Division, as an alternate director to Mr R. J. Avery (Taranaki Newspapers Ltd., publisher of both daily newspapers in New Plymouth, is a wholly owned subsidiary of New Zealand News Ltd). Mr R. L. McKay and Mr T. Egerton, joint managing directors of Metropolitan FM Ltd., Auckland, would be consultants.

Action FM proposed to extend its coverage area by translators to Mahoe and Opunake in the second year and to the West and north-west sides of Mount Egmont at a later stage.

The station proposed initially to broadcast 18 hours daily on weekdays but to extend the service to a continuous one from Friday night until midnight Sunday. The applicant described the target age group as all people under 40 with a core audience aged 18–35. The music was described as being "familiar and consistent with a wide variety of current and old hits spanning years 1965–1985" with 60 percent of available air time devoted to current music and 40 percent to a wide variety of "oldies".

Energy Enterprises Ltd. (BRO 120/85)

The applicant company would have a capital of $750,000. An additional subscription of $100,000 is said to be available if needed.

Energy Holdings Ltd. holds $385,000 of the capital (51 percent). It is owned by the 5 promoters, Messrs Q. T. Bright, J. B. Corbett, S. L. Joyce, V. D. Noldus and D. J. Reid with equal shares.

These promoters have been responsible for Energy Enterprises Ltd. ("Energy Enterprises") applying for 2 short-term broadcasting authorisations during the Christmas period 1984/85 and 1985/86.

The balance of the capital would be held by 23 shareholders. All but 2 of the shareholders reside in Taranaki. The station proposed to broadcast continuously, providing a programme directed to the needs of the 15–39 year old audience and centred around contemporary music presented in a hit radio format.

The proposed joint managing directors of the company are to be Messrs Noldus and Joyce. The other directors would be Mr N. R. Moller (chairman), J. G. Armstrong and D. S. R. Lowe (managing director of Radio Pacific Ltd.). Mr G. C. Smith, managing director of Radio Bay of Plenty Ltd., Whakatane, would be a consultant.

Issues

Many of the issues to be decided in respect of these applications also arose in Nelson. Some corporation witnesses gave evidence at both hearings, so we had more than one opportunity to assess credibility and worth of the evidence. We have carefully considered the evidence given in New Plymouth and there are differences which have led to some different conclusions. However we have tried to avoid repeating verbatim many observations made in the Nelson decision which apply equally here. Our assessment of private and corporation applicants led us to similar conclusions as to their relative merits. We confirm our assessment of many of the issues made in our Nelson decision and have applied them in this decision without explaining them in detail again.

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:

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

The ZM/FM station could be described as a hybrid between a network outlet and a mini station. It would broadcast a commercial service with locally originated programmes for 4 hours per day and with inserts of local programming at other times.

We have described the programming and merits of this operation in our Manawatu decision 14/85 and more recently in our Nelson decision (15/87). We do not repeat that material again but, after hearing the evidence in this application, confirm our previously stated views.

Both private applicants proposed a commercial service, locally based, originating a local programme.

The tribunal came to the conclusion that the private operators' proposals were of a more desirable type for the first of any extra services to the area.

Further, the tribunal concluded that if only 1 warrant were to be granted, it should be granted to the better of the private applicants and that if 2 were to be granted, then there would be strong justification for the second warrant being granted to the Broadcasting Corporation to provide a metropolitan music service.

There were differences in the programme services to be provided by Energy Enterprises and Action FM. We found the Energy Enterprises service to be marginally more attractive than the Action FM proposal.

Energy Enterprises includes a young and able group with additional local support bringing a basically local ownership, serving a somewhat wider demographic target audience with a 24-hour service. It was a well prepared and programmed application, not over ambitious but based on an awareness of limitations on what can be achieved and of financial resources.

We believe the station would have a ready identification with the local audience and be successful.

The Action FM proposal was put together by some competent broadcasters based in Auckland, well but differently programmed and also with good financial resources. It would provide an extension of service later but, on balance, we found it to be less attractive than the Energy Enterprises proposals.

(b) The economic effect which the establishment of the station to which the application relations is likely to have in respect of broadcasting stations already in operation:

(c) The effect which the establishment of the station to which the application relates may have on broadcasting services provided by the corporation in the public interest:

We heard considerable evidence on the effect on the BCNZ. However we are satisfied that market expansion would ensure little impact on the existing station resulting from a new warrant. Even at modest calculations of expansion the potential impact need not be so large as to outweigh the advantage of introducing a new station. We demonstrate from the BCNZ's own evidence one approach to such estimates.

Mr J. G. McElhinney made a number of calculations as to the effect of specific additional services on the market. In an analysis assuming some market expansion on the addition of a radio station, he made these calculations:

Effect on 2ZP

	20% expansion $	30% expansion $	40% expansion $
One additional station:			
ZM/FM	43,000	(187,000)	(417,000)
Energy	175,000	55,000	(285,000)
Action	300,000	70,000	(285,000)
Two additional stations:			
ZM/FM and Energy	678,000	448,000	218,000
ZM/FM and Action	803,000	573,000	343,000
Energy and Action	935,000	705,000	475,000

Unbracketed figures indicate the revenue to be foregone by 2ZP. The bracketed figures indicate amounts available for growth, i.e., there need be no reduction in 2ZP's income if other stations achieve the revenue estimates.

The tribunal has concluded that it is not unreasonable to expect 40 percent expansion in the market. The effect on 2ZP of a 40 percent increase in the case of a grant of a warrant to Energy Enterprises would be nil. The effect of the grant of a warrant to Action FM would also be nil. The effect of granting ZM/FM and Energy would be up to $218,000 and the impact of ZM/FM and Action would be up to $343,000.

It will be seen that on Mr McElhinney's analysis a 30 percent expansion would affect 2ZP by $55,000 in the case of a grant to Energy, $70,000 in the case of Action and not at all in the case of ZM-FM.

The effect on the corporation of the addition of the ZM station only is for ZM/FM to take a projected $503,000 out of the market but to produce a "surplus" for ZM/FM of $122,988. If 40 percent expansion in the market occurs, that would still leave $417,000 for growth by 2ZP. The entrance to the market of Energy only would leave $285,000 for growth. The effect of ZM/FM and Energy would be to cause a possible loss of revenue of $218,000 to 2ZP offset to the extent of $123,000 by the ZM/FM surplus.

At 30 percent the possible loss of revenue to 2ZP is $448,000 offset by the $123,000.

The tribunal considers that the advantages of two new services and their relationship to the disadvantages in terms of the cost to the corporation will ultimately be a matter for the corporation to determine. The corporation is not compelled to take up the ZM/FM proposal. If the corporation believes the cost to be too high, it could delay proceeding with the ZM/FM service. If a choice had to be made on the basis of needs of the area or desirability of service we would consider the corporation could be justified in abandoning the ZM/FM proposal and contenting itself with a profitable 2ZP and an extension of the Concert Programme based on that profitability alone.