

(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—*

Initially the corporation's case was put to use on the basis that the economic effect on 2ZN of granting the application of Fifeshire would be very serious. In evidence however J. G. McElhinney, head of marketing for Radio New Zealand, accepted that the latest figures provided by Fifeshire pointed to there being room in the market for 1 more station, and that it was reasonable to assume that the growth in the market consequential on the establishment of an additional station would be of the order of 20 percent to 30 percent. It was therefore the view of both parties that there was room for 1 extra commercial station.

The tribunal was told that the ratio of population to commercial stations in the Nelson market would be 1 of the lowest in New Zealand if a private warrant was granted. While the retail turnover per station would be comparable to Palmerston North with 3 stations, it would be higher than Palmerston North with its present 4 commercial stations.

The total advertising dollars spent per head of population were ahead of those other centres which suggested a well developed radio market, according to the corporation. However Mr Gold challenged some of the conclusions drawn from those figures, including the retail turnover per capita, in which Nelson's ratio is lower than some other centres.

According to the corporation evidence, the impact on 2ZN if Radio Fifeshire were to gain the sole warrant would be \$57,600 assuming 20 percent growth in the market. There would be no effect if there were 23 percent growth.

We do not intend to embark on a detailed economic analysis of the Nelson market since the parties virtually accepted there should be only one new warrant granted. Although the Tribunal considers there is more growth likely than the corporation estimated, it would stretch the resources of all concerned to attempt the introduction of 2 new commercial services now.

The tribunal found that the Fifeshire application's merits clearly outweighed the disadvantages arising from the effect on 2ZN and the corporation. We then examined whether a second warrant should be granted.

We concluded that it would not be practicable to grant a second warrant to ZM/FM at this stage.

In particular, to do so would appear to put the corporation in a less than satisfactory financial position since the cost of the second station would be borne to a considerable extent by the corporation, thus reducing its ability to support and extend its non-commercial YC/FM programme.

Furthermore, to issue a third commercial warrant, it would have been necessary to reduce the advertising minutes per hour for ZM/FM to such an extent as to make the proposition unattractive to the corporation. The corporation clearly considers the delivery of a young people's popular music programme as a public service only if it can be self-supporting from commercial revenue.

The ZM programme cannot, therefore, by the corporation's own policy be seen as a public service element of the corporation's activities as contemplated by section 80 (c). If it were, the effect of the non grant, the lack of a ZM/FM service, is minor.

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

One of the benefits put forward for the ZM/FM application is that the "tandem" YC/FM service would be established at the same time. Evidence of the importance of the Concert Programme to this area was given to the tribunal.

However we conclude that the tribunal should not come to a decision to provide a clearly less desirable service to the bulk of the listeners of this area, some four-fifths of whom are commercial radio listeners, in order to bring benefits to an audience of 3 percent to 5 percent who are potential listeners to the Concert Programme on FM.

The tribunal was nevertheless concerned that the corporation's current difficulty in extending non-commercial services because of lack of public broadcasting fee income, would prevent the establishment of a Concert Programme service to the city and environs in the near future.

A proposal was put forward by Fifeshire to pay for the cost of a transmitter and antenna to bring the Concert Programme on FM to Nelson. Although the offer was made late in the day and understandably the corporation could not give a definitive view on it, a good deal of cold water was poured on it by Mr McGrath. He quite properly referred to a number of factors that would have to be taken into account by the tribunal, such as the ability of the station to perform any such undertaking, particularly at a time when it projected its most adverse cashflow. The possibility of an appeal for public funds was criticised because the Nelson School of Music had already held such an appeal recently and people were still contributing as a result of pledges to that appeal. The corporation said that under such a scheme it would still incur significant costs.

The cost situation was an interesting one because it appeared that the corporation might want to charge the full proportional costs on line use applicable to this station, whereas it could have been expected that to charge the marginal additional costs would have been the appropriate way of looking at providing this extra service. (That indeed was the approach taken in costing the ZM/FM application.) To charge the full cost would be to relieve the corporation of costs in other areas because of the sharing of expenses and to improve its operating surplus. It also appears that the line cost is based on the signal going from Wellington to Palmerston North where it is switched south.

When the corporation reflects on the situation it may well decide it would not be unreasonable to meet line costs, and deliver this network programme relay as part of its public service obligation if the cost of a transmitter antenna and local running costs were carried by Radio Fifeshire.

We believe such an arrangement could be entered into and the Corporation ought to look positively at ways of achieving the purpose: to bring the Concert Programme on stereo FM to Nelson.

We do not underestimate the problems faced by the corporation in extending non-commercial services to any area. But it is noteworthy in view of the "tandem" approach now being adopted by the corporation, whereby the corporation's establishment of a ZM service in the area would provide the economic justification for establishing the Concert Programme on FM, that the local station surplus and contribution to the corporation was \$475,000. Although we appreciate that this sum is not equivalent to profit, it could seem to Nelson people to provide ample reason for an existing "tandem" approach to be adopted without the need for any further capital expenditure by the corporation to establish a ZM/FM station. Such a commercial enterprise, on its own projections, would provide no immediate resources to establish Concert Programme FM. It would not make anything like as substantial a contribution to the corporation's net position after its establishment as Radio Nelson is making at the moment and appears to have been making for many years. It is clear therefore that if a tandem approach to commercial and non-commercial services (whereby one could subsidise the other) were to be considered locally, there would have been made out an excellent case for the establishment at some earlier date of the YC/FM service to Nelson, notwithstanding that the National Programme is already provided by relay. We make these observations aware of many other factors which govern the corporation's allocation of resources.

In considering the needs of the Nelson audience, we believe an important priority must be the provision of the best commercial FM service to the majority audience, which in this case we have decided is best done by Fifeshire.

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

The application of Fifeshire was a strong one with strong local shareholding, the support of Radio Windy and its managing director Mr Gold, with Mr Ihaia, a Maori broadcaster, holding 6.66 percent of the shares, bringing what we consider to be reasonable management potential. The financial proposals are sound and the application well planned and prepared. The evidence supported the availability to the revenue projected.

The corporation's proposal was also well prepared and supported in evidence, the financial projections providing surplus figures—which have to be distinguished from profit—of \$11,823, \$91,351 and \$144,442 in the first 3 years respectively.