcasting from station 2XS for 4 years, the coverage area of its AM transmissions being very similar to the coverage which would be attained by the FM proposal.

The applicant accepted the Broadcasting Tribunal's 1981 report to the Minister of Broadcasting on the development of FM broadcasting and claimed a total commitment to FM broadcasting. It proposed that it should retain its AM operation for a period of up to 3 years to protect its "hard-won audience, and the investment of our patient shareholders".

The station said its target audience was a 10-44-year-old group in which the station claimed 59 percent of the audience against 33 percent for Radio New Zealand's 2ZA.

Although it has a talk element the station claimed FM as suitable for its music station operation. It would engage an additional 8 people, but otherwise would share staff. For the first 6 to 8 months the AM station would be used extensively to promote the FM station. At that stage, it was said, 2XS would review the AM operation and then redetermine the exact position of the AM station.

The applicant felt it would be necessary to await research on the effect of the FM station before making changes to the AM one. The applicant considered the audience would switch over in the following order: males 18-24, males 25-34, females 18-24, males 34 plus, females 25-34, males 35 plus, females 35 plus.

There would be economies during the set-up phase and the cash flow deficit would be covered by a term loan from the company's bankers during the first year. Year two would produce a surplus and year three would show a decline until income increased for FM and economies once again developed on the cessation of AM broadcasting.

The AM station's original target age group was designated as 10-34, but the station had developed an audience under 44 years. As a result the applicant had redefined its prime target as under 44 years of age and the programme was so targeted.

The station claimed a strength in the 10-34 age group, exceeding that of 2ZA. (We refer to that later.) Its music was described as "contemporary hit radio, with a slightly adult feeling across certain day parts". The station denied the BCNZ allegation that it had an adult contemporary music based programming, targeted 20-44.

The applicant intends to run a similar programme format on FM with some changes. There would be fewer commercials, a greater variety of new music, and some of the music featured may be presented in a new style, such as in-concert specials or artists' biographies. The Tribunal was told that contemporary hit radio was basically a name for top 40 and top 40 is pop music. There was no particular commitment to New Zealand music, although it noted that because television and student radio were exposing new New Zealand music 2XS would continue to expose such music. It would retain Robin McKay of Auckland as a consultant.

The operation would be conducted by the existing company with the same directors.

The Broadcasting Corporation of New Zealand (BCNZ) application introduced a new concept in radio programming derived from subliminal coding of a message to the local studio to trigger programme material prepared there in advance. The application was therefore not for a full operation as is the existing 2ZA station which provides full programme services, except for networking in the evening and early hours of the morning. The ZM-FM station could be described as a hybrid between a network outlet and a mini-station. Unlike other such local operations the station was not addressing itself to a broad demographic nor providing full community services.

The intention was to extend to the Manawatu the main centre ZM service by a network operation with a 4-hour local operation during peak hours. During the network period up to midnight, local material could be prepared locally for insertion by an electronic trigger from Wellington to give the network programming a local flavour. This would apply to both local commercials and capsules of local information.

The programming can be provided at a lower cost than a stand alone operation and, according to the Corporation, could be successful in the market with lower revenue expectations.

In the first year the total income of the ZM station was likely to be \$477,000 compared with gross advertising revenue last year of the Manawatu Radio Co. Ltd. of \$1,235,654 which (after commissions and other variable expenses) netted \$925,206. At the end of the third year the total ZM income was estimated at \$605,200, after allowing for an inflation factor of 13.8 percent for the second year and 11.5 percent for the third year.

The new station was said to be a contemporary music station with a carefully defined target audience of 15-30. The station would not duplicate services already provided, the Corporation claimed, although it later modified its position when 2XS denied that it was targeted for a 20-44 age group.

The Corporation saw 2ZA providing a news, sport, information, current affairs and music service for 25-54 and the YA and YC programmes providing their traditional services. The student radio station provided alternative music. The ZM programme would provide a mix of predominantly current music with some older material. The BCNZ claimed that the proposal represented a realistic, cost efficient alternative, budgeting on a level of income which could be supported by the present market climate.

Nevertheless the Corporation said, it would provide a full and comprehensive service leaving the listener in no doubt that the station was locally based and reflecting market needs of the local retail community as well as the programme interests and the needs of the local listening audience.

Periods of local origination would be from 6 a.m. to 10 a.m. daily. A toll-free direct line to Wellington would ensure participation in station promotions and contests for 18 hours a day.

The Corporation suggested that the 2XS-FM programme would be targeted to a 20-44 or a 25-44 age group once both FM stations were established. The Corporation claimed the two applications were therefore complementary with 2ZA providing a 25-54 news, sport, information and current affairs oriented programme.

Section 80—In considering the applications, the Tribunal, before determining whether or not to grant each of the applications, had regard to the following matters set out in section 80 of the Broadcasting Act 1976, so far as they are applicable:

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

The 2XS application would introduce an FM service with a broad appeal to the existing coverage area of the AM station. With modifications to the existing programme, we expect it would be a popular programme. The existence of the AM station, at least for a short period, would help to promote audience switching to the FM mode.

The extension of the present service to FM is in accordance with the policy for the development of FM broadcasting and reflects the applicant's commitment to FM. We are not sure that it would be either for the benefit of the applicant or the public for the AM service to continue for as long as three years. While there may be perceived advantages from an economic point of view in sustaining the FM operation during its formative stage, it may, in the long run, simply split the audience.

The AM station has been successful and is providing an attractive radio service.

The ZM application presents a proven appeal to a young (15-30) age group with an emphasis on the 15-25. It introduces some local elements, similar to that of a mini-station and to that limited extent can be regarded as a local service. We had to consider the question of whether this service would conflict with present audience patterns. It appeared that, if this application were granted as well as the 2XS application, the ZM service would compete directly and successfully for the 15-20 age group but may well find that 2XS-FM dominated the 20-35 age group and even 20-40.