

AM radio continues



to evolve

The AM radio market continues to evolve and talk formats on metropolitan AM radio continue to perform relatively well. At the same time, however, there has been a shift of listeners from AM to FM and there is more competition for audiences.

ACMA's report into the state of AM radio in Australia, *AM Radio Issues*, examines technical and transmitter site issues, as well as audience, profitability and ownership issues affecting the delivery of AM radio services in Australia. It also examines the potential future for AM radio in a digital environment. The findings are intended to assist in broader consideration of issues affecting AM radio.

'Digital radio offers the potential to solve some of the problems experienced by AM services in the analog environment, including offering higher sound quality,' Ms Maddock said in releasing the report. 'Any conversion of regional analog AM to FM ahead of digitalisation needs to be considered within the framework for the introduction of digital radio announced by the Minister for Communications, Information Technology and the Arts in October 2005.'

AM Radio Issues was prepared by the Australian Broadcasting Authority (one of ACMA's predecessors) and was presented to the Minister, Senator Coonan, in 2005.

The report shows that ACMA does not see a need for AM-specific changes to the regulatory settings governing the control of commercial radio licences at this stage, particularly in metropolitan areas where AM services perform well in competitive markets. ACMA does not have a particular view on the merits

of changing the control rules in relation to commercial radio broadcasting services generally.

There is concern among some metropolitan broadcasters that the conversion of regional AM services to FM would create a precedent for conversion to FM in metropolitan areas as well. However, the analysis of the differences between regional and metropolitan AM radio services does not support a nationwide conversion policy.

ISSUES EXPLORED IN THE REPORT

TECHNICAL

AM radio:

- generally has poorer sound quality and is less suited to music formats than FM
- is more prone than FM radio to the increasing 'noise' from other sources of electromagnetic radiation.
- can travel further than FM, so some AM services can provide very wide coverage in regional and rural areas
- transmission facilities cost more to establish and maintain.

AUDIENCE

AM radio:

- has progressively lost younger listeners to FM radio since it was introduced in the 1980s, and there has been a shift of mainstream radio listeners away from AM
- has maintained its audience share with older listeners
- talk formats have performed well recently in metropolitan areas, in terms of overall share.

Audience share data for ABC services in Sydney, Melbourne

and Adelaide showed increasing support for AM among most demographics.

OWNERSHIP

Market size afforded some opportunity for economies of scale, with more than 260 commercial radio broadcasting licences in 97 distinct market areas.

Ten companies were in a position to exercise control of 75 per cent of the AM licences.

Around half the commercial radio licences in regional areas were owned by a monopoly in that market, with more than 95 per cent owned by a monopoly or duopoly.

Around 20 per cent of all AM commercial radio licences had been traded each year since 1994 (with the exception of 2001 and 2002). There had been a steady market in the sales of commercial radio AM services, but the precise value of the market was unclear.

PROFITABILITY

AM radio services comprised 42.5 per cent of the commercial radio licences in Australia, but accounted for only 28 per cent of total radio advertising revenue in 2002–03, or 15 per cent of the profit.

Regional services accounted for approximately nine per cent of total radio advertising revenue, compared with approximately 19 per cent for metropolitan services.

With one key exception, the value of an AM service was generally much lower than an FM service.

DIGITALISATION

There was uncertainty about the policy settings for digital radio and therefore uncertainty about the implications of digital radio for AM.

The key digital radio technologies, Digital Audio Broadcasting (DAB) and Digital Radio Mondiale (DRM), each have distinct characteristics that may affect AM.

Conversion to DAB would allow AM operators to achieve greater audio clarity, however, DAB appeared poorly suited to achieving equivalent coverage to wide-area regional AM radio.

DRM also offers higher sound quality than AM, although only to around FM quality. It is less flexible than DAB in terms of ancillary data services, but would operate on HF and MF frequencies and achieve equivalent coverage to wide-area regional radio.

DAB may be well suited to digital radio in urban areas but more problematic as a replacement for wide-coverage regional AM.

The feasibility of conversion models involving DRM as well as DAB will depend on the availability of affordable dual-system receivers.

***AM Radio Issues* was released on 4 January 2006. It is available on the ACMA website. Go to ACMA > Publications > Radio & Television > Broadcasting > Research.**