

below. Some evidence or argument relates to more than one of the matters but may conveniently be discussed under one heading.

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

United saw itself as the only applicant who would provide a new and distinct programme, a new radio atmosphere and quality for a distinct new, underserved audience. It also advanced the advantage of new advertising formats and programme sponsorship schemes.

Its claim was a courageous one based on what it saw as an identified upper income growing market not served by present commercial radio. We believe the programming would serve a small audience which is partly served by non-commercial services of the BCNZ and partly by Z2B.

We do not accept that there would be any significant increase in listenership. The company may well appeal to people who are not heavy radio listeners. Those who are heavy radio listeners will still find much of what they want in the more heavily talk oriented programmes of Radio New Zealand's 2YA and Z2B.

In terms of desirability, there is no doubt that it would bring an additional service to the Wellington community. The extent to which that service may not be served by 2YA, Z2B, 2YC and Radio Rhema does leave an opportunity for some programming enterprise. But the type of audience they seek will not adapt quickly to the FM mode. Such a station may succeed in attracting a satisfactory audience some years later when FM has become a more familiar process of listening. All the experience is that the younger audience is the first to shift to FM.

The Windy FM proposal was based on a known quantity (Windy AM), having the people and money to experiment from a position of strength. It was based on the premises that the Wellington audience was more oriented to talk-back and non-commercial radio; ZM-FM would take some audience; the segmented market is well exploited; there may be impact from a Horowhenua station; and coverage problems. The new element was beautiful music on FM.

The Windy FM proposal in effect provides for the existing Radio Windy AM format to be provided simultaneously on FM during the peak breakfast and drive time periods and during the low listenership of midnight to dawn.

During the other daytime and evening segments, a new service would be provided directed to an older audience which would not be substantially attracted to the ZM format. For the person who continued listening on AM or FM the format would change, not just because of the type of listener being served from time to time but because the station was going on or off simulcasting. We do not consider this would satisfy either the AM audience, which would further diminish, or the FM audience which would be moved back on to a more talk-oriented AM format during drive time or breakfast time.

The proposal suffers from not offering a consistent alternative FM music based approach. While simulcasting reduces costs, we believe it would at best be only a halfway house which the applicant is not prepared to move out of in even a short period. It is an unconvincing compromise.

Wellington FM aimed at an adult (primarily 25-44-age) group. It intended to feature an even mix of easy listening soft rock, music of the 60's and 70's and middle of the road current music. It put it forward as a known, tested and accepted programme format and one which is found in most metropolitan centres. The individual music tracks would be selected to appeal to the 25-44-age audience. The programme was criticised as essentially the same as Radio Windy AM and therefore offering no alternative to listeners in the Wellington market. The applicant pointed out that the music would be broadcast in the FM mode which was fundamentally an alternative. The question of complementarity should lie within the proposed FM programmes, not as between AM and FM. The company said it would be virtually impossible to establish a commercially viable radio station in Wellington without there being some overlap with at least another existing station.

The Wellington FM station would be music oriented with a much higher proportion of music than Windy. It would also be less personality oriented.

We concluded that the two most desirable proposals in the public interest would be the proposals of Z2M and Wellington FM. Both provided a recognised appeal and the fact that some of the music was the same as an AM station which also offered other services, including much more talk, does not deny the validity of the Wellington FM case.

(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

There was a conflict of evidence as to the amount of "room in the market".

Wellington FM pointed to a past continual increase in real terms of revenue for radio in the Wellington market which would continue

and would help to sustain a new entrant. United claimed that the additional audience it would bring and the fact that some came from non-commercial audiences, would have less impact. It was generally agreed that the transfer of Z2M to FM would cost the Corporation some loss of audience and therefore some loss of revenue. Radio Windy put forward its proposal as being that which would, together with the transfer of Z2M to FM, provide the best service with the least impact on existing stations.

We cannot possibly traverse all the evidence that was given to us on this topic. What we can say however is that while we do not entirely accept that the Wellington market is as tight as Mr Gold for Radio Windy and Mr Dunlop for the BCNZ would propose, we do not believe it has much more in the way of consistent growth potential in real terms.

Putting that growth to one side, we believe that Mr Dunlop's analysis of the effect of each proposal on each of the existing operators was a convincing analysis even though it is quite impossible to predict with complete certainty the effect which might in fact follow due to the repositioning that tends to occur as existing stations respond.

Mr Dunlop argued that there was no room for another commercial operator for several reasons. He said that Wellington is a more competitive trading market than Auckland and he believed a practical level of untapped revenue for a fourth station does not exist. His evidence was that two of the existing operators, Windy and ZM, had been swinging in and out of profit and that the Wellington market could not support even 3 stations consistently in profit. If a fourth commercial music station operated then at least one station would be consistently in loss.

Mr Dunlop claimed that commercial stations in Wellington already existed on fewer people per station than Auckland (86 666 compared with 91 057). He also said that the retailers' turnover per capita in Wellington was 14.5 percent less than Auckland.

He calculated that Wellington stations extracted 14.2 percent more advertising revenue per capita than in Auckland. When advertising revenue was compared to retail trade turnover, Wellington was 33.7 percent more efficient than the Auckland market in extracting advertising revenue already. He considered that if there was more money available, existing stations would have found it as they needed it. However, he did agree that there was enough revenue available for 4 operators if it were carved up differently.

At present Z2B gets an extremely large proportion. Because of the success of Z2B it is not necessarily the most vulnerable to significant losses of audience share but its high earning rate per percentage share of the market (\$67,483 compared with ZM \$45,321 and Windy, \$54,862) exacerbates the financial effect of every percentage point lost.

Mr Dunlop's analysis for the 1982-1983 year showed the effect on the Corporation and Radio Windy in his estimation of the grant of warrants in various combinations. If warrants were granted to ZM and United, the effect on the Corporation would be \$316,000 if United only achieved a 6 percent share and \$631,000 if it achieved a 10 percent share. In each case the major effect is on the Corporation's Z2B income, which would be reduced by \$270,000 or \$540,000 respectively.

The effect on Radio Windy would be \$55,000 if United achieved a 6 percent share and \$164,000 if it achieved a 10 percent share.

Mr Dunlop calculated that if Wellington FM was granted a warrant and achieved a 7 percent share, its effect on the Corporation would be to take \$271,000 in revenue but it would take \$274,000 from Radio Windy. If they achieved a 10 percent share the figures would be \$384,000 and \$329,000 respectively.

Mr Dunlop said the effect of Radio Windy FM simulcasting and achieving a 5 percent increase over Windy AM, would cost Z2B \$337,000 and ZM \$91,000, a total of \$428,000. Windy would improve its revenue by \$230,000.

It will be seen therefore that the impact of United at its calculated initial audience of 10 percent (which Mr Egerton considered reasonable) would be \$631,000 on the Corporation and an effective \$164,000 on Radio Windy.

We do not necessarily endorse Mr Dunlop's analysis with the absolutism with which he tended to defend it, but we think it is sufficiently cogent to indicate the type of effect on the other stations of the grant of warrants in various combinations. Wellington FM's reasoning for room in the market was commented on by both Mr Keane and Mr O'Brien. We accept that there is substance in many of those criticisms. But we believe enterprise and determination combined with skill and experience can tend to improve revenue slightly each year in real terms.

We deal with the effect on the Corporation more conveniently under the next heading but it is clear that Radio Windy FM proposal would not adversely affect Radio Windy AM plus Radio Windy FM combined in terms of total revenue. The granting of the ZM FM warrant would have a minimal effect. Any other proposal other than United at 6 percent would have the effect of putting Radio Windy into a serious financial loss situation.