Public v. commercial radio: a pointless war

CU examines the very different parameters with which New Zealand's commercial and public radio operators conduct their businesses

Radio is a way of life in New Zealand. Some 95 per cent of all listeners aged 10 years-plus listen to radio about 23 hours every week. There are 25 stations in Auckland alone and with the government set to sell off the spectrum between 100 and 108 FM, the number of commercial and public radio stations in the country will soon exceed 200: that's one for every 17,500 people.

Listeners have a large choice: the commercial networks include The Radio Network which is owned by the Australian Radio Network, Wilson & Horton and U.S. public company Clear Channel; Radio Pacific; More FM which is owned by Canadian media conglomerate CanWest Global Communications; and Radio Otago. Then there are the public radio networks operated by Radio New Zealand (RNZ): National radio, Concert FM and Access community radio.

Lately, listeners have been casting their votes at the feet of RNZ stations in what ex-chairman Brian Kensington recently described in trade media as a "flight to quality". National radio, Concert FM and Access radio take roughly a 20 per cent share of national audience ratings, averaging 417,800 listeners a week in the 13 main metropolitan and provincial centres of New Zealand, and in excess of half a million nationally. In some centres, the seat of power, politicians and public servants in Wellington, for instance, National radio is the number one rating radio station.

While public radio offers news, opinion, classical and other forms of music, the commercial networks offer talk-back shows, contemporary pop and rock music, and coverage of sport and race meetings. Not surprisingly, the audience demographics differ wildly: public radio is listened to generally by the older, higher socio-economic group, commercial radio is favoured by younger, less affluent people.

What bothers the commercial networks most is that public radio has mounted a very successful attempt to boost its ratings by broadening the appeal of its programming. Brent Impey, executive director of the Radio Broadcasters' Association (RBA), says there are several points concerning public radio with which the commercial networks take issue.

"Radio New Zealand has a ratings clause in its contract with New Zealand On Air [NZOA, the body established in 1989 which apportions the revenue raised by an annual household broadcasting fee] that states that to access continuing funding it must achieve ratings. We at the RBA say that public radio should concentrate more on achieving non-commercial objectives and not chase ratings. Being ratings driven is not correct," he says. "Public radio has non-commercial social objectives which should be to air only programs which commercial broadcasters cannot air because they are not commercially viable."

No one would deny that the public radio networks are chasing ratings. But it would seem unreasonable to demand that they broadcast programs that no one listens to. "There is no point in putting NZ$21.4 million-worth of taxpayers money out there for services that are not listened to," says one industry observer. "Surely it's a good thing that audiences for public radio are increasing? It proves that there is a market for it."

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The second issue Impey raises concerns audience research. He says that the advertising market has now become so competitive that advertising agencies and media planners need audience research to be as customised as possible in order for them to best interpret the data and plan media schedules more effectively. "The ratings research tendered by the RBA should be for commercial broadcasters only, not public radio broadcasters. To this end, we have already advised Research International [the company which carries out radio audience ratings research in New Zealand] that it will do ratings only for commercial broadcasters from 1999. Commercial radio competes against all other media for advertising dollars and the parameters guiding commercial research are not the same as those for public research."

Radio advertising revenue totalled NZ$172 million for the 1997 calendar year, a four per cent increase over 1996's NZ$165 million. And though business is tough, the 1997 figure represented 12.4 per cent of total advertising expenditure and was the greatest growth year-on-year of all media in New Zealand. For the first six months of 1998, the commercial networks were already ahead of the same period in 1996 by five per cent.

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In Australia, radio accounts for a smaller share of the advertising pie - 8.8 per cent in 1997. The global average is 6.5 per cent, according to data from World Advertising Trends. The reason that radio advertising has such a large share of total advertising expenditure in New Zealand is that it is a regional medium. Television is network and nationally driven rather than regionalised so it is more cost-effective to spend advertising dollars on regional commercial radio rather than television, if the target audience is not national.

"It's true that commercial radio dollars have grown in the past year though most of this growth was driven out of advertising agencies," says one agency media director. "But there probably won't be enough advertising spend to make up for the additional stations coming online because the pie won't grow any bigger. You also have to allow for the impact of Prime TV, a regional television network set up by the Seven network affiliate in Australia, which will replace the former Horizon Pacific network run by state-owned Television New Zealand. Prime TV has to get revenue from somewhere and because it is regional it may well take ad revenue share from commercial radio in smaller markets where people haven't been able to afford to advertise in mainstream media before but will have the opportunity now."

The RBA also disputes the amount of funding which RNZ needs, saying that the recently expired three-year deal of NZ$19.4 million a year from NZOA was more than enough. Before announcing a new deal, the government conducted a review, examining public radio budgets in detail. It came to the conclusion that public radio was NZ$2.8 million underfunded. It then wrestled with whether it should introduce sponsorship or some form of advertising to generate the shortfall. But the issue became too politically hot and untenable so the government abandoned the idea and instead gave NZOA an edict to take NZ$2 million out of the existing broadcasting budget and use it for public radio. RNZ was told to save the remaining NZ$800,000 out of cost-cutting at its stations.

Total radio funding from NZOA now stands at NZ$23.3 million and covers programming, transmission, staff, management and other overheads. NZ$21.4 million is for National radio and Concert FM, the balance is for Access radio, a network of community radio stations and Pacific Island community radio services.

The NZ$2 million which NZOA was told to find was cut from two sources: one, the budget for television program production; and two, a NZ$1 million fund set aside last year in a scheme to kickstart a re-growth in independently produced local radio drama on commercial radio.

Not surprisingly, commercial radio operators opposed the increases in funding, saying that public radio was in fact overfunded. "When the government announced the funding increase, you can imagine the reaction of the commercial broadcasters," says one industry observer. "They were irate because they lost the drama production fund. NZOA had reached the end of the road in terms of collecting more revenue from the broadcasting fee and had to find the extra dollars out of a flat budget. It had very little choice other than to find the monies from existing allocations."

At NZOA, radio manager Brendan Smyth says that it's time the government reconsidered an earlier decision not to increase the broadcasting fee which has not kept pace with the Consumer Price Index growth since 1989 of 22 per cent. "The government needs to look again at the level of the broadcasting fee. In the U.K., which is where we inherited the fee approach to providing broadcasting services, the licence fee is now in excess of NZ$300 a year. In New Zealand, it has been NZ$110 for almost 10 years. We have lobbied for a rise to NZ$123 per television set household which would enable us to address the National radio and Concert FM problems and other areas of expenditure - but the government has said no.

"We are in a predicament and we need the government to act."

Karen Winton