

The corporation proposed the establishment of a ZM station to carry a network ZM-FM programme from Wellington with a locally originated programme between 6 a.m. and 10 a.m. and the ability to trigger pre-packaged local inserts by inaudible coding during other parts of the day.

The corporation's proposal involved technical equipment costs of \$269,200. This was made up of establishment costs of transmission equipment and annual rental in respect of the antenna system of \$138,000, with \$131,200 required for fixed and portable studio technical equipment and other equipment.

Radio New Zealand had budgeted for national advertising in the first year of \$84,270 and local advertising of \$282,120 bringing total income to \$366,390. Marginal costs incurred for the station would be \$354,567 producing an estimated surplus of \$11,823. That surplus would increase to \$91,351 in the second year and \$144,442 in the third.

The BCNZ proposed an advertising rate of \$10 for a 30-second spot in the breakfast session, \$6 from 10 a.m. to 4 p.m., \$8 from 4 p.m. to 7 p.m. and \$3 from 7 p.m. to midnight.

The BCNZ said the new station would be a contemporary music station with a defined target audience aged 15-29 years to complement the existing and proposed services provided by Radio New Zealand in the area.

The corporation also applied for an amendment to the 2YC AM warrant to introduce an FM stereo relay station for Nelson. That is dealt with separately from the commercial application in this decision.

Issues

The detailed considerations which led us to our conclusion are set out under the headings drawn from section 80. It is appropriate here however to summarise the major issues put to us by both applicants.

It was accepted by both parties that the market in the Nelson area is not at present large enough to absorb 2 new stations. It was also common ground that there was a gap in the scope of existing services provided by radio in Nelson, although the definition of that gap differed.

The corporation's proposal was to introduce a metropolitan music programme with some local content, directed to a 15-29 age group with an emphasis on 15-24, in contemporary hit radio format. Essentially it would attempt not to compete directly with the existing station ZZN, which concentrates on providing a service to a 25-54 age group.

We have discussed the ZM/FM programme in our Manawatu decision (decision 14/85) and therein set out some of its advantages and disadvantages.

The corporation based its case on the proposed programming, the effect on the corporation, and the advantage of piggy-backing the Concert Programme into the area, but we found no significant public demand for the application.

Fifeshire's is a competitive application which would overlap much more with ZZN and of course would be fighting for its market share as a competitor of the corporation. It would introduce competition into the market place.

The Fifeshire proposal was locally originated, had a great deal of merit, and we considered the programming proposals more desirable than those of the corporation.

It can be desirable to have programming which does not fit neatly into 2 non-competitive slots but rather provides some considerable overlap, thus giving a real second choice to a number of listeners. While it must be acknowledged that a narrow format might better suit those at the lower end of the target age group, a choice for those at the other end of the same age group more than compensates for the dilution of 15-24 music to encompass a wider range.

The tribunal has put considerable weight in its deliberations and conclusion on the desirability of competition between separate entities.

Section 80

In considering the applications for warrants, the tribunal, before determining whether or not to grant the applications, has had regard to the following matters, so far as they are applicable (matters are dealt with under particular headings for the convenient grouping of material, although they may also be relevant under other headings or in relation to more general issues):

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

The Fifeshire application was put forward on the basis that it too would provide programmes complementary to those provided by Radio Nelson (ZZN) with its talk and community based information and music service, through a more musically orientated format appealing to 15-39 year olds.

It was also argued that real competition between the 2 stations arising from their separate ownership would improve radio services generally. There would be alternative international, national and local news, and advertisers would be served by the competition.

The corporation argued that the potential popularity of the ZM format with its target age groups in Nelson had been established by the evidence of Mr Celmins, programme co-ordinator for ZM/FM, and that there was a need for a programme oriented to the 15-24 age group which at present lacked a radio service. The corporation argued, and it was generally acknowledged, that the younger audience was more likely to switch to FM and, as the ZM format particularly appealed to the under 25 audience, the ZM/FM application would help bring that change about.

The corporation contended that granting the Fifeshire application instead of the ZM application would mean there would be greater overlap in the target audiences. The younger end of the potential ZM audience (15-18) would not find Fifeshire a satisfactory alternative musically and a ZM service may well be their choice over Fifeshire.

The contrary view which the tribunal adopted in Auckland when considering FM applications was that the target audience should not be quite as tightly allocated as that. A new station in this situation with a wider demographic appeal, while less satisfying perhaps to those in the younger age group, does provide an alternative service to those at the older end (30-39) of its target audience who will find both the existing AM and the new FM stations acceptable.

In a provincial centre we do not think that aspect should be lost sight of, particularly as it is possible (by what is called "day-parting") to move the programming up or down within the target age group according to the likely audience at the time of day, thus providing at night a service closer to that offered by ZM but in the daytime providing a wider range of music to a wider audience.

ZZN carries a significant information and spoken content. Many of the non-music needs of the listeners 25-39 will be met by that service but for music they may prefer the younger (but not too young) style proposed by Fifeshire. ZM's contemporary hit radio format would satisfy fewer of them and would find less favour in the 29-44 age group. It would also mean that a narrower range of people would gain some satisfaction from the introduction of music broadcast in the FM mode.

The second aspect that we considered important was the local origination of Fifeshire's proposed station initially for 19 hours per day. We believe that this is a benefit to the local community. In this respect although the sophisticated technology used by the corporation can give the appearance of local identification by the injection of lifestyle and other local programming elements by remote control it is a substitute for a full local service rather than the establishment of it.

While ZM would doubtless provide local programming during peak hours (from 6 a.m. to 10 a.m.), its important benefit is to being a metropolitan contemporary hit radio sound to the audience. While we believe this may be desirable provided 3 commercial services are viable, we do not find it to be a priority when there is room for only 2. Indeed we did not find it by any criteria the first preference after ZZN for this area.

As a specialist service with a tight format it seems to fill a third level of service after an established Radio New Zealand community station and a competing independent operation.

We referred to this role in the Manawatu decision (decision No. 14/85):

"Mr Dunlop said that Radio New Zealand has accepted that it was probable that all communities with a population about 40 000 would eventually have 2 local stations and population centres about 75-80 000 would have 3. He saw the ZM service as the third service taking advantage of lower costs from networking which could accommodate it in the market."

After carefully considering the matter, the tribunal concluded that there is much greater benefit to Nelson in the Fifeshire proposals than in the ZM proposals, both in the breadth of audience served and in some other respects mentioned later.

(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.*