

RADIOCENTRE RESPONSE TO BBC PUBLIC INTEREST TEST CONSULTATION ON NEW MUSIC RADIO STATIONS

May 2024

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EXECUTIVE SUMMARY

Introduction

1. It is crucial to understand the context for UK radio when examining the BBC's proposals.
 - The BBC has a unique and dominant position in radio in the UK, and this has persisted over time.
 - Commercial radio is growing, due to significant investment, innovation and risk taking by commercial providers.
 - While audience habits are changing, and there is a more diverse range of audio content formats online, the changes to audio are not the same as has been seen in audiovisual, meaning the BBC still retains its market power in radio in the UK and is likely to continue to do so.
 - Commercial radio advertising revenue is very sensitive to listening hours, so any loss of listening will be felt acutely. It is not traded in the same way as the television market.
 - Online is an important and growing source of audiences for commercial radio, a trend that is set to increase over time.
2. When launching new services, the BBC must make a compelling case that the proposed changes contribute to its mission and public purposes.
 - The BBC must clearly articulate how proposed changes deliver public value and contribute to distinctiveness (as set out in the BBC Charter and Agreement). This must be more than simply playing music.
 - Given the scale of the BBC's proposals and the potential for adverse market impact, combined with the fact that these proposals are not new, we would have expected a far more detailed assessment within the Public Interest Test (PIT) consultation document. The relative lack of detailed information available at the time that the PIT was published means that much of the BBC's assessment and analysis will only be available at a later stage and provided to Ofcom as part of the BBC's PIT submission, with limited (if any) opportunity for third-parties to review and comment.
3. Ofcom's guidance on the PIT process notes that any change must satisfy the three conditions:
 - It contributes to the fulfilment of the mission and one or more public purposes.
 - There are no unnecessary adverse impacts on fair and effective competition.
 - The public value of the change justifies any adverse impact on fair and effective competition.

The proposals do not contribute to the fulfilment of the BBC's mission nor its public purposes

4. The relevant characteristics of the BBC proposals demonstrate that the public value proposition overall is minimal, resulting in a poor investment for licence fee payers:
 - They are not distinctive, based on both analysis of the expected output and according to potential new audiences, following a survey of over 3,440 radio listeners, with fewer than 1 in 5 saying they are different to existing services.

- They do not include news, and more broadly contain very little speech content.
- They target an audience already served by commercial radio providers, implying their success will come at the detriment of the commercial sector (and in a market context where overall radio listening has remained flat for some time).
- There is no evidence that the output will be new, original or additional to what is available already.

5. Therefore, they do not contribute to the fulfilment of the BBC's mission or its Public Purposes:

- The PIT omits two of the BBC's public purposes entirely. There is no mention of Public Purpose 1 (provide impartial news and information) or Public Purpose 2 (support learning for people of all ages) and only a fleeting reference to Public Purpose 5 (reflect UK culture and values to the world).
- The BBC claims its proposals will contribute to Public Purpose 3 (provide creativity, high-quality and distinctiveness) and Public Purpose 4 (reflect, represent and serve diverse communities), but the lack of distinctiveness and other narrow characteristics means that there is no evidence of this.

The proposals create unnecessary adverse impacts on fair and effective competition, that would damage the commercial radio sector

6. Radiocentre's own conclusion, based on independent analysis of the information available to date, is that there will be a significant negative market impact. We commissioned leading economic consultancy, Compass Lexecon, to evaluate the market impact of these proposals. It finds:

- These services are not distinctive. Respondents to a consumer survey of radio listeners said that the proposed extensions sounded like existing commercial services and a significant proportion of listeners to comparable services indicated that they would be likely to switch to an ad free service as proposed by the BBC.
- As a result, comparable commercial stations on digital platforms (DAB and online) are likely to see an 18% reduction in listening hours on average if these proposals go ahead; resulting in a reduction in revenue of as much as 10% or £71m p.a. to the commercial radio sector.
- These services will have a disproportionate effect on existing commercial radio stations as 67%- 78% of each extension's listeners will come from commercial radio.
- The impact on revenues is likely to be exacerbated by the fact that three out of four of the proposed new BBC stations (the two Radio 1 extensions and the Radio 3 extension) explicitly target a commercially attractive younger audience.
- In addition, the Radio 2 extension will make the economics of commercial radio stations targeting older audiences (e.g. Boom Radio) even more challenging.

7. The proposals are likely to have a detrimental impact on competition and innovation in the UK radio market, reducing choice, since:

- Commercial radio would lose a substantial number of listening hours and revenues, placing them under pressure to make cost reductions and reducing resources for investment in new services.
- At the same time, costs may increase as the BBC competes for talent, a scarce resource.

- Entry of new innovative stations may be deterred if successful commercial stations such as are replicated without advertising by the BBC.

The public value of the change does not justify the adverse impact on fair and effective competition

8. Any public value delivered will not be large enough to outweigh this impact on fair and effective competition.
 - The lack of distinctiveness and failure to contribute effectively to the BBC's mission and public purposes means these proposals will add negligible incremental public value.
 - By virtue of the 'copycat' nature of the proposals, the primary means by which the brand extensions will be a success for the BBC will be to take audience share from existing commercial services.
 - Analysis from Compass Lexecon demonstrates that following switching behaviour from existing listeners to the new (ad-free) BBC extensions, commercial radio revenues are likely to be impacted negatively.
 - As a consequence, the net effect of the proposals will be severely detrimental to fair and effective competition.

Conclusion

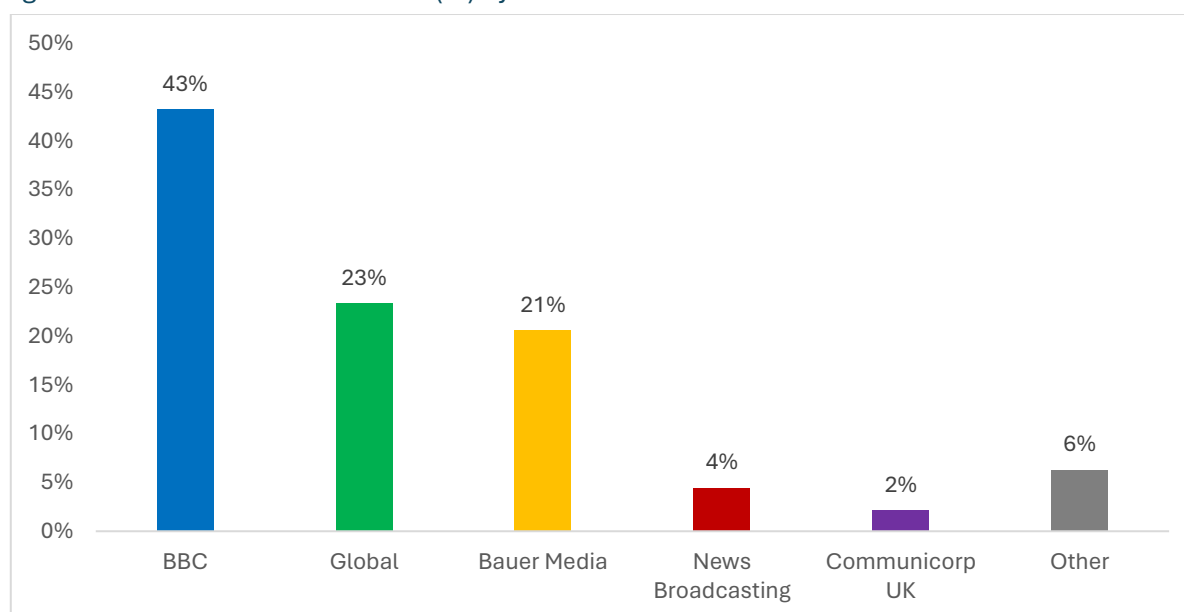
9. Radiocentre therefore proposes that the BBC pauses to redevelop its proposals to deliver greater public value with less market impact and in line with their future strategy rather than continuing to focus primarily on broadcast platforms.
10. In addition, we look forward to engaging on any new / amended analysis by the BBC as part of the PIT process based on further detailed evidence and robust audience data.

1. BACKGROUND

The BBC's significant position in UK radio and its actions can distort the market

- 1.1. The BBC's public narrative about its market position underweights the material differences between the UK radio sector relative to the audiovisual sector. The UK radio market has not evolved in the same way as the audiovisual market in recent years. Radio reach and consumption has remained much more robust than TV, as has the BBC's position within it.
- 1.2. The BBC retains a very strong position in the UK radio market, irrespective of the competition from commercial radio and its recent growth. As a general matter, the BBC's significant market share means that changes to its station portfolio, distribution strategy or to its content propositions on those stations have the potential to disproportionately affect existing and future competition within the UK radio market, as well as undermining investment in and continued growth in the sector, relative to other markets the BBC operates in.
- 1.3. The BBC's PIT consultation document¹ notes the recent success of commercial radio, with the latest RAJAR data² putting commercial radio's share at 55% of all listening hours. However, to present an aggregate figure in this way belies the fact that the BBC remains, by far, the biggest single player in the UK radio market, with a budget for radio content that significantly outstrips that of its competitors combined. The significant position of the BBC is clear from the breakdown of audience share by radio group (Figure 1).

Figure 1 - UK radio audience share (%) by broadcaster



Source: RAJAR Q4 2023

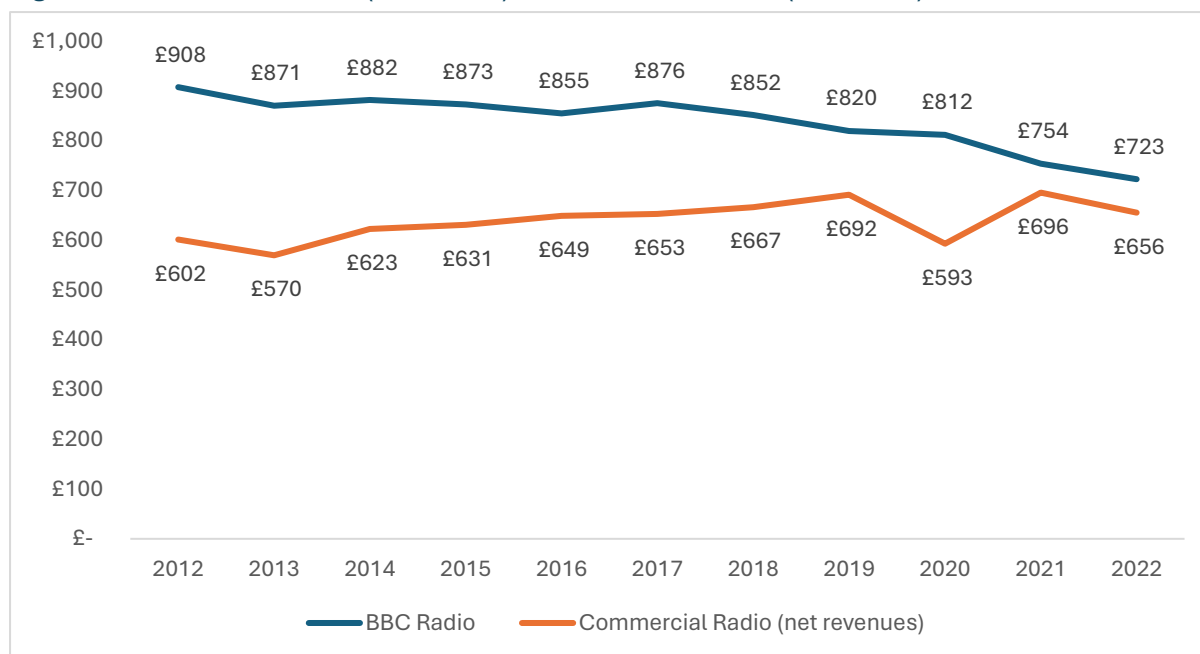
¹ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024

² RAJAR Q4 2023

- 1.4. Even these audience shares by group underweight the competitive dynamics that exist between them, with commercial radio providers adopting content and format strategies across stations and station groups to optimise advertising (and other) revenues, which in turn are driven by audience volumes. The BBC – given its unique funding – competes only for audiences, meaning it is not sufficiently sensitive to the impact of its content and format choices on revenue.
- 1.5. The success of commercial radio in recent years should not be used to underplay the continued dominance of the BBC in the UK radio market. Although the BBC’s level of audience share has dropped below 50% in recent years (currently 43%), it remained over 50% on an annual basis for more than 20 years, since the RAJAR methodology was updated in 1999, up to 2021. This is especially notable given that under UK and EU competition case law, a persistent market share above 40% is prima facie evidence of dominance.³
- 1.6. As a broadcaster, the BBC occupies a highly advantageous position owing to the scale and nature of funding it receives, its unrivalled broadcast network, and cross-promotion opportunities. This privileged position means that there are significant risks that BBC investment decisions will crowd out investment by commercial competitors. The BBC has several structural advantages that enable it to maintain its significant position in the UK radio market:
 - i) **Funding** – licence fee funding for radio, which outstrips the total revenues of the entire commercial radio sector, means that the BBC is free from commercial pressures and can offer services without advertising. Multi-year licence fee settlements also give the BBC income certainty that commercial operators lack.
 - ii) **Spectrum and distribution** – the BBC has benefited from a significant and long-term advantage due to its access to the most valuable broadcast spectrum. It owns four out of five national FM stations, including the only two national FM pop services, Radio 1 and Radio 2. It has continued to duplicate this structural and legacy advantage on broadcast platforms to its distribution online through BBC Sounds, so that it becomes the leading UK platform for radio, podcast and music content.
 - iii) **Cross-promotion** – the BBC enjoys huge marketing and cross-promotion power across TV, radio and online. Despite the scale of the BBC’s cross-media proposition and its role in cementing its dominance in radio, there are still no clear limits in place.
- 1.7. The BBC’s privileged position in audio is also evident when comparing BBC radio budgets with commercial radio revenue (Figure 2). Total BBC expenditure on radio has been declining over the past decade. However, the funding that its radio services receive (through the licence fee) still outweighs the total revenues received by the commercial radio sector.

³ CMA, [Competition law risk: a short guide](#), September 2020

Figure 2 - UK radio revenues (real terms) - BBC vs commercial (£ millions)



Source: Ofcom Communications Market Report 2023

- 1.8. The BBC spent around £723m on its UK radio services in 2022. This far exceeds what any of its individual competitors are able to invest in audio and 10% more than the entire commercial radio sector revenue combined. The contrast is even more pronounced when considering that the BBC has only 54 radio services (10 national, 5 regional and 39 local), compared with around 300 licensed commercial services.
- 1.9. Furthermore, compared with commercial radio, a higher proportion of the BBC's funding for radio will be available to invest in content, as commercial radio revenues must also cover the significant costs related to running advertising and operating as a corporate entity. This is in contrast to the BBC expenditure figure, which reflects the costs running its radio services and not broader operational costs such as licence fee collection, nor the significant cross-promotional advantages that it is able to draw upon when marketing services on its own services.
- 1.10. In the PIT consultation, the BBC notes that the funding for these new brand extensions is 1% of the BBC's radio budget, or £3m p.a.. However, when compared with the budgets of commercial radio, this actually represents a substantial level of funding and will have an outsized impact on operators of all sizes who run lean operations with very small margins. Outside the major commercial radio groups, it is unlikely that any commercial radio operator would have total revenues greater than £3m p.a., with the overwhelming majority of Radiocentre's smaller members each operating with total revenues less than £1m p.a..
- 1.11. Furthermore, we note that, as outlined by the Controller of Regulation,⁴ the BBC does not operate a recharging system across its radio stations and the full cost of programmes is allocated to the commissioning station. This implies a significant cross-

⁴ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024

subsidy for the proposed stations, which is not available to commercial radio stations, and represents yet another advantage for the BBC and serves to further entrench the BBC's privileged position in the market.

- 1.12. Historically, it has been difficult for commercial radio to compete due to the scale of these advantages. However, the combination of a more level playing field on distribution (DAB, online), updates to commercial radio regulation, innovation, and investment by media owners have increased competition in the radio market and improved the relative position of commercial radio in recent years.
- 1.13. For example, following changes in regulation, some commercial radio groups began greater networking across their brands using shared programming. The changes allowed commercial stations to build a national profile for presenters and to compete more effectively amongst themselves and with the main BBC radio stations, while retaining vital local news and information. This has resulted in the successful growth of national commercial brands like Capital, Heart, Hits Radio and Greatest Hits Radio, complementing local and niche services.
- 1.14. Furthermore, commercial radio operators of all sizes have also invested significantly in new stations, spin-off services and brand extensions. Commercial radio operators have also taken advantage of the opportunities that relatively new digital technologies like smart speakers have created for the radio sector. This creative innovation and significant investment from broadcasters has played an important role in improving the competitive position of the commercial radio sector relative to the BBC.
- 1.15. On the other hand, the growth in radio listening taking place online (including on smart speakers) has also led to fragmentation of audiences to a longer tail of smaller and niche content online (including from overseas operators) and even greater competition for vital advertising revenue, presenting commercial radio broadcasters with a significant challenge as they seek to grow while continuing to provide a high-quality and trusted service. In this context, the impact of the BBC's proposals on UK commercial radio will be more severe.
- 1.16. Unlike the BBC, commercial radio broadcasters rely almost exclusively on advertising revenue. Due to the way that commercial radio advertising is sold (primarily based on listening hours), small changes in the BBC's listening share can have a disproportionate impact on the revenue of commercial broadcasters.
- 1.17. RAJAR is the industry wide currency for planning, buying and selling advertising on commercial radio. When RAJAR hours fall, there is a direct impact on commercial radio revenues as a result of less inventory. This impact will be particularly felt by the set of commercial radio stations for which the proposed brand extensions would be competing with (see competitive list set in Table 1). Given the significant overlap with existing commercial services, these competitors will be especially vulnerable to crowding out by the BBC, which would reduce listening hours and subsequently the advertising revenue on which these services depend.

- 1.18. In digital markets more broadly, concerns about incumbent players leveraging their market power to create structural advantages in new or adjacent markets, thereby weakening the ability or incentive for smaller rivals to innovate, are in part why the government is legislating to create a new regulatory regime for digital markets. The BBC's proposals – particularly given the lack of alignment with its strategic priorities, as outlined below – appear to be an attempt to leverage its structural advantage in linear radio broadcasting into development of BBC Sounds, and to support 'locking in' audiences to a walled garden of BBC content. As the development of audio listening online is still relatively nascent compared to linear radio broadcasting, the BBC's actions have the potential to have persistent effects on the development of audio in the UK, and particularly the development of the UK's commercial audio sector.

The proposals do not align with BBC's strategic priorities

- 1.19. The BBC has made clear (in both public documents and speeches) how it sees future distribution developing and the BBC's role in adapting to shifts in listening habits and changes in technology. However, the proposals for four new DAB+ broadcast radio stations do not appear to align with these strategic priorities, which have had a clear and consistent emphasis on the transition to online distribution and the end of linear expansion.
- 1.20. The BBC is clear that its 'Digital First' strategy is to build "*a digitally led public service media company of [global] scale ... [with] fewer brands overall, and ... more activity [consolidated] behind a simple, single brand in the UK.*"⁵ Tim Davie, Director General, has said that "*digital offers a huge opportunity to unlock more audience value but it requires big organisational change: a radical overhaul of how we use data, a heavyweight world-class tech team, new operating models, new creative solutions and ideas.*"⁶
- 1.21. In relation to audio, this would involve "*[accelerating'] digital growth, moving more of the 34 million people who listen weekly to linear radio stations to become habitual users of BBC Sounds.*" The Director General also proposed "*to move some of our broadcast radio and television services off linear where digital provides the better future route to audiences.*"⁷
- 1.22. This follows earlier comments by the Director General in his introductory 2020 speech⁸ where he declared that "*this moment marks the end of linear expansion for the BBC*" noting that the BBC "*will not propose to take any further DAB or traditional TV channel capacity for [its] services.*" These clear statements of intent by the BBC were taken in good faith by the commercial sector and helped shape its own strategy and investments, which are now at risk due to the change in approach being proposed.
- 1.23. These brand extension proposals are therefore clearly contrary to the BBC's stated policy of (1) the move to a digital first/IP future, (2) the end of linear expansion, and (3) a move away from using DAB capacity for new stations.

⁵ BBC, [UK media industry must seize control of own destiny](#), 7 December 2022

⁶ BBC, [Leading the UK into digital - Media Centre](#), 7 December 2022

⁷ Radio Today, [Tim Davie's full speech to BBC staff on a digital-first future](#), 26 May 2022

⁸ BBC, [Tim Davie's introductory speech as BBC Director-General](#), 3 September 2020

- 1.24. Furthermore, the BBC has not provided any compelling new evidence of how these proposals will deliver on the BBC's broader stated objectives. For example, the PIT consultation positions the new stations as an “*essential and cost-effective part in encouraging the digital transition to BBC Sounds*”⁹ without any supporting evidence or projection on how they expect this conversion from DAB+ to Sounds to happen. It is certainly not clear *prima facie* how launching new linear broadcast services will be an effective way of transitioning listeners to BBC Sounds.

The BBC Charter and Agreement was strengthened to ensure a specific focus on distinctiveness

- 1.25. As a public service broadcaster in receipt of £3.74bn licence fee funding, the BBC is obliged to go further than simply attracting audiences; it is required to provide a range of programming and services that meet certain public service objectives. The BBC's public service mission should be reflected in the programming and services that it provides, which include national and international news, documentaries, educational programming, and a range of entertainment options across its various radio stations, television channels, and online services.
- 1.26. The BBC plays an important role in the UK radio and audio sector. Its best and most distinctive programming provides a significant range of distinctive and high-quality content for audiences. Due to the extremely privileged position it holds, it is particularly important that BBC radio services provide public value and are distinctive from the commercial sector. Delivering distinctive output is an area where the BBC has the opportunity and responsibility to excel, providing audiences with content that is not catered for elsewhere in the market, for example through distinctive output across BBC Local Radio. This is central to the mission, purposes and governance framework for the BBC.
- 1.27. The current BBC Charter¹⁰ was amended when it was renewed in 2017 specifically to increase the BBC's focus on distinctiveness and limit negative market impact. Public Purpose 3 sets out the fundamental importance of producing “*the most creative, highest quality and distinctive output and services*” where in particular “*its services **should be distinctive from those provided elsewhere and should take creative risks, even if not all succeed, in order to develop fresh approaches and innovative content***” [emphasis added]. The Charter also places an explicit duty on the BBC to have particular regard to the effects of its activities on competition in the UK, including seeking “*to avoid adverse impacts on competition which are not necessary for the fulfilment of the Mission and the promotion of the Public Purposes.*” The obligations to be distinctive and limit market impact are also clearly evident in the BBC Agreement.¹¹
- 1.28. Ahead of the Charter renewal, the 2016 DCMS white paper ‘A BBC for the future: a broadcaster of distinction’¹² set out a strong case for why these changes to the Charter were introduced – a view supported by a broad range of parliamentarians at the time.

⁹ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.15

¹⁰ DCMS, [Copy of Royal Charter for the continuance of the British Broadcasting Corporation](#), December 2016

¹¹ DCMS, [An Agreement Between Her Majesty's Secretary of State for Culture, Media and Sport and the British Broadcasting Corporation](#), December 2016

¹² DCMS, [A BBC for the future: a broadcaster of distinction](#), May 2016

The government noted that “*popularity itself must not be the primary measure of success for the BBC*” and that the broadcaster “*needs to stand apart from other broadcasters, distinguishing itself from the market*”¹³. It also included a definition¹⁴ of distinctiveness : “*the BBC should be substantially different to other providers across each and every service, both in prime time and overall... and in terms of:*

- *The mix of different genres, programmes and content*
- *The quality of output*
- *The amount of original UK programming*
- *The level of risk taking, innovation, challenge and creative ambition; and*
- *The range of audiences it serves”*

1.29. These priorities were the basis on which the current BBC Charter and Framework Agreement were created. As such, when launching new public services, the BBC must now make a compelling case that these proposed changes contribute to the mission and public purposes. This overarching framework is translated in practice through the safeguards of a BBC materiality assessment, the PIT process and a BBC Competition Assessment conducted by Ofcom. However, the PIT document fails to make this case.

These new services will not be distinctive and the public value case is weak

1.30. The proposals outlined in the PIT consultation will directly target existing commercial radio services and brand extensions (Table 1), which already serve the same audiences with music and entertainment content of this nature. We outline our case in detail in response to specific questions below in this response.

Table 1: Commercial radio services directly targeted by BBC extensions

Radio 1 Dance	Radio 1 00s/10s	Radio 2 Pop (50s/60s/70s)	Radio 3 Classical
Capital Dance	Absolute Radio 00s	Greatest Hits Radio	Classic FM
Capital XTRA	Absolute Radio 10s	Gold	Scala Radio
Capital	Heart 00s	Boom Radio	
Heart Dance	Heart	Absolute Radio 60s	
KISS	Hits Radio	Absolute Radio 70s	
KISSTORY	KISSTORY	Magic Radio	
	Virgin Radio Chilled	Heart 70s	
	Virgin Radio	Smooth Radio	
		Virgin Radio Anthems	

1.31. However, as noted above, the task for the BBC is to clearly articulate how proposed changes deliver public value and contribute to distinctiveness (as set out in the BBC Charter and Agreement). Ofcom’s guidance on the PIT process notes that any change must satisfy the three conditions:

- i) It contributes to the fulfilment of the mission and one or more public purposes.
- ii) There are no unnecessary adverse impacts on fair and effective competition.

¹³ DCMS, [A BBC for the future: a broadcaster of distinction](#), May 2016, p. 28

¹⁴ DCMS, [A BBC for the future: a broadcaster of distinction](#), May 2016, p. 32

iii) The public value of the change justifies any adverse impact on fair and effective competition¹⁵.

- 1.32. The current proposals do not appear to sufficiently satisfy these conditions. Instead, the BBC's response has been to simply assert distinctiveness¹⁶ but without strong evidence to demonstrate this claim. The BBC notes that these extensions will "*better meet the moods and need states of modern audiences*"¹⁷ as part of its public value justification. However, a music intensive service across daytime that simply aims to match listeners' mood states is not, in and of itself, a distinctive service or one that creates significant public value. Indeed, from examining the relatively limited and selective information provided in the PIT document, it is difficult to ascertain what will genuinely be distinctive in these new services. For example, music artists and output appear to consist of the same content as on existing BBC and commercial radio stations.
- 1.33. On public value content, there is limited commitment to speech content and surprisingly no commitment at all to any news output. The rationale for this decision is unclear given there is not satisfactory explanation or evidence to support this decision. The lack of news provision is particularly perverse given that commercial competitors (including many of their brand extensions), which do not receive public funding, offer regular news bulletins. Indeed, for the vast majority of commercial radio services, which are carried on FM and simulcast on DAB, this entails broadcasting news bulletins at least hourly during daytime on weekdays (6am-7pm) and throughout peak-time (late breakfast) at weekends. This is a regulated requirement from Ofcom¹⁸ and will remain so as part of the forthcoming Media Bill.
- 1.34. Similarly, the section in the consultation on 'supporting British creativity' is lacking sufficient detail to understand how the proposals align with this objective. The PIT states that the stations will include talent-led music programming, a broad range of tracks, drawing on the BBC's unique archive, and a focus on UK music. However, the proportion of new and/or British music is broadly similar (and sometimes underperforming against) commercial competitors.
- 1.35. Moreover, as the independent music analysis commissioned by Radiocentre and summarised in response to Question 1 demonstrates, there is likely to be a significant amount of duplication with existing commercial services. Rather than boosting creativity and delivering value, the proposals come across as no more than music jukebox services, alongside a very limited amount (5%) of repackaged existing archive content (and only on two services), with, as mentioned above, no news or speech obligations.
- 1.36. The BBC's attempt to justify the services by arguing that it needs to do more for underserved audiences – in particular younger audiences and C2DE groups – are also unconvincing on several levels:

¹⁵ Ofcom, [Annex 2: Guidance for assessing the impact of proposed changes to the BBC's public service activities](#), 18 April 2023, p.14

¹⁶ BBC, [Plans announced for new, distinctive digital music stations as extensions for BBC Radio 1, BBC Radio 2 and BBC Radio 3](#), 7 February 2024

¹⁷ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 3

¹⁸ Ofcom, [Localness guidelines](#), 22 February 2024

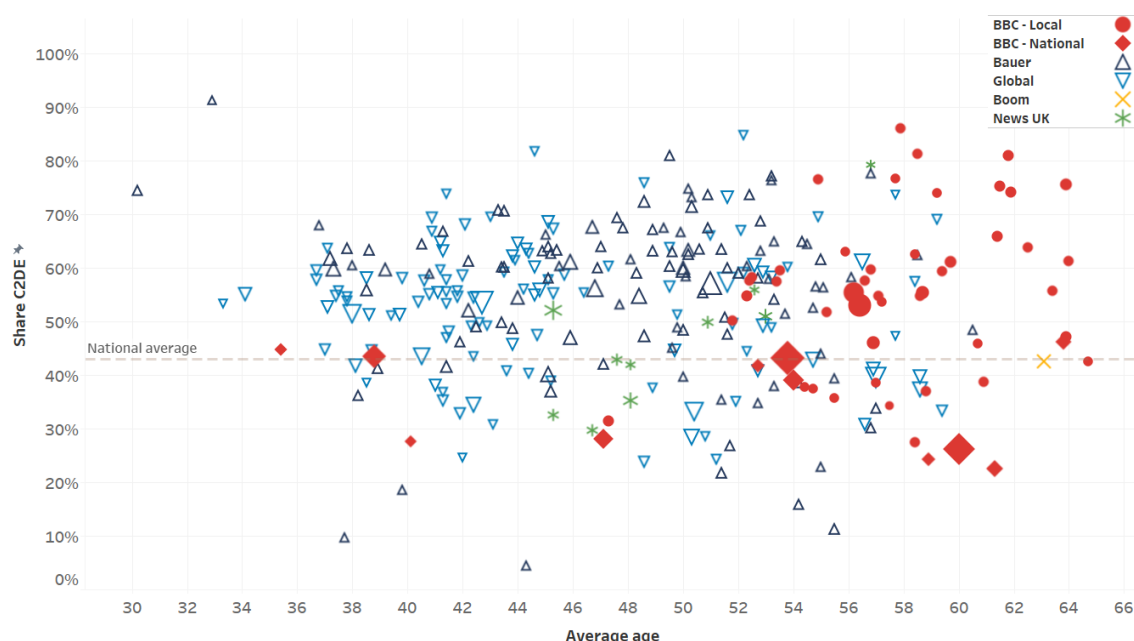
- i) The PIT document misrepresents the task set out by Ofcom in its BBC Audiences Review¹⁹ on doing more for C2DE audiences. The original Ofcom research found that when discussing radio, D and E group “*participants showed little appetite for daily listening, especially to the BBC’s stations. The only time they found themselves listening to the radio was while travelling in their cars with Spotify, Apple Music and other audio streaming services far preferred at other times due to their ability to personalise listening to their favourite music and artists*”²⁰. In fact, the main thrust of Ofcom’s research focuses on how D and E audiences are underserved and misrepresented by the BBC’s *television* output. It is therefore not at all clear that launching new DAB+ radio stations targeting this group is a particularly effective way to deliver more value for these audiences.
 - ii) The BBC seems to be conflating underserved audiences with those that it struggles to reach. This is an important distinction; it is understandable that the BBC should focus on the former, but the latter may already be well served by other content providers. In this case, they are conflating undeserved audiences with those that are better served by commercial radio. Ofcom’s report notes that “D and E groups “*are more likely to listen to commercial radio such as Global or Bauer stations (67%) on a weekly basis than the BBC (46%)*”²¹. This is also true for younger audiences – 39% of the commercial radio audience is aged under 45, whereas 78% of the BBC’s audience is 45+ according to the latest RAJAR figures.
 - iii) The BBC positions its new proposals as addressing underserved audiences, yet at the same time attempts to suggest that a significant proportion of listening to each station will be a result of cannibalisation from existing BBC radio services (that are generally not younger/C2DE). This is inconsistent and appears to be a way of underplaying the impact that these stations are likely to have on the market.
- 1.37. Additionally, RAJAR data shows that commercial radio has a stronger performance among younger and C2DE audiences (see Figure 3 below). The BBC concludes from this (and Figure 5 in the PIT document) that it should therefore seek ways of growing these audiences – and that these new stations will help deliver the desired changes. An alternative view is that this is a market that is broadly complementary – with the BBC serving primarily (not exclusively) older, ABC1 listeners and commercial radio serving primarily (not exclusively) younger, C2DE listeners.

¹⁹ Ofcom, [BBC Audiences Review](#), 30 November 2023

²⁰ Ofcom, [BBC Audiences Review](#), 30 November 2023, p.17

²¹ Ofcom, [BBC Audiences Review](#), 30 November 2023, p 17

Figure 3 - Average age and socioeconomic status of commercial and BBC audiences – weighted by listening hours – 2023 Q4



Source: Compass Lexecon

- 1.38. Finally, there is a larger question as to whether launching new radio stations (on DAB+ and/or BBC Sounds) is the most effective means of delivering the BBC’s stated objectives of reaching underserved audiences in the first place and limiting the potential damaging impact on competition. The Ofcom research cited in the PIT document found these audiences did not generally feel much affinity with BBC radio services and instead desired more from the BBC’s TV output (more authentic representation for D and E groups, and ‘edgier’ risk-taking content for younger audiences²²).

The BBC has failed to undertake any meaningful analysis or evaluation of market impact

- 1.39. We note that the PIT document does not include any meaningful analysis or evaluation of market impact. Instead, it includes a short section on listening projections²³ and notes a high-level list of planned qualitative research and quantitative modelling²⁴. Our detailed analysis on market impact is provided in response to Question 3 (as well as in the Annex).
- 1.40. In summary, the analysis (based on new audience research) demonstrate significant switching to the proposed – ad-free – BBC extensions by respondents from existing commercial stations, which results in a direct impact on commercial radio reach and hours. The overall reduction in commercial radio hours would potentially result in a significant impact on commercial broadcasters and a fall in revenue of around 10% (c.£71m) p.a..
- 1.41. The BBC’s lack of analysis is not consistent with Ofcom’s new guidance on expectations at the PIT consultation stage. The guidance states that “*the public interest test will need*

²² Ofcom, [BBC Audiences Review](#), 30 November 2023

²³ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.23

²⁴ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 31

to set out clearly the analysis and reasoning undertaken to conclude that the market impact identified is the minimum level necessary to deliver the public value and why the market impacts are justified by the public value created”²⁵. Given this requirement and the scale of the proposals and potential for adverse market impact, along with the fact that these proposals have been under consideration for some time, we would have expected far more detailed analysis to be presented at the time that the PIT document was published. We know the BBC has been considering a version of these brand extension services (and others) for several years. The BBC Board approved current plans in October 2023²⁶.

- 1.42. Despite this, the BBC has not provided any significant evidence of research or analysis into market impact, or the related and highly relevant issue of where listening is likely to come from. Even the source and basis of the high-level estimates of listening is missing from the PIT consultation. It does not seem appropriate for the BBC Board, charged with their duties under the Charter with respect to market disruption, to be in an informed position to approve progressing original plans without having access to any substantive market impact analysis.
- 1.43. The main analysis appears to focus on a crude aggregate level for the whole commercial radio sector, which underplays the impact of the proposals on the competitive set of stations where there is significant overlap and duplication. Four new national BBC radio stations would also pose real challenges to small local commercial radio broadcasters that are less resilient given the relative cost of their overheads. We do not consider market share alone to be the best nor only method of assessing the impact on competition. Throughout this response we note the importance of considering the competitive set of stations when evaluating market impact.
- 1.44. We have already highlighted concerns directly with the BBC and Ofcom regarding the modelling and projections contained in the separate materiality assessment for the Sounds-only streams, where two incompatible data sources were used to generate forecasts – mixing two data sets (RAJAR online hours vs BBC Sounds streaming data) which use entirely different methodologies. What impacts occur and whether they are material cannot be determined with this approach.
- 1.45. While we acknowledge that Ofcom does not require the BBC to conduct a full market study and define the market in detail, the limited passing reference to market impact in the PIT consultation leads us to conclude that the BBC has not undertaken necessary due diligence. Even the work it has undertaken on the profile of the market omits obvious station clusters and some significant specific services that will be affected (e.g. Gold in relation to the Radio 2 extension).

²⁵ Ofcom, [Annex 2: Guidance for assessing the impact of proposed changes to the BBC’s public service activities](#), 18 April 2023

²⁶ BBC, [Meeting of the BBC Board Minutes](#), 17 October 2023

The evidence suggests that these services have been designed primarily to help the BBC regain audience share rather than deliver distinctive content

- 1.46. The BBC's narrative²⁷ around the announcement of the proposed extensions is that they each deliver a highly distinctive addition to their core music stations. Yet the BBC's own description, and our subsequent analysis of the music content presented in the PIT document, leads us to conclude that the anticipated output is far from distinctive.
- 1.47. Notably, the BBC highlights the relative success of commercial radio as important context for these proposals. Specifically, it focuses on the fact the commercial radio has recently enjoyed record audience share/reach²⁸. This is revealing and demonstrates that the primary motivation behind the proposals is to claw back audience that has been lost to commercial radio in recent years. This objective was set out succinctly by an unnamed senior BBC radio figure who stated that "It's definitely a way of fighting decline...it's parking tanks on commercial radio's lawn".²⁹

In light of the evidence provided in this response, the BBC should consider alternative proposals to maximise public value

- 1.48. In summary, the BBC's proposals risk having a significant negative impact on fair and effective competition while offering little by way of additional public value. In its assessment of market impact (see Question 3), leading economic consultancy Compass Lexecon finds that:
- i) These services are not distinctive – respondents to a specially commissioned consumer survey said that the extensions sounded like existing commercial services and indicated that they would be likely to switch to an ad free service offering a broadly equivalent content proposition.
 - ii) Commercial stations are likely to see an 18% reduction in listening hours on average if these proposals go ahead, resulting in a reduction in revenue of as much as 10% or £71m p.a. to the commercial radio sector.
 - iii) The impact on revenues is likely to be exacerbated by the fact that these proposals target a commercially attractive (younger) audience.
 - iv) The proposals are likely to have a detrimental impact on competition and innovation in the UK radio market.
- 1.49. Therefore, we are concerned, and have evidence to demonstrate, that the BBC's unique position in the UK radio market, combined with the duplication of existing commercial services, means that the proposals will have a significant negative market impact on the commercial radio operators who serve the same audience. The extent of this market impact would be unjustifiable in any circumstances, but is certainly not mitigated by the lack of public value case that has been set out.
- 1.50. We do not believe that the BBC has presented a clear public value case that these new stations will bring distinctive content to audiences and the BBC has failed to provide compelling evidence of how this will deliver broader stated objectives. In fact, the

²⁷ BBC, [Plans announced for new, distinctive digital music stations as extensions for BBC Radio 1, BBC Radio 2 and BBC Radio 3](#), 7 February 2023

²⁸ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.9 - 10

²⁹ The BBC fights back, Radio Times, 24 February 2024

proposed changes appear to be contrary to BBC's clearly stated policy around future distribution.

- 1.51. The BBC should now take this opportunity to stop and rethink the proposals in order to develop an alternative approach that would deliver greater value for audiences, with a less detrimental impact on competition.

2. QUESTION 1

What do you think about the potential public value of our proposals for the launch of new music radio stations on DAB+, including the extent to which our proposal contributes to the BBC's mission to serve all audience through the provision of high quality and distinctive output and services which informs, educates and entertains?

Summary

Based on the limited information provided by the BBC as part of the PIT document, there is little evidence of any public value for audiences as a result of the launch of the proposed music radio stations.

The BBC makes several assertions regarding quality, distinctiveness and the delivery of its public purposes, but this is not borne out in our detailed analysis of the content described for the respective services.

The BBC only asserts that these stations meet three of their public purposes;

- (Purpose 3) To reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom
- (Purpose 4) To show the most creative, highest quality and distinctive output and services; and
- (Purpose 5) reflecting the UK, its culture and values to the world

Our analysis shows that these stations are in no way distinctive, therefore not meeting public purpose 4. We also demonstrate in the answer to Question 2 how these services do not meet public purpose 3. Finally, these stations aimed at UK audiences on UK DAB by their very nature won't be a showcase to the world so will not meet public purpose 5.

These stations therefore do not meet any of the BBC's public purposes. Public value cannot, and should not, be equated merely with initiatives that expand the BBC's overall reach, particularly at the expense of existing commercial offerings.

2.1. One of the core ways that the BBC can deliver public value is by solving market failure. In the scoping report on *Creating and Measuring Public Value at the BBC* by Mazzucato et al³⁰, the framework is broadened out to highlight other ways in which the BBC can deliver public value beyond market failure. This would be where the BBC shapes and grows the market by building a dynamic eco-system alongside commercial operators. The lack of distinctiveness and innovativeness in these proposals demonstrates that the BBC does neither. Our assessment finds that:

- i) These proposals do not represent the BBC as a trailblazer shaping a dynamic market.

³⁰ Mazzucato, M., Conway, R., Mazzoli, E and Albala, S, [Creating and measuring dynamic public value at the BBC](#), December 2020

- ii) The BBC has not evidenced any other way of delivering public value through these proposals.
 - iii) There is no market failure or lack of provision here as target audiences are already well served by commercial radio.
- 2.2. In the PIT consultation document (section 1.2) the BBC summarises the overall public value that it believes will be delivered from these changes. It claims that the proposed radio services will contribute to its mission and public purposes, specifically Public Purpose 3 (provide creativity, high-quality and distinctiveness); Public Purpose 4 (reflect, represent and serve diverse communities); and Public Purpose 5 (reflect UK culture and values to the world). It goes on to give examples of what the proposed services will offer with regard to public value.
- 2.3. The approach of the BBC is revealing in a number of ways. First, it omits two of the BBC's public purposes entirely. There is no mention of Public Purpose 1 (provide impartial news and information) or Public Purpose 2 (support learning for people of all ages). This alone provides a clear indication of the lack of ambition and relatively narrow scope of the proposed services. As we have noted, the absence of news, information or any kind of educational content is an element of the new services that marks them out as providing a lower level of public value than any other radio service provided by the BBC currently.
- 2.4. Additionally, there is only a fleeting reference to Public Purpose 5 within the PIT document. The relevance of providing DAB+ music radio stations domestically for UK audiences in meeting an objective designed to support the BBC bringing UK culture and high-quality news to the world is neither addressed nor supported with any evidence elsewhere by the BBC. As such we can only conclude that the proposals will not contribute to delivering Public Purpose 5, and, therefore, do not believe it is a relevant consideration to our response.
- 2.5. Consequently, the BBC's assertion of public value that would be provided by these new services would appear to rely on the extent to which they offer elements that support Public Purpose 4 (which we address more directly in response to Question 2) and Public Purpose 3 (which we address primarily in response to this question).
- 2.6. The BBC Charter defines Public Purpose 3³¹ as follows:
- "To show the most creative, highest quality and distinctive output and services: the BBC should provide high-quality output in many different genres and across a range of services and platforms which sets the standard in the United Kingdom and internationally. Its services should be distinctive from those provided elsewhere and should take creative risks, even if not all succeed, in order to develop fresh approaches and innovative content".*

³¹ DCMS, [Copy of Royal Charter for the continuance of the British Broadcasting Corporation](#), December 2016, p. 5

- 2.7. Given the centrality of distinctiveness to both the BBC’s mission and Public Purpose 3, we have sought to assess the public value of these proposals in line with its own framework and specifically the extent to which they are “*distinctive from those provided elsewhere*”³². All things being equal, the public value created by BBC radio will be higher when its services are as distinctive as possible from commercial radio. This is because the impact on fair and effective competition would be minimal, more distinctive services would contribute to growing audiences, support the creative economy and additional value to licence fee payers.
- 2.8. The BBC’s proposed spin-off stations duplicate, to a significant degree, existing commercial stations. Three of the four proposed spin-off stations would be from either Radio 1 or Radio 2 – the BBC’s two largest pop music radio stations with significant brand recognition. Moreover, the two Radio 1 extensions directly target younger audiences – the same audience that is particularly valuable to commercial radio broadcasters due to the higher price that advertisers are willing to pay to reach this demographic.
- 2.9. The shift away from analogue broadcasting towards digital transmission and IP streaming has created new capacity, providing the opportunity for commercial radio to launch a number of spin-off stations that allow it to cater to more specific consumer demand. These include:
- i) **Heart:** Heart 80s, Heart 90s, Heart Dance, Heart 00s, Heart 70s.
 - ii) **Capital:** Capital XTRA, Capital XTRA Reloaded, Capital Dance, Capital Chill.
 - iii) **Magic:** Magic at the Musicals, Magic Chilled, Magic Soul, Mellow Magic.
 - iv) **Absolute Radio:** Absolute 80s, Absolute Radio 00s, Absolute Radio 10s, Absolute Radio 60s, Absolute Radio 70s, Absolute Radio 90s, Absolute Radio Classic Rock, Absolute Radio Country.
 - v) **Smooth Radio:** Smooth Country, Smooth Chill, Smooth Relax
 - vi) **Virgin Radio:** Virgin Radio Anthems, Virgin Radio Chilled, Virgin 80s Plus.
- 2.10. In addition, commercial radio has innovated by offering new standalone services on DAB and online which target specific interests or demographics. For example, Boom Radio, Scala Radio, Fix Radio and Fun Kids. This expansion is a result of years of significant investment from commercial broadcasters who have continued to develop and adapt these services. Listeners now have more choice than ever.
- 2.11. Rather than seeking to identify areas of genuine public value and additionality, which may be difficult to monetise commercially, the new BBC spin-off stations replicate existing commercial radio offerings. Instead of offering a new and distinct service, any public value the BBC asserts will be delivered from these proposals will come solely (or largely) from expanding the BBC’s reach. The public value from this strategy is not evident, as the likely listeners to these new stations are already well served by existing commercial offerings and to a certain extent by the BBC itself.

³² BBC, [Mission, values and public purposes](#) [accessed May 2024]

- 2.12. The public value of these proposals will be maximised (i) the more distinctive the BBC service is, and (ii) the more it attracts a new audience or targets an underserved demographic. However, our analysis suggests that:
- i) The proposed content offerings are already provided by existing commercial stations.
 - ii) The proposed target demographics are already well served by existing commercial stations.
- 2.13. Ultimately the public value proposition for these four new services is minimal, resulting in a poor investment for licence fee payers that will not justify the anticipated significant negative market impact (which is outlined in more detail in response to Question 3).

Proposed output of new BBC extensions

- 2.14. The PIT document provides limited insight into the anticipated content of the proposed extensions. Even the proposed station names have been omitted. While on music output there is some additional information (breadth and range of music, new music, British music and talent, as well as live and specially recorded music) there is very limited information on speech output for any of the four extensions.
- 2.15. Our response to this section primarily focusses on music analysis, alongside anticipated speech output. In order to provide a detailed and robust analysis of the music crossover of the proposed new stations, Radiocentre commissioned Folder Media to compare the likely musical output to that which is currently broadcast on commercial radio and how the launch of these stations may affect existing commercial stations.

Speech output

- 2.16. Overall, the speech output proposals for the extensions – based on the information available – appears to be woefully inadequate for a new public service from the BBC. The narrative around the BBC’s announcement³³ of the proposed music stations asserted distinctiveness, yet as highlighted in paragraph 1.25, one of the best ways for the BBC to achieve this is through strong meaningful commitments to speech output that delivers significant levels of public value.
- 2.17. Figure 8³⁴ of the PIT document indicates a summary of the public value propositions of each individual service, with speech omitted from both Radio 1 Dance and the Radio 1 extension. The document is also unclear on what constitutes speech output, attributing “*storytelling-through-music*” and “*live performances*” to this public value proposition, yet neither constitute what is widely recognised as speech output.

³³ BBC, [Plans announced for new, distinctive digital music stations as extensions for BBC Radio 1, BBC Radio 2 and BBC Radio 3](#), 7 February 2023

³⁴ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.27

- 2.18. We have sought clarification from the BBC on the expected percentage of speech output across the proposed service. In response the BBC noted that *“all shows will have presenters who talk between music, in a similar pattern to daytime radio on current BBC Radio stations. Therefore, there is likely to be between 10-20% speech per hour of music.”*³⁵ This level of commitment to speech is about as low as that delivered by any radio service (and certainly lower than any existing BBC radio service required to deliver its public purposes). It implies that as much as 90%, or 54 minutes each hour, could effectively operate as music jukebox services consisting primarily of curated music playlists, rather than any significant public service speech content. This level of music would be much higher than the amount played on comparable commercial radio services in an average broadcast hour, due to the time that these services devote to news, information, presenter speech and commercial messages in a standard broadcast hour.
- 2.19. Historically, BBC radio has distinguished itself by ensuring that its public service content was delivered by speech content or specialist music. However, the PIT document notes that, in order to appeal to certain relaxing mood states, it would be necessary to reduce ‘presenter banter’ and longer speech breaks to arrive at a more music-intensive service. This contradicts to the stated intention of introducing newer presenters, particularly when the brief is to make a maximalist music service.
- 2.20. Finally, it appears that none of the new stations are set to provide news output. This is contrary to the BBC’s first Public Purpose to use its services to provide impartial news and information and fails to provide public value to audiences that the BBC asserts it currently underserves. This omission is addressed further in response to this question (below).

Radio 1 Dance

- 2.21. Specific plans for speech output for Radio 1 Dance have been omitted from the PIT document. We assume that this implies that no meaningful speech output will feature on this service other than presenter links.

Radio 1 Extension

- 2.22. Plans for speech output for Radio 1 extension have been omitted from the PIT document. We assume that this also implies that no meaningful speech output will feature on this service other than presenter links. While a focus is made of showcasing new talent across the station, as well as *“building fresh on and off-air talent to stimulate growth in the creative industries”*³⁶, this has not resulted in any material commitments.
- 2.23. The proposed budget of £120,000 p.a. is very small and suggests that there is little money to invest in unique or distinctive programming. The PIT document indicates that there will be a live mid-morning show. Even with a main presenter who is less expensive than talent featured on the rest of BBC network radio, this would likely account for much

³⁵ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024, p.8

³⁶ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.17

of the money allocated to the spin-off. The remaining budget would likely be spent on pre-recorded voice tracked programmes.

Radio 2 Extension

- 2.24. The Radio 2 extension is the only service to have specific speech-based programmes in its schedule. Yet commitments to speech are extremely limited and those that have been included are relatively ambiguous. For example, the PIT document loosely states that the proposed new station will provide *“some speech content on a regular basis”*³⁷. No expected percentage of speech content during daytime was outlined in the consultation, nor was the BBC able to provide an estimate when this was requested by Radiocentre in our letter of 10 April 2024.
- 2.25. As we note below, there is passing mention in the PIT document of the use of the BBC archive for the Radio 2 extension. This includes a commitment to feature interviews and special documentaries. It is also asserted that *“speech content alongside the music will provide opportunities for deeper understanding and exploration of the genres”*³⁸. However, it is difficult to reconcile this with the overall limitations of presenter speech and the fact that the BBC have informed us that the station would broadcast only 5% archive programming. In practice, this is likely to mean only around 1 hour of such content each day at a point in the schedule where it will not be seen as interrupting the continuous provision of music.

Radio 3 Extension

- 2.26. On the Radio 3 extension, the commitment to speech is vague. A few examples of BBC Sounds titles have been cited in the PIT consultation, purporting to exemplify how speech output is likely to be addressed on this new extension. However, no tangible details have been provided on commitments during any day part. In addition, we understand that there are no current plans to include archive programming.

News provision

- 2.27. Arguably one of the most important services provided by the BBC – across its range of platforms – is its trusted, impartial news. Compared to all other media, radio news (both on BBC and commercial radio) is especially trusted³⁹ by listeners. It therefore came as a surprise to see that the BBC does not intend to carry news on its new radio stations and its rationale for this decision is wholly inadequate.
- 2.28. The PIT document notes *“these new stations will not carry news bulletins as these are primarily mood-based music stations, and research tells us that listeners looking for a relaxing lean-back listen do not want any interruptions to the tone and mood.”*⁴⁰ The BBC, rightly, has important obligations as a public service broadcaster in receipt of

³⁷ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.19

³⁸ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 19

³⁹ Radiocentre, [Commercial Radio: Beyond the Bubble](#), 8 December 2023, p.28

⁴⁰ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 14

billions of pounds of licence fee income. An opportunity to deliver on the BBC's first Public Purpose has been entirely omitted, seemingly based on the attitudes of a very limited number of survey respondents.

- 2.29. While the BBC's research appears to indicate that listeners are seeking to avoid news *"The relax state relies on switching off from news and current affairs and disconnecting. Looking to avoid any coverage or discussion likely to rile listeners up (including news bulletins)"*⁴¹. This assertion is unconvincing and does not provide a sufficient justification to exclude news entirely, especially as most of the proposed new services are not even designed to provide a relaxed state for audiences (with the exception of the Radio 3 extension). In addition, this finding is contrary to research⁴² that we have conducted on the attitudes to news and behaviour of radio listeners. In this study, just 1% of radio listeners had no interest in news and avoided it if they could. We are in the process of updating this research for 2024 and preliminary results indicate that active news avoidance again remains extremely low.
- 2.30. Other research commissioned by the BBC emphasises the value of its news services. A report from UCL's Institute for Innovation and Public Purpose notes *"being a trusted source of impartial news, that is freely available on all platforms has been highlighted as one of the most valuable services that the BBC provides, both for UK audiences as well as internationally — with the BBC credited as fostering an open dialogue that constitutes a pillar of today's UK democracy."*⁴³
- 2.31. The BBC's justification to forgo news provision falls particularly short when considering the target audiences for these services, namely younger and C2DE audiences. Ofcom's research has found that on average these groups generally consume less news than their counterparts.⁴⁴ By excluding news entirely from these services the BBC risks neglecting its responsibilities as a public service broadcaster to both inform and educate from audiences that receive less exposure to BBC news. Instead, the proposals focus solely on entertainment that is well catered for in the radio market.
- 2.32. The exclusion of high-quality and impartial news, aimed at audiences that are ostensibly underserved from the BBC is deeply concerning. Given the pivotal impact of this research on a fundamental element of the output of the new services, it is extremely disappointing that further details on this survey (now two years old) were not included within the PIT consultation at the time of publication on 7 February 2024.
- 2.33. This is also concerning given the wider context of BBC news provision on network radio. Ofcom consulted on modernising the BBC's Operating Licence in 2022. At the time we highlighted concerns (following a request from the BBC) that moving to annual quotas could start a worrying trend whereby the BBC radio provides news less frequently. In its statement on the consultation, Ofcom noted "To mitigate this risk, we proposed to

⁴¹ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.14

⁴² Radiocentre, [Commercial Radio: Beyond the Bubble](#), 8 December 2023, p.12

⁴³ Mazzucato, M., Conway, R., Mazzoli, E and Albala, S, [Creating and measuring dynamic public value at the BBC](#), December 2020, p. 27

⁴⁴ Ofcom, [News Consumption in the UK: 2020](#), August 2020; Ofcom, [News Consumption in the UK: 2023](#), 20 July 2023

introduce conditions for each relevant service to provide news bulletins at intervals throughout the day. The BBC has told us that it has no plans to change its news output on the affected network radio stations and we expect it to continue with its current provision.”⁴⁵ Despite these assurances, in April 2024 an unexplained reduction of news provision on Radio 1 was reported in what appeared to be an attempt to keep hold of listeners in the week Capital launched a revamped breakfast show with Jordan North.⁴⁶

Music propositions

- 2.34. The BBC’s commitment to delivering public value around new (Radio 1 Dance and Radio 3 extensions) and British music and talent is insufficient and a missed opportunity to provide services that offer listeners a distinctive alternative from existing services. It also provides less value to the wider UK creative industries.
- 2.35. On Radio 1 Dance, the commitment to new music is only a third during daytime, with no data provided on the percentage of new music during other dayparts. The commitment to British acts and artists mirrors Radio 1 (45% of tracks from across the schedule) rather than taking the opportunity to stretch this with a higher commitment.
- 2.36. The Radio 1 extension, by its nature of playing music predominantly from the 2000s and 2010s, will not feature new music. However, its commitment to British acts and artists, where it has the potential to deliver some distinctive market public value, is relatively minimal at only one third (33%) of its music output. It is unclear if there is a commitment for this during daytime or if it is across the schedule.
- 2.37. On the Radio 2 extension, again by its nature of playing music from earlier decades (50s, 60s, 70s), it will not feature new music. The PIT document notes a focus on British music, yet only commits to 40% (following further clarification from the BBC⁴⁷) across all hours rather than daytime when audience levels will be higher. The rationale for this chosen level is unclear, especially when a higher commitment would do more to deliver its stated objective of providing a “*focus on British music to enable listeners to explore the rich heritage of British music from across the decades.*”⁴⁸
- 2.38. The PIT consultation states that “it is crucial for [the BBC] to evolve how Radio 1 and Radio 2 deliver their music offer, in order to preserve ... public value [that comes from the unique combination of distinctiveness and scale].” This evolution, based on the limited amount of information the BBC has provided on its music offer, appears to involve creating brand extensions that are less distinctive relative to existing commercial stations, rather than extensions that are at least as distinctive as Radio 1 and Radio 2 (and therefore provide something uniquely distinctive relative to what the BBC and the commercial sector already offers audiences).

⁴⁵ Ofcom, [Modernising the BBC’s Operating Licence](#), 23 March 2023, p. 61

⁴⁶ Deadline, [BBC Quietly Butchers News Bulletins On Greg James Radio 1 Show](#), 12 April 2024

⁴⁷ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024, p.10

⁴⁸ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.19

- 2.39. The PIT consultation provides less detail on the Radio 3 extension commitment to new and British music. On recent recordings (within the previous 12 months) the commitment is set at just 15% with no tangible commitment at this stage on British composers. We now understand⁴⁹ that these will be set out in the BBC's PIT submission to Ofcom, without consultation with industry.
- 2.40. Both the launch announcement and PIT document outline a significant emphasis on archive BBC content and how this will be employed across the new stations. For example, on the Radio 2 extension the BBC stated prominently *"From the BBC archives listeners will discover concerts, exclusive BBC sessions, interviews and classic editions of some of the BBC's most loved music brands and Radio 2 shows from legendary broadcasters that haven't been aired for decades, all providing insights and reflections on the artists and seminal moments on the three decades that shaped pop music."*⁵⁰
- 2.41. Given this strong emphasis on archive content it was disappointing and inconsistent with the stated narrative around the launch of the Radio 2 extension to learn, following further clarification⁵¹ from the BBC, that both Radio 1 Dance and the Radio 2 extension would each only have c.5% archive programmes across a week. As noted above, in practice this is likely to mean no more than a one hour show during an off-peak point in the schedule where it will create minimal interruption to the continual flow of music.
- 2.42. The BBC also confirmed that the new Radio 1 extension and Radio 3 extension are still in development but that there no current plans for archive programmes (other than clips and performances from the archive as part of programming). This minimal use of the BBC's rich and extensive archive significantly undervalues an area of distinct public value available to the BBC.

Music crossover analysis

- 2.43. When questioned by the Culture, Media and Sport Committee about these proposals, Director General Tim Davie justified an extended portfolio by asserting that the music content would be "utterly unique" in the radio market:
- "First, if you look at what is the right portfolio of radio streams and stations, whereas we have seen rapid expansion around us, it absolutely makes sense to have a slightly more extended portfolio. Secondly, the costs are pretty small. Finally, and critically, could I guarantee that they were utterly unique in terms of their playlists and what we do? Again, the final thing is that Ofcom will look at the competitive market. Ofcom can look at this—we have shown our proposals—and get really tucked in on it."*⁵²
- 2.44. While the BBC provided some detail in its PIT consultation about likely artists and which existing programmes and playlists might make up the output of these new stations, the information is somewhat limited. Nonetheless, the available information has been used

⁴⁹ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024, p.10

⁵⁰ BBC, [Plans announced for new, distinctive digital music stations as extensions for BBC Radio 1, BBC Radio 2 and BBC Radio 3](#), 7 February 2023

⁵¹ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024, p.8

⁵² Culture, Media and Sport Committee, [Oral evidence: The Work of the BBC](#), 20 March 2024, Q 85

to evaluate the respective propositions against existing provision on commercial radio. This analysis of the content does not suggest services that could be described as “utterly unique”.

- 2.45. Overall, Folder Media found that much of the output proposed on the new stations is duplicative of existing provision on commercial radio and many of the demographics the BBC are attempting to reach are well served by existing commercial stations. In addition, a return to earlier programming strategies of the BBC’s existing stations would likely achieve many of the BBC’s demographic aims. A summary of the analysis is provided below, and the full Folder Media report can be found in the Annex.

Radio 1 Dance

Analysis summary

- Dance music has been a genre well covered by a broad selection of commercial radio stations.
- In daytime, Radio 1 Dance plays a mix of music where 81% of the tracks are played on comparable commercial stations. Some of the most duplicative programming is Dance Anthems, a strand that will be expanded as the station develops, and where 75% of the tracks are already played on Capital Dance.
- The expanded Radio 1 Dance seems to be a classic-dance and hits driven station, with strong appeal in commercial radio's core 25-44 age group.

Core comparator stations: Capital, Capital Dance, Capital XTRA, Heart Dance, KISS, KISSTORY

- 2.46. Radio 1 Dance is an existing radio station on BBC Sounds – it is currently made up of time-shifted Radio 1 dance programming. The PIT document notes that the extension of Radio 1 Dance will have a unique breakfast show, some extended programming around the Dance Anthems brand and some further unique content.
- 2.47. Commercial radio has a strong history of dance programming, with the launch of KISS and its development into a national brand, alongside extensions including KISSTORY and KISS Fresh. Other dance focused brands and extensions include Capital XTRA, Heart Dance and Capital Dance – each with presenter-led programming.

Daytime musical crossover

- 2.48. Folder Media's analysis of Radio 1 Dance daytimes from January 1st 2024 to February 29th 2024 found that 779 individual tracks were played. When compared to the set of commercial comparators between March 1st 2023 to 29th February 2024, 633 of these were played – a crossover of 81%.
- 2.49. Broken down into individual stations, it is clear that there is significant track duplication across KISS (64.4%) and Capital Dance (62.3%) in particular (Table 2). The daytime output on Radio 1 Dance is also an important constituent part of these commercial stations. Taking just the songs played on Radio 1 Dance in these two months, they account for a sizable proportion of all the tracks played on Capital Dance (43.1%), Heart Dance (37.6%), KISS (25.6%) and KISSTORY (23.1%).

Table 2 - Music crossover of Radio 1 Dance daytime output with commercial stations

	Crossover Tracks	Crossover Track (%)	Crossover Airplay (%)
Capital Dance	485	62.3%	43.1%
Capital	205	26.3%	14.8%
Capital XTRA	31	4.0%	1.7%
KISS	502	64.4%	25.6%
KISSTORY	286	36.7%	23.1%
Heart Dance	127	16.3%	37.6%
Source - Radiomonitor, Jan & Feb 2024 - measured against commercial radio stations between the March 2023 and Feb 2024 period.			

Source: Folder Media

- 2.50. As Folder Media note *“these large crossovers show there is little uniqueness to the market that the Radio 1 Dance daytime schedules provide. These songs are well played, core repertoire, on a host of commercial stations.”*⁵³

Dance Anthems

- 2.51. The PIT notes that Dance Anthems will be part of Radio 1 Dance’s daily programming. Folder Media analysed tracks Dance Anthems played over eight editions in January and February 2024. Overall, 416 tracks were played, with some songs repeated up to five times (Alok & Bebe Rexha – Deep In Your Love, and Wilkinson ft Kelli-Leigh – This Moment).
- 2.52. Dance Anthems is an accessible show and has significant overlap with commercial stations like KISS, which had played 79.6% of these tracks in the previous 12 months, and 64.7% in the same two-month period – accounting for a third of its total airplay. Similarly, Capital Dance played 74.5% of these tracks over the previous 12 months, and 64.7% over the same two months.
- 2.53. Furthermore, as demonstrated in Table 3 below when looking at the previous year, the wider competitive set are also impacted, including Capital (40.4% crossover) which plays a broader range of music than just dance, as well as KISSTORY (46.4%) which plays less new music.

⁵³ Annex B, p. 7

Table 3 - Dance Anthems airplay crossover with commercial radio

	Station	Crossover Tracks	Crossover Track (%)	Crossover Airplay (%)
Previous 2 Months	Capital Dance	197	47.4%	46.6%
	Capital	117	28.1%	23.4%
	KISS	269	64.7%	33.2%
	KISSTORY	127	30.5%	12.5%
	Heart Dance	68	16.3%	19.6%
Previous Year	Capital Dance	310	74.5%	29.6%
	Capital	168	40.4%	17.3%
	KISS	331	79.6%	25.4%
	KISSTORY	193	46.4%	13.3%
	Heart Dance	72	17.3%	19.6%
Source - Radiomonitor, Jan & Feb 2024 - measured against commercial radio stations in those 2 months and between the March 2023 and Feb 2024 period.				

Source: Folder Media

British and new

- 2.54. The BBC PIT notes that Radio 1 Dance currently plays 58% British music, which is broadly the same as Capital Dance's 60%. Furthermore, it indicates that around a third of music played during the daytime will be new music – this seems comparatively low when compared to KISS, Capital XTRA and Capital Dance which all play 60% new music in the daytime.
- 2.55. The low levels of new music suggest that the likely demographic for this music position would be 25-44, rather than a strong 15-34 audience. This extension would be delivering significantly less music than the Radio 1 Operating Licence commitment of 50% new music in the daytime. It would also mean that Radio 1 Dance (as well as the other Radio 1 extension) would likely exist in the commercial heartland audience of 25-44 year olds.
- 2.56. Radio 1 Dance therefore fails the distinctiveness test for boosting British creativity (against commercial competitors like Capital Dance) and breaking new music (it drastically underperforms against commercial competitors like KISS, Capital XTRA and Capital Dance).

Radiocentre commentary

Folder Media's analysis demonstrates that the Radio 1 Dance extension fails to offer a distinctive music proposition, neither boosting British creativity nor breaking new music.

Radio 1 Extension

Analysis summary

- The suggested artists for the Radio 1 Extension are extremely well catered for by comparable commercial radio stations - and have been played over 30,000 times in the last year.
- The Radio 1 extension lacks any commitment to speech or specialist music and has little budget to deliver more than voice-tracked programming - so it is hard to ascertain where the public value lies.
- Whilst the station may have appeal with its intended target audience, the real growth would be 25-44s – commercial radio’s heartland audience and essential for its economic viability (and where the sector currently has a 70% share)

Core comparator stations: Absolute Radio 00s, Absolute Radio 10s, Heart, Heart 00s, KISSTORY, Hits Radio, Virgin Radio, Virgin Radio Chilled

- 2.57. The Radio 1 extension aims to serve audiences aged 15-34 by offering a “*deep dive into iconic tracks and artists that have shaped the last two decades*”. The PIT document notes that the extension will play a broader range of tracks than commercial competitors – estimated at 4,000 per year – where a quarter of the tracks would be unlikely to get regular play on commercial stations. It is worth noting that this suggests that **3,000** tracks (75% of the total range) will have regular crossover.
- 2.58. Younger audiences are particularly important for commercial radio from a revenue perspective due to the higher value that advertisers place on this demographic. Over the past decade, commercial radio groups have launched a number of stations that have attracted a significant share of 15-34s (Table 4).

Table 4 - 15-34 share of total listening hours for commercial stations and networks

Station	15-34 share of total listening hours (%)
Kiss Fresh	72.8%
Capital XTRA	58.8%
Absolute Radio 10s	53.4%
KISS	49.9%
Heat	49.7%
Heart 00s	49.1%
KISSTORY	48.5%
Capital Dance	47.8%
Capital	46.8%
Source - RAJAR Q4/2023	

Source: Folder Media

Proposed artists

- 2.59. The PIT document sets out a number of artists that would be played on the new station: Basement Jaxx, Clean Bandit, Dua Lipa, Foals, Girls Aloud, The Killers, Rhianna, Rudimental, Years and Years.
- 2.60. In the 12 months between March 2023 and end of February 2024, Folder Media’s analysis found that 156 tracks were played by these nine artists on the main commercial competitors, with a total play count of **30,000**. At an individual station level, songs from these just these artists made up a substantial amount of airplay on Capital (7%) and Hits Radio (5%). As Folder Media note “*all of these are well-played artists on commercial radio.*”⁵⁴
- 2.61. It will be extremely difficult for the Radio 1 extension to be distinctive if it focuses on popular artists from the 00s and 10s. Folder Media used Rhianna as a case study, tracking 54 songs featuring Rhianna played on key commercial stations over the past year. This analysis sets out in detail the high rotation of this artist in particular and clearly shows there is no shortage of Rhianna repertoire on existing stations.

Proposed playlists

- 2.62. The PIT document also notes that existing Radio 1 content available on BBC Sounds would be included, such as *Radio 1’s Workout Anthems* and *Radio 1’s Chillout Anthems*. Folder Media assessed the first *Workout Anthems* of the year, from 3 January 2024, and found that 96% of the songs were played on the comparator stations over the year period (March 2023 to end February 2024). In particular, there was significant crossover with **two thirds** of the tracks played on KISSTORY and Capital Dance, and **half** of the tracks played on Hits Radio. Almost all the repertoire is played on commercial stations.
- 2.63. The picture is similar when looking at *Radio 1 Anthems* which is a playlist that essentially plays popular music, well catered for by commercial radio. For example, the episode from Saturday 6 January 2024 has a 90.5% overlap with comparator stations, with Hits Radio playing 61.9%, and Heart and KISSTORY playing 47.6% of the playlist. With duplications of around half or more on several commercial stations, it is hard to see how this proposition is unique or distinctive.

‘New to me’ discovery

- 2.64. As part of its public value narrative, the PIT document suggests that the service will “*respond to changing music behaviours driven by streaming, and the increased demand for depth and breadth and ‘new to me’ music discovery among younger audiences*”⁵⁵ citing Kate Bush ‘Running Up That Hill’ from *Stranger Things* and Sophie Ellis Bextor’s ‘Murder on the Dancefloor’ from *Saltburn*.

⁵⁴ Annex B p. 11

⁵⁵ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.16

- 2.65. However, Folder Media notes that this is something all stations, including Radio 1, do at the moment as “*staying in touch with the audience’s interests is core to most radio stations’ programming*”.⁵⁶ Capital and Radio 1 both identified the trends for the aforementioned tracks and reflected these in their programming. This suggests there is nothing particularly distinctive about the ‘new to me’ proposition for the Radio 1 Extension. Clearly, these culture-based throwbacks already happen on many other music stations, including the BBC’s existing radio services.

Radiocentre commentary

Folder Media’s analysis highlights that this proposed extension is highly duplicative of the services already in the market and that music from this era is provided extensively by commercial broadcasters due to its enduring popularity with 15-34s.

⁵⁶ Annex B p. 15

Radio 2 Extension

Analysis summary

- RAJAR data shows how the BBC has re-positioned its stations' programming to appeal to younger and more up-market audience and how commercial radio has moved to fulfil the radio needs of this audience.
- The BBC's exemplar programmes and suggested artists contain music well-catered for by commercial radio. 97% of the tracks on Sounds of the 60s are played by commercial radio stations.
- Commercial radio provides radio stations with broad playlists in excess of that planned for the Radio 2 extension.
- The Radio 2 extension may cater for the audience that Radio 2 itself moved away from, but it will do it at the expense of a now well-developed commercial radio market.

Core comparator stations: Absolute Radio 60s, Absolute Radio 70s, Boom Radio, Gold, Greatest Hits Radio, Heart 70s, Magic, Smooth Radio, Virgin Anthems

- 2.66. The proposed BBC Radio 2 extension aims to cater for more listeners aged 55+ seeking a comprehensive nostalgic experience focusing on pop music from the 1950s, 1960s and 1970s. The content mix is said to include existing Radio 2 content available on BBC Sounds, alongside some new bespoke commissions, and some simulcasts from the Radio 2 schedule.

Proposed programming

- 2.65. The BBC suggests in the PIT document that the musical offer on the new brand extension will be more comprehensive than that offered by the commercial sector. Folder Media analysed some of the suggested programming, including *Sounds of the 60s* and *the Paul Gambaccini Collection* to assess the level of overlap with the commercial sector. The analysis undermines the BBC's claim that the extension would "provide a soundtrack unmatched by anything in the current marketplace"⁵⁷ - which is demonstrably unfounded given significant levels of overlap with Boom Radio and others.
- 2.66. Looking at eight editions of *Sounds of the 60s* between January and February 2024, the presenter, Tony Blackburn, played 240 tracks⁵⁸ that have substantial crossover with commercial radio comparators from March 2023 to February 2024. The crossover of tracks by station were: Boom Radio (97%); Gold (56%), Greatest Hits Radio (52%) and Absolute Radio 60s (45%).
- 2.67. Taken together only three tracks were not played on commercial radio in the 12 months from March 2023 to February 2024. These were from The Crickets, Gene Pitney and The

⁵⁷ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 18

⁵⁸ Excluding tracks that appeared on the emergency tape during programme interruptions.

Swinging Blue Jeans. However, Boom Radio played three different Crickets songs, 14 different Gene Pitney songs and three other Swinging Blue Jeans tracks.

- 2.68. Even narrowing down to the same two-month period on commercial radio, there is still substantial overlap – Boom Radio (86%); Gold (48%) and Absolute Radio 60s (45%).
- 2.69. Similarly, *The Paul Gambaccini Collection* played 168 songs over January and February 2024. Folder Media found substantial overlap with commercial radio competitors over a 12-month period, notably Boom Radio (61%), Greatest Hits Radio (46%), Virgin Radio Anthems (25%), Gold (17%).
- 2.70. However, this programme plays a mix of music from the 40s all the way through to today. Looking at just the songs played from the 50s, 60s and 70s (the years set out for the new extension) 84% of songs are played across commercial radio comparators. Broken down, there was significant cross over with Boom Radio (80%), Greatest Hits Radio (61%) and Gold (29%).

Proposed artists

- 2.71. The PIT document references fifteen artists that would appear on the extension: ABBA, Beatles, The, Bee Gees, Bob Marley & The Wailers, Dolly Parton, Dusty Springfield, Elton John, Elvis Presley, George Benson, Joni Mitchell, Kate Bush, Petula Clark, The Rolling Stones, Shirley Bassey, Stevie Wonder.
- 2.72. Folder Media's analysis looking at the 12-month period ending February 2024 clearly shows that these artists are very well catered for by a range of commercial stations in the core comparator set (Table 5).

Table 5 - Airplay of Suggested Radio 2 Extension Artists on comparator set of commercial stations

Artist	Unique Titles	Total Plays
ABBA	28	9,784
The Beatles	106	11,271
Bee Gees	18	8,394
Bob Marley & The Wailers	9	2,719
Dolly Parton	4	540
Dusty Springfield	24	4,617
Elton John	26	11,992
Elvis Presley	77	7,701
George Benson	3	47
Joni Mitchell	13	1,820
Kate Bush	3	158
Petula Clark	12	735
The Rolling Stones	43	11,094
Shirley Bassey	9	188
Stevie Wonder	38	10,925
Total	413	81,985
Source – Radiomonitor March 2023 to February 2024 - BBC PIT-listed artists compared with Gold, Smooth, Heart 70s, Absolute Radio 60s, Absolute Radio 70s, Magic, Radio X Classic Rock, Greatest Hits Radio, Boom Radio and Virgin Radio Anthems)		

Source: Folder Media

Music from 50s, 60s and 70s

- 2.73. The BBC provides limited information about the specific artists and songs from the 50s, 60s and 70s that will feature on the new extension, so it is difficult to say how much overlap there will be with commercial radio stations. However, Folder Media analysed Radio 2's current output for music from these decades over January and February 2024 and compared this to commercial radio comparators over the 12-month period ending in February 2024.
- 2.74. Radio 2 played 1,240 tracks with substantial crossover on Boom Radio (87%), Greatest Hits Radio (71%) and Gold (46%). Collectively looking at all these tracks from the main older commercial stations, **91%** had already been played.
- 2.75. The BBC suggests in the PIT document that there is a lack of 60s music on commercial radio, citing stations like Boom Radio (26%), Smooth (7%), Greatest Hits Radio (4%), and Magic (2%). However, this analysis overlooks key stations: (i) Gold Radio, with more than 1.5 million listeners, dedicates 40% of its airtime to the 60s; and (ii) Absolute Radio 60s which caters specifically for the decade, attracting over 100,000 listeners weekly. Furthermore, the BBC's data seems to undercount Boom Radio's 60s output – Folder Media's review of their output suggests 60s music makes up 35% of their playlist, higher than the PIT document claims.

- 2.76. The BBC claims their new extension will have a broader song repertoire than competitors, boasting around 5,000 tracks. However, there is little evidence that the number of tracks alone equates to success, quality or (crucially) distinctiveness.
- 2.77. Successful radio stations create a playlist that works for their target audience. For instance, some commercial stations like Absolute Radio focus on specific decades with a smaller library at around 1,000 tracks. Other stations have much larger libraries, like Greatest Hits Radio which plays over 5,000 tracks, and Boom Radio's active library exceeds 10,000 tracks. This caters to listeners who prefer either a 'hits' driven format or those with a broader selection that encourage a longer listen.

Radiocentre commentary

Folder Media's analysis shows that the Radio 2 Extension duplicates a number of commercial services that provide a nostalgia experience for the 55+ audience.

There are several decade-specific services that focus on 60s and 70s music, while stations like Boom Radio boast substantial active music libraries (in excess of the proposed Radio 2 Extension) which already provide a comprehensive musical offering for older audiences.

Radio 3 Extension

Analysis summary

- The relaxing classical music on the Mindful Mix is significantly duplicative to commercial classical stations, playing two thirds of the repertoire available on Classic FM.
- However, whilst the BBC suggest playlists that will be included on the new service, it is very difficult, given the insufficient information in the PIT document to determine the make-up of the station and how focused it will be on ‘relaxing classics’ vs more unique chill and soundscape content.

Core comparator stations: Classic FM, Scala Radio

- 2.78. The Radio 3 extension proposes to offer a calming and relaxing classical music experience aimed at audiences aged 35+. There is very limited detail in the PIT document – even less than the other proposed stations – so it is challenging to explore much of the planned programming.

Proposed playlists

- 2.79. Folder Media assessed the proposed playlists noted in the PIT document – including the *Mindful Mix* and *Tearjerker* – to compare against commercial competitors’ output.
- 2.80. The *Mindful Mix* from the 12 February 2024 contained 22 pieces, two thirds of which (15) are repertoire regularly played by Classic FM. If the station was to be made up of many similar hours, then the station could be indistinguishable from Classic FM or Scala Radio.
- 2.81. The *Tearjerker* (24 February 2024 edition) combines popular classical elements (such as Chopin, regularly played by Classic FM) with classic pop from artists like Kate Bush, Fleetwood Mac and Leonard Cohen – all of whom are well played by a variety of commercial radio stations, including Virgin Radio Chilled.

Radiocentre commentary

Folder Media’s analysis demonstrates that the popular and relaxing classical music is already well catered for by Classic FM, while Scala Radio offers a contemporary classical music experience aimed at a modern audience.

The Radio 3 Extension therefore not a unique musical proposition and, given the small pool of existing classical radio services, will fail to provide additional value for listeners and risk having a significant negative impact on the market.

Conclusion

- 2.82. It is clear from Folder Media's analysis that the BBC proposals would, neither individually nor collectively, deliver public value to audiences. The lack of distinctiveness in terms of speech output, music output and the high level of music crossover mean that there will be little contribution, if any, to Public Purpose 3. It also means that the proposals fail to contribute to Public Purpose 4, as they will not boost British creativity nor break new music. Finally, the PIT document does not contain any clear evidence to suggest the proposals will contribute to Public Purpose 5.

3. QUESTION 2

What do you think about the benefit to audiences who will listen to the stations, as well as wider potential social and cultural impacts?

Summary

The proposed stations fail to deliver benefits to audiences, because they are duplicative of existing commercial radio services.

It is unlikely that the key audience groups that the BBC is targeting with these proposals, namely younger audiences and C2DE groups, will have their needs met by the launch of new DAB+ stations. Ofcom research has found that neither group shows significant appetite for daily live radio listening currently and there is nothing in these proposals that demonstrates how this will change.

In addition, it would appear that the BBC could achieve better public value while having a minimal impact on competition via alternative proposals, for example through reversing the cuts and programming changes to BBC Local Radio, which has a proportionally higher share of older and C2DE listeners.

If launched in their current form, the extensions would have a damaging impact on the radio sector and ultimately UK audiences.

3.1. The BBC makes a number of assertions regarding audience benefit of these proposals, as well as the wider social and cultural impacts. These are addressed to some degree by our response to Question 1, where we provide clear evidence (from the limited information available) of a lack of distinctiveness, duplication with existing services and the extent to which audiences are already being served.

3.2. However, in considering the way in which the proposed services might deliver for audiences, the BBC must also take into account its requirement to deliver its mission, including Public Purpose 4 that states that part of the role of the BBC is:

“To reflect, represent and serve the diverse communities of all of the United Kingdom’s nations and regions and, in doing so, support the creative economy across the United Kingdom: the BBC should reflect the diversity of the United Kingdom both in its output and services. In doing so, the BBC should accurately and authentically represent and portray the lives of the people of the United Kingdom today, and raise awareness of the different cultures and alternative viewpoints that make up its society. It should ensure that it provides output and services that meet the needs of the United Kingdom’s nations, regions and communities. The BBC should bring people together for shared experiences and help contribute to the social cohesion and wellbeing of the United Kingdom. In commissioning and delivering output the BBC should invest in the creative economies of each of the nations and contribute to their development.”⁵⁹

⁵⁹ BBC, [Mission, values and public purposes](#) [accessed May 2024]

- 3.3. The range of responsibilities outlined in this wording are deliberately extensive and challenging for the BBC, and go beyond the generic standard used in the PIT document of simply “offering services that meet the needs of the UK’s communities”⁶⁰.

The proposed stations fail to deliver benefit to audiences because they are duplicative

- 3.4. As noted in response to Question 1, these proposals will deliver greater value for audiences only if they are able to demonstrate clearly that they offer something that is distinctive and unique compared with commercial radio (or indeed the BBC’s existing services). Ultimately, there will be negligible benefit given the overlap with existing propositions.
- 3.5. There are currently over 57 national services across the BBC and commercial radio national multiplexes, in addition to some 654 local services available on local multiplexes.⁶¹ These include brand extensions that cover a wide range of decades (Heart 00s, Absolute Radio 60s), moods (Smooth Relax, Capital Chill) and genres (Capital Dance, Jazz FM). Listeners today are able to enjoy an unprecedented breadth and diversity of radio and audio services.
- 3.6. Despite the multitude of commercial services available, the market share of BBC’s radio brands remains entrenched – with Radio 2 and Radio 4 alone accounting for over a quarter of weekly radio listening.⁶² Ofcom’s 2023 Media Nations report shows that, with a few exceptions, BBC Radio 2 is ranked number 1 in terms of market share across the vast majority of BBC local radio TSAs.⁶³ Clearly, the BBC’s existing brands have a unique and privileged position in the market and are already providing value to audiences across the UK.
- 3.7. Given the significant levels of overlap these proposals have with existing commercial services, any anticipated benefits will come at the expense of commercial radio broadcasters (our detailed market impact analysis is set out in detail in response to Question 3). It is quite logical to infer that listeners may prefer a similar service to that provided by commercial radio, but free from advertising. All things being equal, if given the option, listeners could easily choose to switch to an ad-free service provided by the BBC.
- 3.8. The key question for the BBC (and Ofcom) is whether the public value generated by these proposals will outweigh any significant adverse impact on fair and effective competition. Ultimately, the BBC has not made a convincing case for the public value of these proposals. Instead, these proposed stations lack additionality (essentially mimicking commercial radio’s innovations), have limited – if any – commitment to speech, and do not even include plans to carry news bulletins. As a result, the public value case for duplicative music services that are already provided by commercial radio has not been met by these proposals.

⁶⁰ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.3

⁶¹ Ofcom, [Media Nations: UK 2023](#), 3 August 2023, p. 51

⁶² Ofcom, [Media Nations: UK 2023](#), 3 August 2023, p. 59

⁶³ Ofcom, [Media Nations: UK 2023](#), 3 August 2023, p. 61

It is unclear whether these proposals will effectively meet the needs of key target audiences

- 3.9. In the PIT document, the BBC notes that these proposals will “*meet the needs of the UK’s communities*” and asserts that the proposed services “*will target younger audiences or C2DE audiences who currently get less value from the BBC*”⁶⁴. However, targeting a service at particular audiences does not necessarily equate to serving their needs effectively (or at all).
- 3.10. Ofcom finds⁶⁵ that under-35s are more likely to stream music than tune into live radio. For young people aged 15-34, half of their audio diet is streamed music, while radio content accounts for 30% of total listening time. It is therefore unclear that launching four new DAB+ radio stations will be a particularly effective way of delivering value to younger audiences, regardless of whether the proposition is targeted at them. Indeed, Radio 1 Dance already exists on BBC Sounds; putting this onto a linear broadcast platform doesn’t necessarily mean it will draw in more of the target audience, particularly given their lower propensity for listening to live radio.
- 3.11. Similarly, launching new radio stations aimed at a D and E audience group that Ofcom found “*showed little appetite for daily [radio] listening, especially to the BBC’s stations*”⁶⁶ does not seem like a particularly effective strategy to deliver more value for them, particularly if they do not feel much affinity with the BBC’s existing brands. Indeed, the original research was based on “*discussions that [mostly] revolved around visual media*”⁶⁷ and found that these groups wanted the BBC “*to create edgier, riskier content which engages and reflects the real lives of these diverse groups*”⁶⁸.
- 3.12. This implies that there are clearly other avenues that the BBC could explore to deliver greater value to these audiences. It is unclear from the PIT document or subsequent clarification⁶⁹ on strategy whether the BBC has considered any alternative options.

The BBC is in danger of failing audiences elsewhere through its changes to local radio

- 3.13. It is notable that these stations are being proposed at the same time that the BBC has been making cuts and programming changes to BBC Local Radio. In our view, BBC Local Radio is an exemplar of the kind of distinctive public service that the BBC can and should be providing – offering content that is less well catered for by commercial radio. The BBC is free from commercial pressure and so can (and should) offer services and a range of distinctive content which would not necessarily be commercially viable. To be clear, this is not the same as saying that the BBC should only be required to make up for market failure. However, it does entail a greater focus on providing output that is genuinely different and producing content for audiences that is consistent with the delivery of its public purposes.

⁶⁴ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 3

⁶⁵ Ofcom, [Media Nations: UK 2023](#), 3 August 2023

⁶⁶ Ofcom, [BBC Audiences Review](#), 30 November 2023, p.17

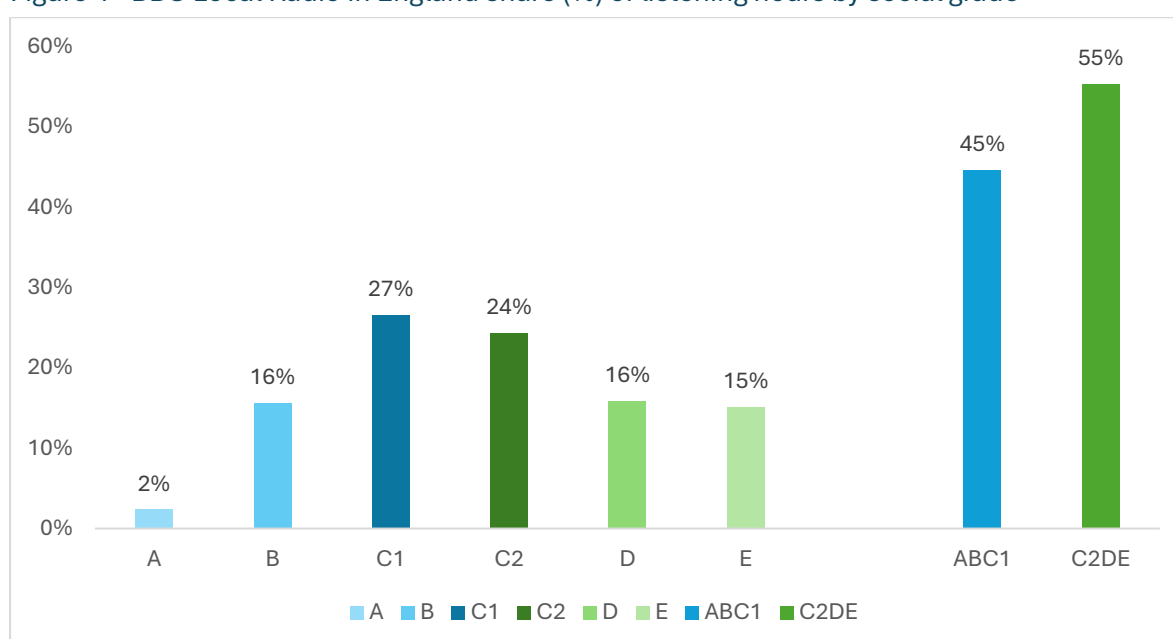
⁶⁷ 2CV, [Exploring D and E socio-economic groups’ relationship with the BBC](#), November 2023, p. 7

⁶⁸ 2CV, [Exploring D and E socio-economic groups’ relationship with the BBC](#), November 2023, p. 3

⁶⁹ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024, p.4

- 3.14. BBC Local Radio provides primarily speech-led content – 60% of content is speech based in core hours and 100% during breakfast peak. The commercial market for this kind of local, speech-based radio is challenging, and so the BBC, as a publicly funded broadcaster, is in a position to provide these services which deliver significant amounts of public value to loyal audiences. Ofcom also recognises the particular importance of this public value and refused a request from the BBC for its new Operating Licence⁷⁰ to reduce breakfast peak speech obligations from 100% to 75%.
- 3.15. Importantly, this service already delivers value to a C2DE audience (Figure 4), who account for a higher share of local radio listening (55%) than ABC1 groups (45%). It has been clear from the widespread criticism⁷¹ of these cuts that these stations do provide significant value to those people who listen to the service.

Figure 4 - BBC Local Radio in England share (%) of listening hours by social grade



Source: RAJAR Q4 2023

- 3.16. With these proposals, the BBC seems to be chasing a younger audience while, at the same time, cutting a valued public service for older audiences. A higher proportion of older age groups listen to radio, and they listen for longer than younger audiences. This is particularly true of BBC Local Radio, where 80% of listeners are over 55. Radio plays a ‘companion role’ bringing background noise to otherwise quiet environments and has been noted as particularly important for older adults living alone. Listeners can also develop relationships with favourite presenters and personalities. The majority of single person households⁷² in the UK comprise of a person of 65 and older, which is the demographic group that listens most frequently to radio.
- 3.17. It is notable that BBC Local Radio is not mentioned in the PIT document at all. This is in spite of the fact that it is already catering to a key demographic (older C2DE audiences) that it is targeting with the Radio 2 Extension.

⁷⁰ Ofcom, [Operating licence for the BBC’s UK Public Services](#), 23 March 2023

⁷¹ Guardian, [BBC faces broad backlash over cuts to local radio output](#), 12 November 2023

⁷² ONS, [Dataset Families and households](#) [accessed 15 July 2022]

- 3.18. A recent report⁷³ from the House of Commons Public Accounts Committee highlighted concerns that the changes the BBC is making to services locally could disadvantage certain groups, particularly older audiences that rely on radio more than younger audiences. The committee noted, in particular, that “*the BBC’s reallocation of budgets from local radio to local online services and more sharing of weekday programmes will, in effect, reduce services for people who are older or less able to access digital online platforms.*”⁷⁴
- 3.19. These concerns have been echoed across parliament on numerous occasions, and opposition to BBC Local Radio cuts has achieved rare cross-party consensus. Shadow Media Minister, Stephanie Peacock noted⁷⁵ the impact the changes could have on marginalised groups, as well as older audiences and the digitally excluded.

Target audience analysis

- 3.20. The BBC sets out its intended target audience for each of the proposed stations in the PIT document. Drawing on Folder Media’s analysis, we evaluate below whether these stations will genuinely deliver benefit for these audiences. Detailed audience switching analysis, and the anticipated financial impact of this on commercial broadcasters, is considered separately in response to Question 3.

⁷³ Public Accounts Committee, [The BBC’s implementation of Across the UK, Twenty-Sixth Report of Session 2023-24](#), 25 March 2024

⁷⁴ Public Accounts Committee, [The BBC’s implementation of Across the UK, Twenty-Sixth Report of Session 2023-24](#), 25 March 2024, p. 5

⁷⁵ Hansard, [Local Radio: BBC Proposals](#), 22 June 2023

Radio 1 Dance

Target audience: C2DE

- 3.21. The proposed relaunch of BBC Radio 1 Dance is aimed at providing more value to younger aged audiences from C2DE groups who get less value from the BBC. However, creating a C2DE-focused dance music service replicates something that is already well catered for by KISS (62% share C2DE), KISSTORY (60%), Heart Dance (55%) and Capital Dance (53%).

Target audience: 15-34

- 3.22. The BBC's proposals include two Radio 1 extension stations that target the 15-34 audience which creates added pressure on commercial radio. As we have noted, younger audiences are particularly valuable as they are highly sought after by advertisers. At the same time, these audiences are getting harder to reach due to competition with music streaming and other forms of media. The addition of two more DAB+ stations appealing to this audience, which is already well served by commercial radio, has the potential to significantly reduce both reach and hours of existing commercial radio services.
- 3.23. Aside from the question as to whether the BBC should be aggressively chasing a younger audience that is (i) well served by and (ii) particularly valuable to commercial radio, it is also not clear that the music proposition for Radio 1 Dance will attract the intended younger audience. As we set out in the music crossover analysis, the low proportion of new music on Radio 1 Dance indicates that this station will likely attract an older audience (25-44) rather than a strong 15-34 audience.
- 3.24. This is borne out from the data provided by the BBC in response to our request for more information.⁷⁶ This states that Radio 1 Dance actually has a small proportion of under 35 listeners than the main Radio 1 station – **with 24% of the Radio 1 Dance audience being under 35 compared to 26% of the Radio 1 audience being under 35**. It therefore seems unlikely that Radio 1 Dance, as it currently exists, is likely to make a significant contribution to meeting the needs of the intended audience group of 15-34 year olds.

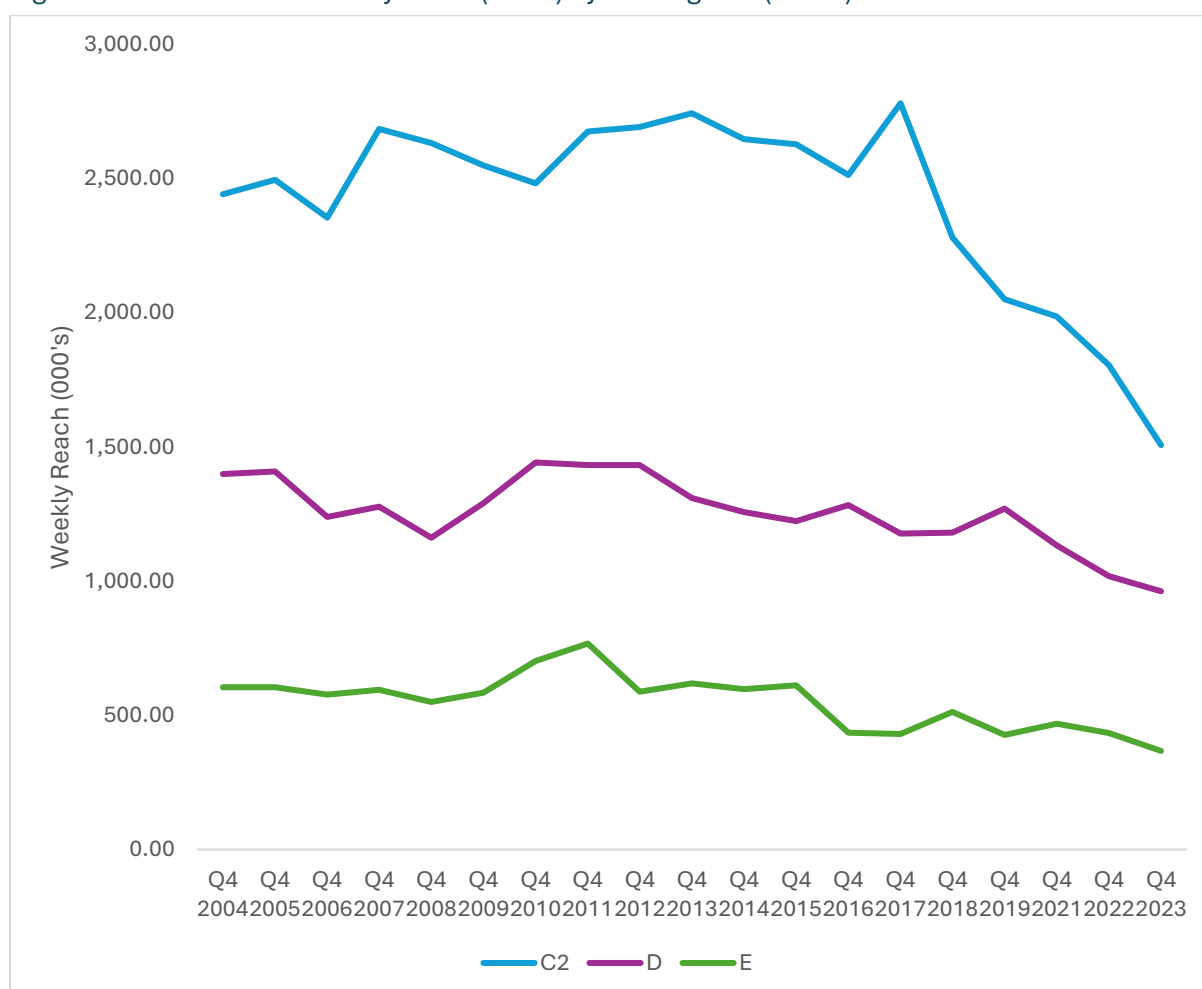
⁷⁶ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024

Radio 1 Extension

Target audience: C2DE

- 3.33. A core stated aim for this new service is to target C2DE audiences. We have already noted in the section on Radio 1 Dance that this is an audience that is already well served by commercial stations. We have also stressed previously that the BBC should not conflate underserved audiences with those that it struggles to reach with some of its services.
- 3.34. Folder Media assessed Radio 1's audience over the last 20 years and found that there has been growth in reach for the A group, a fluctuation with the B group, but a general decline across the C1, C2, D and E groups. While there were weakness with the E group that pre-dated 2016, the bigger consolidated drops in audience in C2 and D groups have taken place post-pandemic (Figure 5).

Figure 5 - BBC Radio 1 - weekly reach (000's) by social grade (C2DE)



Source: RAJAR

- 3.35. Folder Media notes “it would be hard to argue that these demographic changes are larger behavioural shifts or an impact from the growth of platform or competitor stations, as the changes are relatively recent for Radio 1. Media consumption has not particularly

*changed during this period, so it is likely that the shift would be in response to a change in Radio 1's programming approach. If the station wanted to readdress who it appeals to, it could look at programming and marketing strategies to do that."*⁷⁷

Target audience: 15-34

- 3.36. This proposed station is employing an incredibly similar strategy to KISSTORY – one of commercial radio's most successful digital radio stations. Rather than attract a 15-34 year old audience keen to experience nostalgia for music from 00s and 10s (note that the younger end of that group would be born in 2009), the reality is that this is more likely to appeal to an older audience that experienced their teenage years in those decades. Recent research from YouGov⁷⁸ shows that the years that people feel "when life was the best" were in their teens and twenties. This is a powerful nostalgic draw for radio stations.
- 3.37. For this Radio 1 extension it would expect an audience profile similar to that of KISSTORY, which is particularly strong amongst the 35-44 audience, with significantly more listening hours in this older age group than its sister station KISS, which plays new music targeted at a younger audience (Table 6).

Table 6 – DAB Reach and hours for KISS and KISSTORY

		Adults 15-24	Adults 25-34	Adults 35-44
KISS	Reach (000's)	328.3	375.2	337.1
	Reach (%)	23%	26%	23%
	Hours (000's)	566.4	1151.8	1356.6
	Hours (%)	13%	26%	31%
KISSTORY	Reach (000's)	230.4	479	443
	Reach (%)	16%	32%	30%
	Hours (000's)	829.8	1379.8	1781.4
	Hours (%)	16%	26%	34%
Source - RAJAR DAB Reach and Hours - Q4/2023				

Source: Folder Media

⁷⁷ Annex B, p. 18

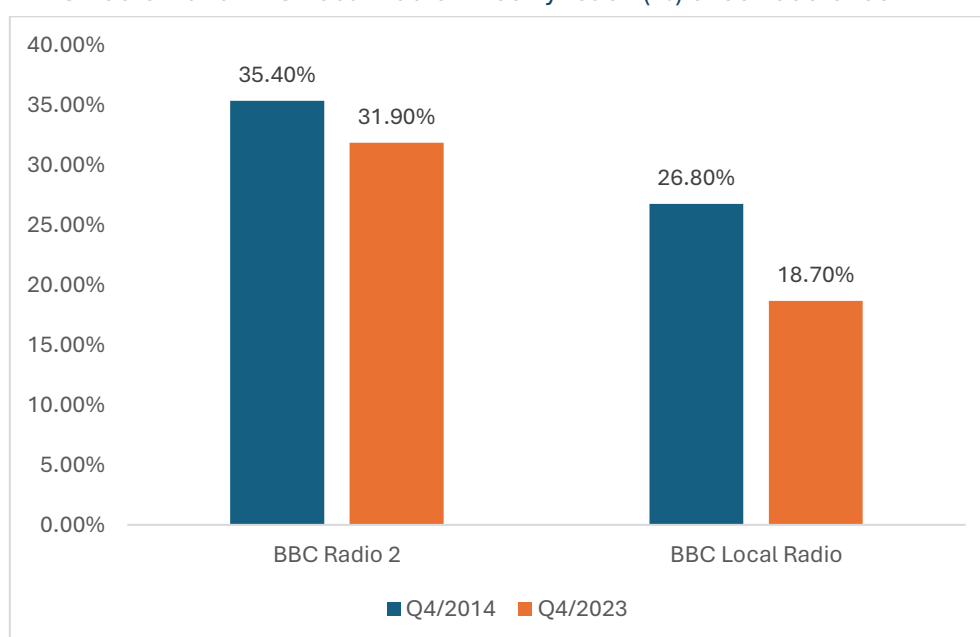
⁷⁸ YouGov, [Life was better in the nineties and noughties, say most Britons](#), 12 April 2024

Radio 2 Extension

Target audience: 55+

- 3.38. Older audiences are some of radio's most passionate listeners, with 91.7% of 55+ listening to the medium each week, and they listen for longer than younger audiences. It is worth stating upfront that an older audience is currently well served by the BBC's radio services. **The BBC's audience is generally older than commercial radio, with 61.7% of its listening hours coming from the 55+ demographic.** It is therefore unclear why the BBC felt the need to launch a new station that is targeted at this demographic in particular, and there is no explanation given in the PIT document.
- 3.39. Over the past decade, the BBC has repositioned the programming on Radio 2 and BBC Local Radio, introducing more contemporary music and changing presenters to try to appeal to a broader, younger audience. The result has been a decline in Radio 2 and BBC Local Radio's reach for 55+ audiences (Figure 6). Average hours for 55+ listeners have also dropped over the same period: from 11.9 to 10.2 on Radio 2 and from 8.5 to 7.1 on BBC Local Radio.

Figure 6 - BBC Radio 2 and BBC Local Radio - weekly reach (%) of 55+ audience



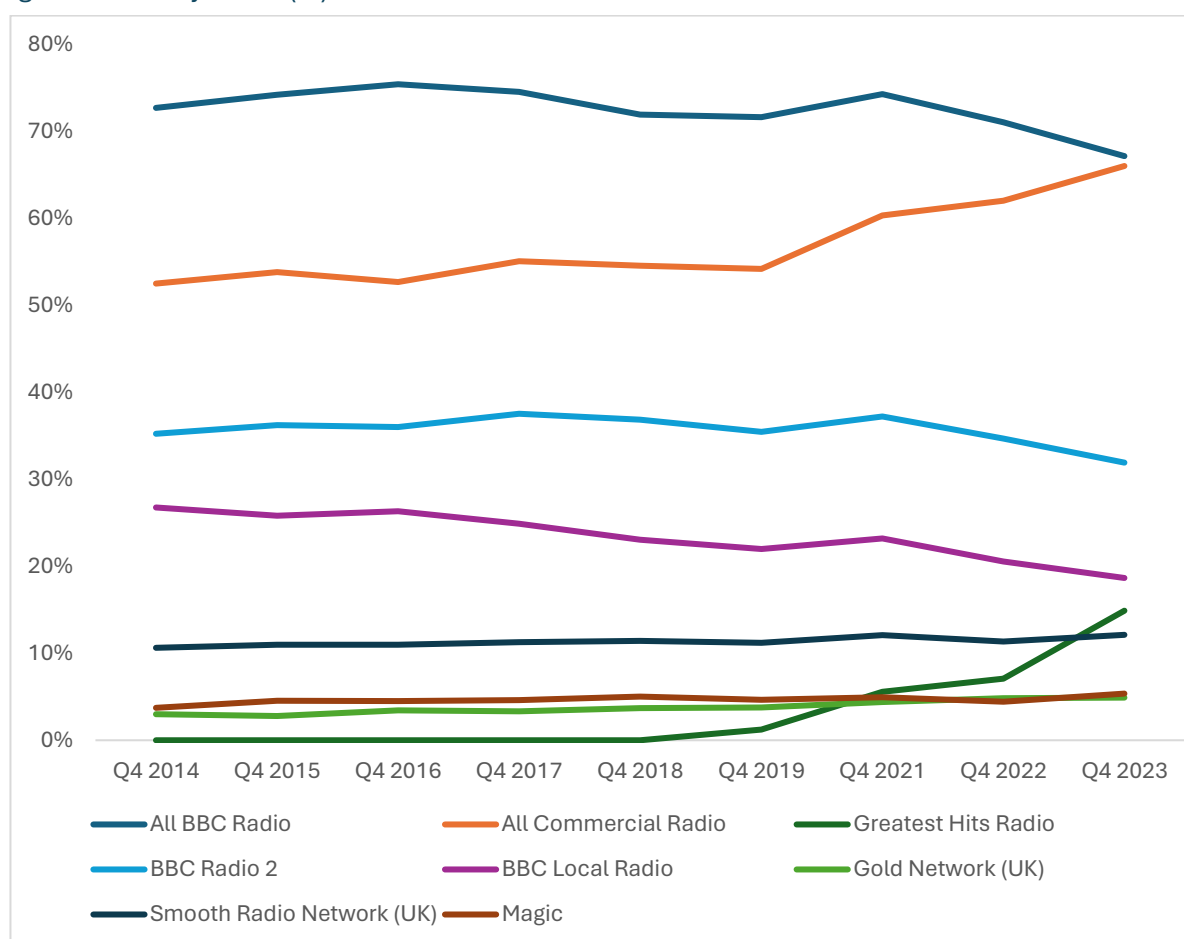
Source: RAJAR

- 3.40. Radio consumption trends show that older listeners begin to listen to more radio as they age: all radio reached 6.8m 55-64s in 2014, but this cohort (now 65-74s) had increased to 7.3m in 2023. However, Radio 2 and BBC Local Radio reach has gone against this general trend. Looking at the same cohort over the last decade, Radio 2's reach declined from 2.9m (55-64s) to 2.6m (65-74s) and BBC Local Radio's reach declined from 1.7m (55-64s) to 1.4m (65-74s).
- 3.41. These trends reflect the BBC's changing music policy over the past decade. In 2014, 10% of the songs played during weekday daytime were from the 60s and 20% were from

the 70s. By 2023, this had changed to just 3.4% from the 60s and 9.5% from the 70s. The same is true for BBC Local Radio – Folder Media analysed the changing output from BBC Radio Northampton which clearly shows a shift away from 60s and 70s music towards more contemporary output – notably, plays of songs from the current decade had doubled.

- 3.42. Folder Media notes “as the BBC changed its music policies and repositioned the programming on their stations, the commercial sector innovated by launching stations that appealed to older audiences. These audiences have found this programming on commercial radio and have moved across.”⁷⁹
- 3.43. Commercial radio increased its total reach of 55+ by over 20% (see Figure 7) with average hours also increasing from 13.4 to 15.9. Aided by expansion on DAB from regional areas to much of the country, Gold doubled its 55+ audience from 561k to 1,069k, Smooth increased by a third (from 1,998k to 2,644k), Magic by two thirds (from 701k to 1,170k) and new entrants Greatest Hits Radio securing 3.2m 55+ and Boom Radio 503k.

Figure 7 - weekly reach (%) of 55+ audience over time



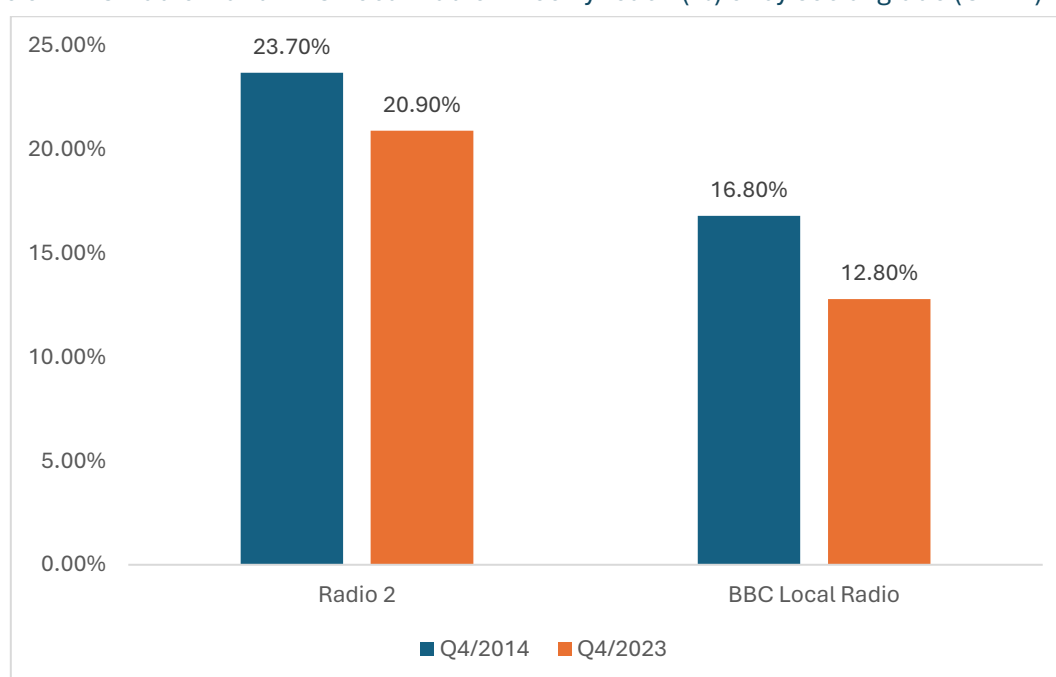
Source: RAJAR Q4 2014-Q4 2023

⁷⁹ Annex B p. 21

Target audience: C2DE

- 3.44. A core justification for this new service is to better serve C2DE audiences, following Ofcom’s BBC Audiences Review. The PIT document states, “*the Radio 2 extension will aim to provide more value to audiences from C2DE groups, particularly those who get less value from the BBC, but value the Radio 2 brand and its trusted presenters.*”⁸⁰
- 3.45. However, it is clear from Folder Media’s analysis that the BBC’s existing stations in 2014 were already serving this audience well. As they changed their programming the figures dropped (Figure 8). Commercial radio subsequently expanded its own offer to meet the needs of this audience. C2DE audiences grew from 15.8m in Q4 2014 to 17.3m in Q4 2023 and its share from 51.9% to 61.3%.

Figure 8 - BBC Radio 2 and BBC Local Radio - weekly reach (%) of by social grade (C2DE)



Source: RAJAR

- 3.46. The data shows that, before Radio 2’s programming changes, the station did appeal to older and C2DE audiences. The changes resulted in those audiences moving to existing, expanded and new commercial radio stations. Folder Media notes “*The BBC may no longer provide a comprehensive nostalgic experience, but the wider radio market has developed to cater for this.*”⁸¹ To be clear, the BBC is to right explore ways that it can deliver value to its audiences, including the 55+ group. However, this analysis shows that there is a route to achieving this through developing existing stations via repositioned programming, rather than launching a new duplicative extension which poses a significant risk to fair and effective competition.

⁸⁰ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p.19

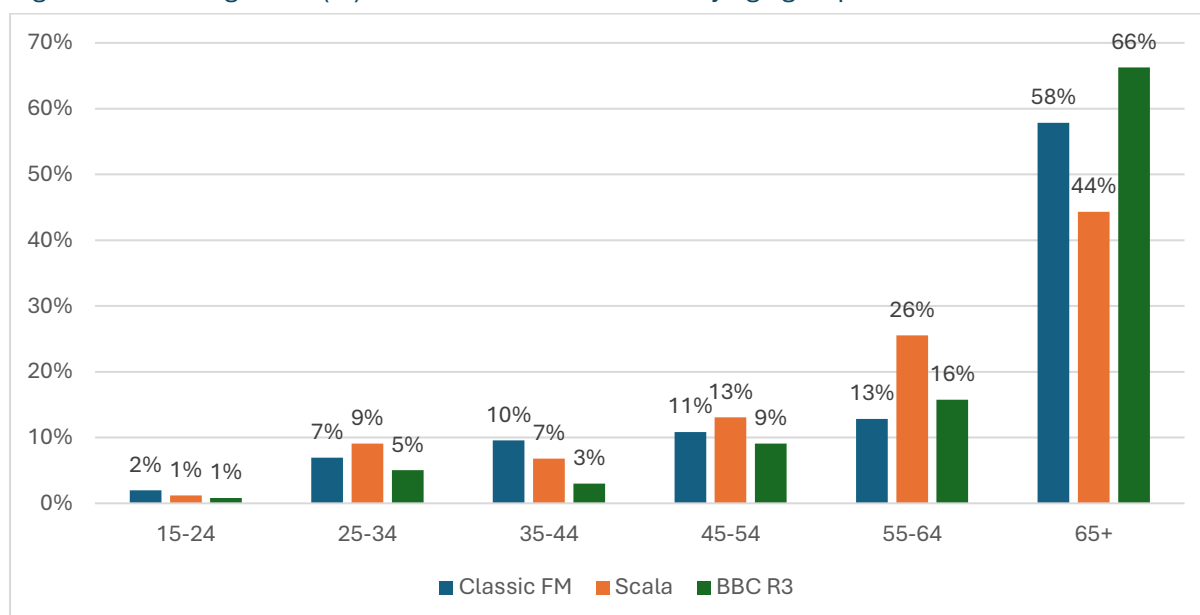
⁸¹ Annex B p. 23

Radio 3 Extension

Target audience: 35-54

- 3.47. The PIT document notes that the Radio 3 extension is aimed at “*audiences aged 34-54, younger than the average age for Radio 3 and other classical stations.*”⁸² However, it is questionable whether the music proposition for this station will appeal to the intended audience, irrespective of how it is targeted.
- 3.48. Looking at the three main classical music stations (Classic FM, Scala Radio and BBC Radio 3) it is clear that the overwhelming share of listening comes from the 55+ demographic (Figure 9). Even Scala Radio, which positions itself as offering “classical music for modern life” (a music policy that the Radio 3 extension seemingly wants to replicate) only has 20% of its listening from the 35-54 age group – which is broadly the same as Classic FM.
- 3.49. The BBC may want to “*broaden the audience to classical music in the UK*”⁸³ with this new station but as the data for Scala Radio (with its more contemporary classical music offering) shows, the audience is highly likely to skew towards the 55+ demographic in reality.

Figure 9 - listening share (%) of classical radio stations by age group



Source: RAJAR Q4 2023

⁸² BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 20

⁸³ BBC, [New music radio stations: Public Interest Test Consultation](#), 14 February 2024, p. 20

Conclusion

- 3.50. The proposals are unlikely to be successful in meeting the BBC's stated objectives of serving audiences in the C2DE and desired younger age bracket. They duplicate existing commercial services that already adequately serve these audiences (who also don't feel much affinity with the BBC's existing radio brands); and (for younger audiences) they offer a music proposition that is unlikely to resonate with the target audience. As such, these proposals will bring very little benefit to audiences.
- 3.51. Given the lack of distinctiveness with commercial radio stations they would serve to cannibalise existing audiences already served by commercial radio providers, and have a negative effect on fair and effective competition. This is set out in more detail in our response to Question 3.

4. QUESTION 3

What impact (positive or negative) do you think our proposal for new music radio stations on DAB+ might have on fair and effective competition on commercial radio stations providing music content on radio?

Summary

Based on analysis carried out by leading economic consultancy Compass Lexecon, along with data provided by commercial radio broadcasters (including Boom Radio), it is clear that there will be a significant negative impact on fair and effective competition on commercial radio broadcasters as a result of these proposals.

- A consumer survey of 3,440 radio listeners overwhelmingly finds that audiences believe the BBC services are not distinctive. Respondents considered that the proposed extensions sounded like existing commercial services and indicated that they would be likely to switch to an ad-free BBC service with a similar content proposition.
- Compass Lexecon's analysis finds that the proposed extensions would have a dramatic impact on the market, with overall weekly listening to commercial radio stations on digital platforms (DAB and online) falling by 18% as listeners switched to the new BBC stations. The impact is greatest on the commercial stations closest to the proposed extensions.
- The impact on listening hours means that there would be a significant impact on commercial radio revenues. Total commercial revenues could drop by as much as 10% (c.£71m). This is a conservative estimate and could be exacerbated because:
 - the proposals predominantly target commercially attractive (younger) audiences;
 - the proposals target commercially attractive listening platforms (IP as well as DAB+); and
 - most revenue sources would fall in line with declining audiences. As a result, total commercial revenues could drop by as much as 10% (c.£71m).

The BBC's proposals will therefore have a detrimental impact on competition in the UK radio sector, reducing revenues (and potentially forcing some smaller stations to close), depriving audiences of choice, and ultimately having a deterrent effect on innovation in the sector (as a result of the BBC imitating commercial radio's development of new services).

- 4.1. To support our response we commissioned economic consultants, Compass Lexecon, to assess the impact of these proposed radio stations on the commercial radio sector and audiences. The full report is included within the Annex.

4.2. In response to this Question 3 we have included a summary of the analysis from the Compass Lexecon report along with Radiocentre’s own commentary and conclusions on this analysis (in italics and shaded boxes within each section). This examines:

- A. Impact on **listening**
- B. Impact on **revenues**
- C. Impact on **services and investment**.

4.3. We have also included some of our own observations on cross-promotion at the end of this section.

A. Compass Lexecon analysis: Impact on listening

On the basis of the Kantar survey of 3,440 radio listeners, Compass Lexecon find that:

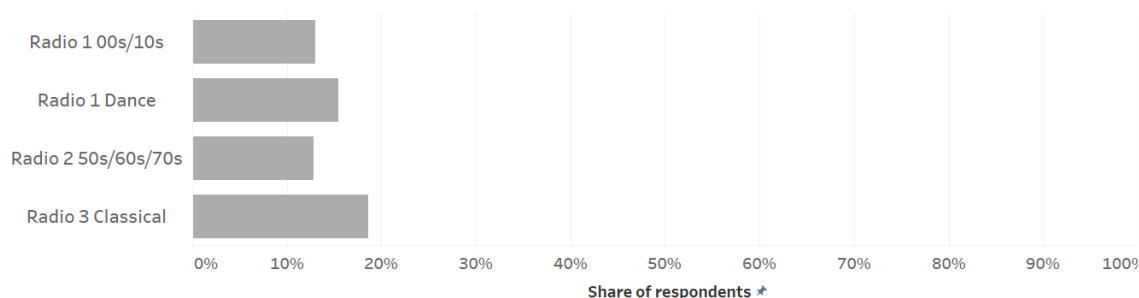
- i) Listeners believe that none of the BBC’s proposed extensions offer distinct content, and instead they reflect music and styles already offered by commercial stations;
- ii) Consistent with this, Compass Lexecon find that each of the proposed extensions would take disproportionately more listening hours from commercial radio stations than would be expected given commercial radio’s market share; and
- iii) The BBC’s proposed extensions would have a large impact on current radio listening due to their large audience size and disproportionately negatively impact commercial radio stations.

4.4. In order to assess the impact of the new stations, Radiocentre commissioned a survey to assess the impact of the new BBC stations (**‘the Kantar survey’**). This survey asked 3,440 radio listeners which radio stations they currently listened to and then presented them with descriptions and montages of the proposed BBC extensions.⁸⁴

4.5. The survey revealed that radio listeners considered that the proposed extensions were not distinctive. As shown in Figure 10, fewer than 1-in-5 respondents thought the BBC extensions did not sound like an existing station.

⁸⁴ The montages were based on the artists the BBC stated in its [Public Interest Test](#) consultation.

Figure 10: Share of survey respondents who thought the BBC extensions sounded distinctive



Source: Compass Lexecon analysis based on data from Kantar Survey.

Note: Results reflect respondents' answers to the survey question "Do you think that this montage represents the sound of an existing radio station?".

- 4.6. Survey respondents were also strongly reminded of existing commercial stations, far more than BBC stations. In response to a further question, only 12-22% of respondents who indicated a station responded with an existing BBC service, with the vast majority instead indicating that this type of service was already offered by the commercial market.
- 4.7. For each extension, the most commonly indicated stations were predominantly commercial stations⁸⁵:
- i) **BBC Radio 1 Dance:** The most common stations indicated were Capital and BBC Radio 1, followed by KISS and Heart Dance.
 - ii) **BBC Radio 1 00s/10s:** The most common stations indicated were Heart and Capital, before BBC Radio 1 and 2.
 - iii) **BBC Radio 2 50s/60s/70s:** The most common stations indicated were Greatest Hits Radio and Gold, before BBC Radio 2 and Smooth Radio.
 - iv) **BBC Radio 3 Classical:** Nearly 60% of all respondents who indicated a comparable station indicated to BBC Radio 3 Classical indicated Classic FM, 16x more than indicated any other station.

Radiocentre commentary

The Kantar survey results are consistent with the music crossover analysis presented in response to Question 1.

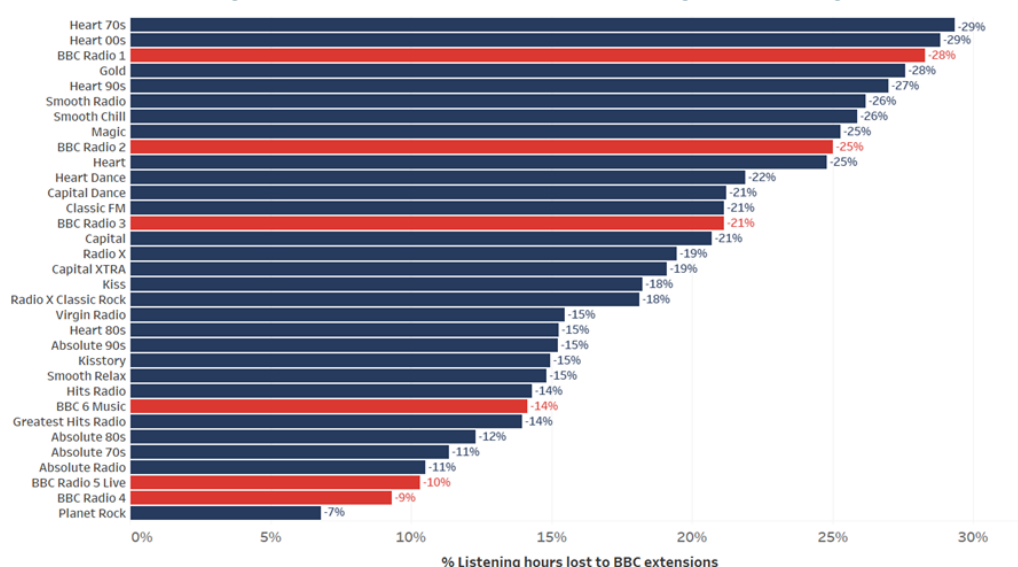
A clear conclusion emerges from the results, namely that the BBC's proposed extensions are not new or distinctive to listeners, and instead merely replicate what is already offered by commercial stations.

⁸⁵ Some stations excluded due to limited sample size – but as indicated elsewhere there is also a notable overlap between Boom Radio (Radio 2 extension) and Scala Radio (Radio 3 extension)

Listener switching behaviour

- 4.8. In order to test the BBC's hypothesis of minimal impact, respondents to the Kantar survey were given descriptions of the BBC stations based on the BBC's press release.⁸⁶ It was made clear to the respondents that these were proposed BBC services which by implication would not carry advertising. They were asked to rate the appeal of these new stations, if they would listen to the stations, whether that would be instead of or in addition to existing listening, and what existing listening if any would be reduced to compensate for this.
- 4.9. Figure 11 sets out the share of listening hours that each of the main commercial stations in the survey could expect to lose to the proposed BBC extensions. Importantly, these figures are based on volunteered hours that a respondent would give up in order to listen to the new extensions; that is, they go beyond costless indications of preference and asked respondents to commit to listening fewer hours to an existing station that they currently listen to.⁸⁷

Figure 11: Net switching rate to BBC extensions, share of digital listening hours



Notes: Stations are only included with greater than 100 respondents; figures are reweighted based on demographics of respondents

Aggregate impact is based on the radio stations included in the survey, which account for the vast majority of listening to commercial radio.

Source: Compass Lexecon analysis based on data from Kantar and RAJAR

- 4.10. The Kantar survey finds that most of the switched listening would come from commercial stations.⁸⁸ Overall listening to the new extensions would switch from a

⁸⁶ See full Compass Lexecon Report, Annex B for further details

⁸⁷ Respondents were also asked if they wished to listen in addition to existing listening patterns.

⁸⁸ Survey respondents were asked for their currently weekly listening hours to each station, and then, if they would be likely to listen to the new station, how many hours they would switch from their current listening.

broad range of stations, with the greatest impact on commercial stations most similar to the proposed extensions⁸⁹:

- i) Heart Dance would lose 11% of its listening hours to the Radio 1 Dance extension and 9% to the BBC Radio 1 00s/10s extension, and 22% across all BBC extensions combined;
- ii) Magic would lose 7-8% of listening hours to each of the Radio 1 extensions, 13% to the proposed Radio 2 extension, and 25% across all the BBC extensions;
- iii) Gold would lose 24% of digital listening hours to the proposed Radio 2 extension, and a total of 28% of hours across all the extensions;
- iv) Classic FM would lose 15% of digital listening hours to the Radio 3 extension, and 21% of hours across all the extensions.⁹⁰

- 4.11. **Overall weekly listening to the commercial radio stations in the survey on digital platforms (DAB and online) would fall by 18% as listeners switched to the new BBC stations** [emphasis added]. As the stations in the Kantar survey accounted for 81% of all commercial digital hours, this equates to a loss of 15% of all listening to commercial digital radio.⁹¹
- 4.12. For each extension, a larger share of listeners (67%-78%) come from commercial radio stations than would be expected by commercial radio's national market share (55%). That is, the Kantar survey finds that the BBC extensions will disproportionately affect existing commercial stations.
- 4.13. The results presented here are conditional on at least 100 respondents to the survey, and therefore by necessity ignore some of the smaller stations which would often be the most impacted such as Boom Radio or Scala. Boom Radio commissioned Opinium to conduct its own survey of the likely impact on its listenership as a result of the BBC's services. That estimated that 30% of its listeners would be extremely likely to trial the BBC Radio 2 extension alone, similar to the share its survey reported for Gold (32%) and larger than Heart 70s (21%), the two stations which had the highest switching rate to the BBC Radio 2 extension based on the Kantar survey. The figure for Boom's core 55+ audience was even higher at 44%. Therefore, there is evidence that Boom could see some of the largest impacts relative to the size of its current listenership.
- 4.14. While there is an inevitable variance between the specific audience impact estimated in the Kantar survey and the survey commissioned by Boom Radio (due to the different methodologies and approaches adopted) it is notable that the trends identified in both

⁸⁹ The Kantar survey

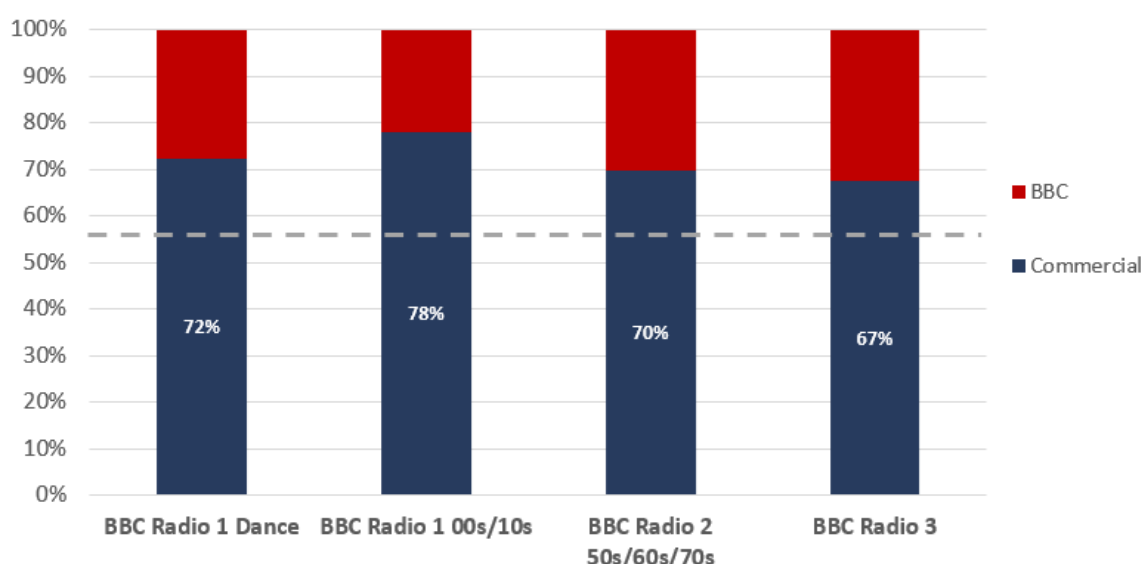
⁹⁰ The full breakdown of switching hours is provided in the Compass Lexecon report (Annex A) Table 14. For Classic FM 5% of listening hours would switch to the Radio 2 extension, with 2-3% to each of the Radio 1 extensions.

⁹¹ This estimate is conservative as it assumes that commercial radio stations not in the survey would not lose listeners, and that listening hours on AM/FM would not switch to the new extensions which are on digital and online only. It is also noted that the stations excluded tend to be speech radio, such as TalkSport and LBC.

surveys are consistent. That is, they both find that audiences are likely to migrate listening significantly to the new BBC services from commercial radio – and that this are likely to be greater where stations have the closest similarity to the proposed BBC extension.

- 4.15. More broadly, it should be noted that overall listenership to radio has been largely static over the last 10 years seeing no real growth or decline since at least 2010, despite the launch of multiple new stations. Therefore, any new listening to the BBC’s extensions may be expected to come from existing radio, rather than from new listeners to radio or existing listeners dedicated more hours.
- 4.16. Figure 12 sets out whether listeners to the proposed BBC extensions shifted their listening hours from commercial or BBC stations, and compares this to the overall distribution of national listening to commercial or BBC stations. For each extension, a larger share of listeners come from commercial radio stations than would be implied by its national market share.

Figure 12: Share of listeners switching from commercial radio stations compared to commercial radio’s national market share



Source: Compass Lexecon analysis based on data from Kantar Survey and RAJAR.

Notes: Dashed grey line refers to commercial radio stations market share.

Radiocentre commentary

In the PIT document the BBC indicated that they did not expect the impact of the proposed stations to be large and that a significant proportion of listening to the new services would be the result of cannibalisation of existing BBC radio offerings.

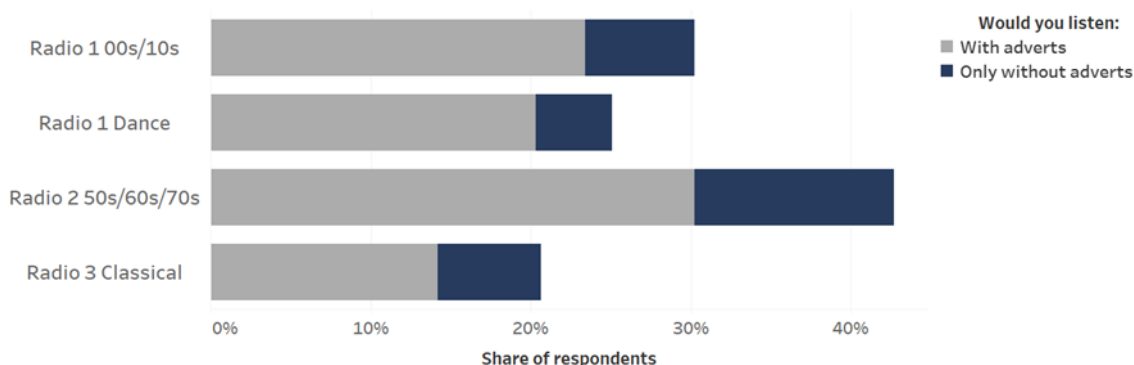
Given the similarities between commercial stations and the proposed extensions, it is not surprising to see that commercial radio stations will actually be significantly more affected than BBC stations.

This is confirmed by the analysis of station-by-station switching rates and the montage similarity feedback, as well as the picture that emerges from looking at the impact in aggregate when compared to market share – namely that the BBC extensions will disproportionately affect existing commercial stations.

Listeners are attracted by the lack of advertising

- 4.17. Figure 13 shows the impact of removing ads on listener preferences. It tallies the share of respondents who indicated they would definitely listen to each montage (representing a BBC extension) as against those who would definitely listen but only without ads.

Figure 13: Respondents who would listen to BBC stations regardless of ads, and conditional on there being no ads



Source: Compass Lexecon analysis based on data from Kantar survey.

Note: Results reflect respondents' answers to the survey questions "Imagine the music you heard in this montage was representative of the songs you'd hear on a new radio station, and that this station would PLAY/ NOT PLAY adverts. How likely would you be to listen to this station if it played music like this?". Results only reflect respondents who indicated "Definitely" to either question.

- 4.18. For all stations, the removal of ads has a significant impact on the number of respondents who would definitely listen to the station. In particular, in the case of the Radio 2 extension 10% of all respondents indicate they would definitely listen to it if, and only if, there were no ads.

Radiocentre commentary

The BBC derives a major advantage from its commercial competitors by its unique funding model and the fact that it does not carry advertising. Because these services are not distinctive, it begs the question as to why listeners would switch if their needs were already served by commercial radio.

This is clearly demonstrated in the findings from the Kantar survey, where a significant proportion of respondents would listen to the BBC stations on the condition that there would be no ads.

Therefore, the high switching rate, identified in the Kantar survey, to the BBC is not inconsistent with its lack of distinctiveness, instead it is indicative of an unfair competitive advantage from public funding as it does not need to carry advertising on services that are similar to existing popular commercial stations.

The BBC's estimates significantly understate audience size

- 4.19. Based on the survey responses Compass Lexecon is able to test these estimates. It recognises that survey respondents may overestimate the hours they would listen to the new stations as it is easier to answer a survey than to change behaviour. This is known in the research literature as 'hypothetical bias'. The findings have been adjusted for this by restricting the estimate of the size of BBC stations by (i) including only hours switched from other radio stations⁹² and (ii) accounting only for hours where respondents stated they would "definitely listen."⁹³ The full calculation is explained in Compass Lexecon's report (Annex B).
- 4.20. Table 7 presents the BBC's own audience estimates, and how they compare with those implied by the Kantar survey.

⁹² Compass Lexecon considers that respondents who state that they would increase their overall radio listening hours are more likely to overstate their true behaviour as it implies a greater change in behaviour compared to switching existing listening. In addition, overall radio listening has not grown at an aggregate level despite the launching of a myriad of new spin-off stations, suggesting that listeners are much more likely to substitute their listening in practice than extend it.

⁹³ Academic research has found that only taking into account responses where individuals are certain gives results which are a good predictor of real-life outcomes. See Champ, P.A., Bishop, R.C., Brown, T.C., McCollum, D.W., 1997. Using Donation Mechanisms to Value Nonuse Benefits from Public Goods. *Journal of Environmental Economics and Management* 33(2), 151- 162 and Furno, M., La Barbera, F., Verneau, F., 2019. Accounting for the hypothetical bias: A changing adjustment factor approach. *Agribusiness* 35(3), 329-342.

Table 7: BBC extension total audience sizes – BBC’s own estimates vs. Kantar survey response

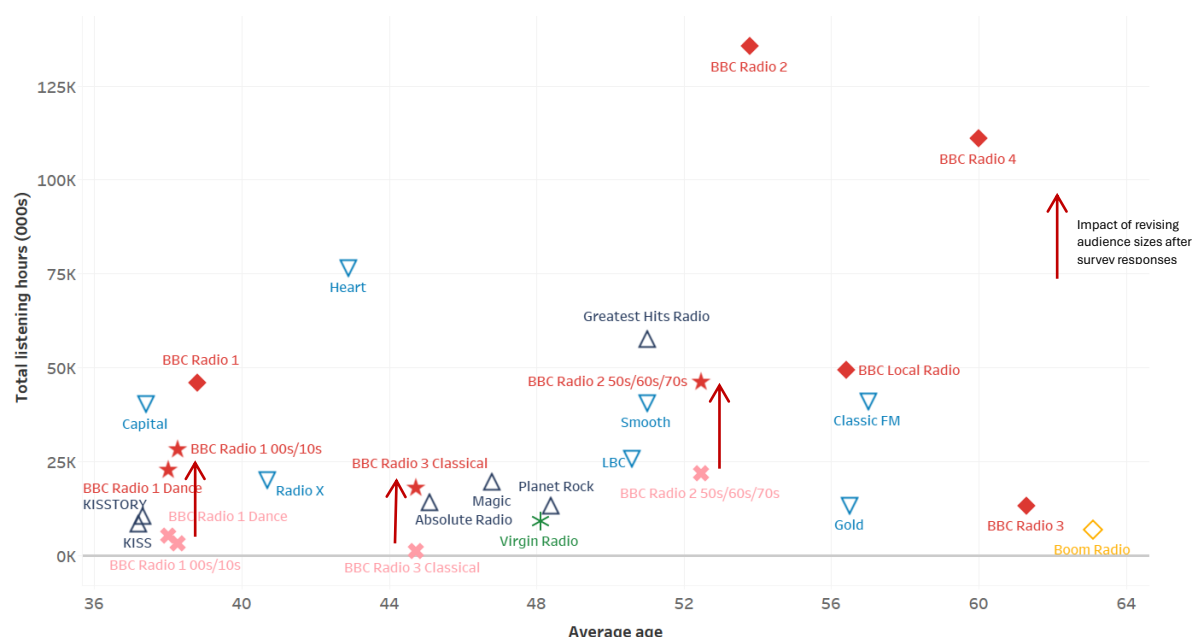
Extension	Total weekly reach (m)		Total listening hours (000s)	
	BBC estimate	Kantar survey	BBC estimate	Kantar survey
BBC Radio 1 Dance	0.96	4.56	5,193	22,845
BBC Radio 1 00s/10s	0.86	5.11	3,118	28,497
BBC Radio 2 50s/60s/70s	2.09	6.55	21,834	46,447
BBC Radio 3 Classical	0.24	3.49	1,046	18,133

Notes: Full methodology provided in the appendix.

Source: Compass Lexecon analysis based on data from Kantar survey and Radiocentre.

- 4.21. This analysis finds that both the weekly reach and the weekly listening hours would be many multiples of the BBC’s estimates. In particular, for the BBC Radio 3 Classical extension we find the BBC’s estimate of only 1 million listening hours to be a significant understatement. Although the estimated hours from the survey exceed that of the Radio 3 parent station, this is possible given that the switched listening is often coming from Classic FM, and Classic FM is much larger than Radio 3. It would in any case remain significantly smaller than Classic FM.
- 4.22. Figure 14 sets out how the market sizes estimated by the BBC compare with the survey figures, and against BBC main stations and commercial competitors. Red arrows indicate the impact of revising the BBC’s audience estimates based on the survey responses.
- 4.23. The graph plots each station against its average age (and for the BBC extensions the age indicated by the Kantar survey) in order to compare the new BBC extensions against stations that target similar listeners. This also shows which existing commercial stations are likely to be impacted by the introduction of these extensions.

Figure 14: BBC extension market size compared to commercial rivals and BBC parent stations – all listening hours



Notes: See appendix.

Source: Compass Lexecon analysis based on data from Kantar and RAJAR.

Radiocentre commentary

The switching results contradict the BBC's assertion that the proposed extensions would have minimal impact on the market. For all the proposed extensions, the BBC has estimated audience sizes which would imply relatively small shares of radio listening, without providing specific evidence on the basis of these estimates.

Although there is inevitably uncertainty with the potential audience size of a new station, it is clear that the BBC has significantly underestimated the expected size of the proposed extensions, which will derive much more of their listening from commercial radio rather than existing BBC stations.

Compass Lexecon also notes that the Kantar survey results are consistent with a separate, independent survey conducted by Opinium on behalf of Boom Radio, which identified that audiences are likely to migrate to the BBC services to a significant extent.

The BBC's methodology to estimate potential audiences is unclear from the lack of information provided in the PIT document (and caveated as an initial estimate). This lack of transparency and developed analysis is particularly unhelpful.

This issue is of particular concern given the significant flaws identified separately in the BBC's methodology used for their parallel materiality assessment for launching the proposed new stations on BBC Sounds, where it appeared to be combining incompatible audience measurement sources (RAJAR survey data with streaming data).

The BBC's total listening estimates do not reflect realistic online listening hours

- 4.24. A key driver of the undersized BBC total audience size is the estimates for the total online listening share. For each extension, the BBC estimated that online hours would account for just 5% of DAB listening hours, a much smaller share than for existing BBC music stations.
- 4.25. Table 8 breaks down the split between online and DAB listening hours estimated by the BBC, and how these compare to the parent BBC stations and closest commercial competitor according to the radio montages.

Table 8: Online and DAB share of listening hours - BBC estimates compared to comparable stations

Extension	BBC estimate for weekly hours (000s)		Online listening's share of digital	Comparable station's online share of digital	
	DAB	Online		BBC parent station	Closest commercial competitor
BBC Radio 1 Dance	5,000	193	3.7%	49.6%	42.9%
BBC Radio 1 00s/10s	3,000	118	3.8%	49.6%	45.3%
BBC Radio 2 50s/60s/70s	21,000	834	3.8%	38.4%	39.5%
BBC Radio 3 Classical	1,000	46	4.4%	33.5%	43.2%

Notes: Comparable commercial stations are based on closest station from montage analysis. The closest competitor for the BBC Radio 1 Dance extension is Capital, for BBC Radio 1 00s/10s is Heart, for BBC Radio 2 extension is Greatest Hits Radio and for BBC Radio 3 Classical extension is Classic FM.

Source: Compass Lexecon analysis based on data from Kantar and RAJAR.

- 4.26. The figures for the BBC's online listening bear no relation to any commercial or BBC station. With online playing a large and growing role in all listening, it is simply not plausible to estimate it contributing a share of under 5% of total listening for these new stations.
- 4.27. From the survey data available on online and DAB switching rates to the BBC extensions, Compass Lexecon found no evidence that switching from either BBC or commercial stations differs materially by platform.

A. Impact on listening – Radiocentre conclusion

The overall lack of distinctiveness with the BBC's proposals (recognised by the overwhelming majority of respondents to the Kantar survey) and similarity to existing commercial stations results directly in significant planned switching behaviour, with damaging results for commercial radio.

It is a significant conclusion that most of this switched listening would come from commercial stations, with the greatest impact on existing services most similar to the proposed extensions.

The ultimate impact is stark for the sector – overall weekly listening to commercial radio stations on digital platforms (DAB and online) would fall by 18% as listeners switch to the new BBC stations.

Also, the separate independent survey conducted by Opinium on behalf of Boom Radio highlighted consistent trends on switching that would result in a significantly detrimental impact on the audiences it is able to attract.

B. Compass Lexecon analysis: Impact on revenues

Compass Lexecon finds that the BBC stations will have a material impact on the revenues of commercial radio. They estimate that the commercial radio stations in the Kantar survey would collectively face a decline in revenues of at least 12%, corresponding to a 10% or £71m p.a. reduction across commercial radio as a whole.

This estimate is conservative. In later submissions to Ofcom, Compass Lexecon will refine its estimate to take into account that:

- i) The BBC is targeting commercially attractive demographics, in particular younger listeners; and
- ii) The BBC is targeting online platforms and, therefore, putting valuable IP-targeted advertising at risk.

4.28. Although the BBC stations will not carry advertising, they will reduce the total number of listening hours on rival commercial stations. The vast majority of radio advertising is sold on either a Cost Per Thousand (CPT) basis, or in the case of IP-targeted listening, the number of actual listeners, which means that a reduction in the number of listener hours directly reduces advertising revenues.⁹⁴

4.29. Compass Lexecon makes a preliminary estimate of the impact on commercial radio revenues, based on the impact on listening hours. The Kantar survey found that in aggregate the commercial radio stations in our survey would see an 18% reduction in digital listening hours. Adjusting for (i) the ratio of digital to analogue listening hours, and (ii) the share of revenues which are directly affected by listening hours, it is provisionally estimated that aggregate commercial revenues for these stations would fall by 12%.⁹⁵ **Conservatively assuming that stations with insufficient respondent samples had exactly no switching, Compass Lexecon therefore provisionally estimate a reduction in commercial radio's revenues of 10% or £71m p.a. [emphasis added].**

The BBC's proposed extensions target commercially attractive audiences

4.30. Three of the four proposed extensions will disproportionately attract younger audiences which are the most commercially valuable demographic. For BBC Radio 1 Dance, BBC Radio 1 00s/10s and BBC Radio 3 Classical, there is a clear skew towards younger listeners. For all three, the most likely demographic group to listen are in the 25-44 age bracket.

4.31. The BBC Radio 3 extension would take a disproportionate share of Classic FM's younger listeners, 75% of the hours which would switch to the Radio 3 extension are from

⁹⁴ Advertising includes sponsorship, which is also sold on a CPT basis.

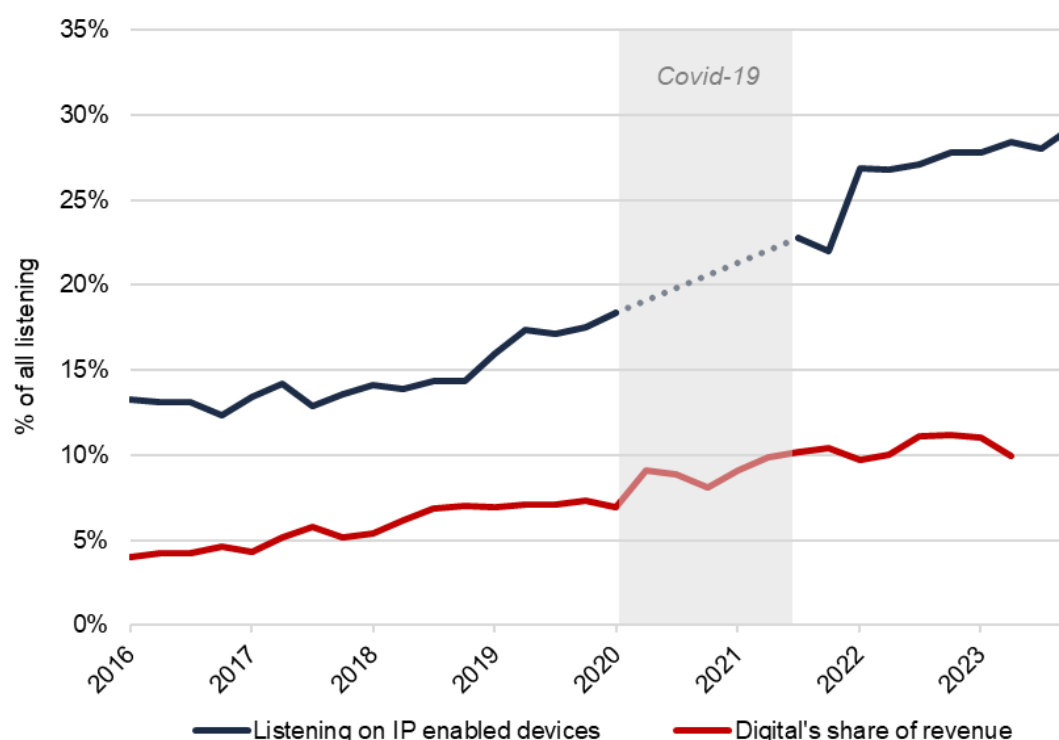
⁹⁵ This does not take into account any dynamic response by commercial radio. Compass Lexecon considers that such dynamic strategies are implausible given (i) the advantage the BBC derives from being ad-free and (ii) the reduction in revenues commercial radio would face.

listeners under 54. Although Classic FM's average listener is aged 57, the third of its listener base which is under 54 makes a disproportionate contribution to revenue as these listeners are able to be sold as high value IP-targeted advertising.

The BBC's proposed extensions target commercially attractive listening platforms

- 4.32. The new stations would be available on both DAB+ and online platforms. Although the BBC's materiality assessment expected that online listeners would form only 4% of the digital audience,⁹⁶ as Table 8 showed, online listening consistently accounts for ~40% of digital listening across both BBC and commercial stations, and the Kantar survey found similar switching rates across DAB and online listening.
- 4.33. It is therefore reasonable to expect that ~40% of the commercial listening hours switched to the BBC extensions will come from online listening. Given the higher rates that online advertising attracts, this has an outsized impact on commercial radio revenue.
- 4.34. IP-targeted advertising is disproportionately important to commercial radio viability. Figure 16 presents the share of IP-targeted listening as a share of all listening, and digital revenue as a share of all revenue. Both IP-targeted listening and digital revenue have doubled since 2018. Online revenue is by far the most dynamic part of advertising revenues.

Figure 16: Share of overall commercial radio advertising broken down by revenue source - 2016-2022



⁹⁶ BBC Music Streams Materiality Update for Commercial Radio, p17.

Source: Compass Lexecon analysis based on data from Radiocentre

- 4.35. There remains a gap between IP-targeted listening and associated revenues; however, this is a function of the nascent nature of the industry with Global launching their IP targeting service (DAX) in 2014 and Bauer and News UK launching their service (Octave) in 2020.⁹⁷
- 4.36. The BBC's new services will disproportionately impact online revenues. This impact is particularly important for specialist and smaller commercial stations that seek to appeal to listeners beyond commercial radio's traditional core demographic base.
- 4.37. For instance, the Classic FM average listener is 57 years old, an age profile less attractive to advertisers. However, around 1-in-5 listeners to Classic FM is under the age of 45, meaning it has more listening hours from under-45s alone than Capital XTRA or Hits Radio, stations which can command much higher CPT. This valuable demographic can be isolated by IP-targeted advertising to command a disproportionate share of Classic FM's revenues. However, this valuable demographic is the one most likely to switch to the Radio 3 extension, creating a disproportionate revenue impact.
- 4.38. As traditional radio advertising continues to deal with averages, digital advertising allows stations to access the full value from their reach and listenership, and in many cases offers a vital lifeline for stations which traditional advertising alone would not support.

Radiocentre commentary

The BBC's new services will disproportionately impact online revenues. This impact is particularly important for smaller commercial stations (including independent local operators) that seek to appeal to listeners beyond commercial radio's traditional core demographic base.

Stations such as Boom Radio, Scala Radio or Classic FM rely disproportionately on IP-targeted revenues. As a result, the impact on these stations will be even more significant.

Also, as we outline in paragraph 3.22, younger audiences are becoming harder for radio broadcasters reach due to increased competition with music streaming and other forms of media consumption.

The addition of the BBC Radio 1 extensions appealing to this audience would reduce both reach and hours of commercial radio's existing provision, impacting a large number of commercial stations.

⁹⁷Campaign, [Global Radio rolls out digital music buying point](#), 19 June 2014; News UK, [News UK's Wireless and Bauer Media join forces to launch Octave Audio a new digital audio advertising platform](#), 3 March 2020

Other revenue sources would fall in line with listenership

4.39. Falling listenership to commercial radio will lead to falls in broadcast radio revenues:

- i) National advertising: as national advertising is priced on a per-thousand listeners basis for a 30 second slot, a fall in listenership would lead very directly to a 1-to-1 fall in revenues. Radio stations would need to run ads in more slots in order to achieve the agreed number of listeners/reach the same revenue, which in turn would lead to a further reduction of audiences.
- ii) Local advertising: as local advertising tends to be sold on a spot basis, the price is not directly affected by a fall in listenership in the short-term. Such advertising accounts for only around 15% of radio advertising, and is in decline.

4.40. Other revenue sources would also fall: competitions would see fewer entrants; websites would have fewer visitors; and commissions from selling NewsLink would fall as listenership fell.

4.41. Therefore, at a bare minimum various revenue sources are expected to fall in line with listening hours, even if IP-targeted listening will fall even more precipitously.

Preliminary estimated impact on revenues

4.42. The survey results were used to provide a preliminary calculation of the impact of the proposed extensions on overall commercial radio revenues. As a result, it is estimated that the commercial radio revenues of the stations in the survey will reduce by at least 12%, and that across all commercial radio, revenues would reduce by 10% or £71m p.a.⁹⁸ This is based on the following calculation:

- i) The Kantar survey estimated that digital listening hours to commercial radio in the survey would reduce by 18%;
- ii) The stations in the Kantar survey with sufficient response rates accounted for 81% of all listening to commercial radio, based on RAJAR data;
- iii) Digital listening accounts for 78% of overall listening to commercial radio;⁹⁹
- iv) Compass Lexecon estimate the proportion of commercial advertising revenue which varies with listening hours. As noted above, it considers that national advertising, sponsored content and Digital ad revenues all vary directly with listening hours. These accounted for 83.3% of commercial revenues in 2023.¹⁰⁰
- v) Total commercial radio revenues were reported as £715.1m.¹⁰¹

⁹⁸ Based on the stations in our survey accounting for 81% of commercial radio listening hours and Radiocentre data on annual commercial radio revenues for 2023.

⁹⁹ Based on RAJAR data for Q4 2023.

¹⁰⁰ Radiocentre, [Annual Commercial Radio Revenues](#).

¹⁰¹ Radiocentre, [Annual Commercial Radio Revenues](#).

B. Impact on revenues – Radiocentre conclusion

The impact on commercial radio revenues is likely to be exacerbated by the fact that three out of four of the proposed new stations target a commercially attractive – younger – audience.

As a direct consequence of the anticipated audience behaviour, with a proclivity to switch from existing commercial radio services to the new BBC extensions, the impact on listening hours to commercial radio would result in a predicted reduction in sector revenues of around 10 % (c.£71m) p.a.. That will, in turn, result in significant further negative knock-on impacts (explored further below).

The commercial sector is currently characterised by high dynamism and a broad offering of stations. To the extent that the BBC's proposals encroach of commercial's radio heartland of younger listeners, they harm the present viability of commercial radio stations. And to the extent that the BBC's proposals focus on online listening, they threaten the long-term viability of commercial radio stations going forward.

C. Compass Lexecon analysis: Impact on services and investment

Compass Lexecon highlights several potential risks should the BBC launch the proposed extensions:

- Putting pressure on commercial operators to cut costs, potentially impacting listener experience as a consequence;
- Making small commercial stations non-viable;
- Increasing talent costs for commercial operators; and
- Undermining incentives to innovations, given the potential for the BBC to copy new stations formats without advertising.

- 4.43. Although the Kantar survey suggests that the new stations would be likely to attract a significant audience, much of this audience will be listeners switching from commercial stations which already offer a similar proposition. As the Kantar survey found, just 13-18% of respondents considered that the proposed stations sounded different than existing stations.
- 4.44. Over the past decade, the commercial radio sector has seen significant innovation. Commercial radio has launched targeted digital stations such as Heart Dance, Absolute Radio 00s, Capital Dance and Boom Radio to expand its offering to listeners and grow its listener base and revenues.
- 4.45. The BBC proposals risk undermining this investment and innovation, reducing audience choice.

Radiocentre commentary

The BBC's proposals are likely to result in a negative long-term impact on commercial radio audiences.

If they proceed in their proposed form, the new extension stations are likely to have a detrimental impact on competition and innovation in the UK radio sector. In the short-term, some smaller innovative stations are likely to become unviable and so may close, depriving audiences of choice.

In the longer-term, the new stations will have a chilling effect on investment and innovation in the sector: if the BBC is allowed to observe which new commercial stations are successful, and then replicate them without ads and with the benefit of DAB prominence, the risk of investing in new commercial radio stations significantly increases, deterring innovation. There is also a considerable opportunity cost to the sector.

Impact on investment and innovation

The aggregate impact on audience and revenues is high.

- 4.46. The Kantar survey finding that listening to the commercial stations in the survey would fall by 18% on average. Over 15 stations, including Heart, Capital, Smooth Radio, Classic FM and Magic would experience a fall in listening hours of more than 20%. Assuming that the share of digital listening and local advertising is in line with the commercial radio average, this corresponds to a fall in advertising revenues of 12% for those stations.
- 4.47. However, the impact of revenues of the new extensions is likely to be even greater than the impact on listening hours. The Kantar survey found across each of the extension stations, the age group with the highest propensity to “definitely listen” to the new stations were the commercially valuable 23-34 age group. In addition to the direct loss of a large share of their audience, the profile of the remaining commercial radio audience will become less attractive to advertisers, further reducing revenues. This is likely to particularly impact stations like Classic FM where the listeners who indicated they would switch are younger than average.
- 4.48. As a result of the reduction in revenues, commercial radio will be under pressure to reduce costs to maintain viability. In some cases, for instance if the cost cuts reduced the number of presenter hours or increased the number of advertising slots to maintain viability, then it could negatively impact the listener experience.

Smaller commercial stations may be particularly impacted.

- 4.49. The impact of the new stations may be particularly acute on some smaller digital-only stations which serve the same audience as the extension stations.
- 4.50. Scala Radio, a classical digital music radio station, targets the same audience and plays a similar mix of music as the proposed Radio 3 extension. The sample size for Scala Radio in the Kantar survey was low, however it is reasonable to expect it to suffer a similar expected audience impact as Classic FM given the demographic profile of its audience is broadly similar (see Figure 9), which is expected to lose 21% of its digital audience. In February 2024, Scala Radio reduced the number of presenters in order to cut costs.¹⁰² The loss of at least ~20% of revenues, and the diminished prospect of recovery given the competition from an advertising-free rival, make the station’s future challenging.
- 4.51. As noted elsewhere (and within its own PIT response), Boom Radio is also likely to be affected disproportionately given the striking similarity of this service to the Radio 2 extension and the anticipated loss of audience listening hours, which will inevitably feed through to its revenues from both broadcast and online advertising.

Increased costs for commercial stations.

¹⁰² Radio Today, [Mark Forrest, Mark Kermode, Luci Holland, Richard Allinson and Sam Hughes to leave Scala Radio](#), 22 February 2024

- 4.52. Talent accounts for a substantial proportion of the costs of running a radio station and is key to attracting audiences. For example, when Ken Bruce moved from Radio 2 to Greatest Hits Radio, the latter's audience increased by 47%, with the listeners to the morning show up by 93%.¹⁰³
- 4.53. The BBC stations are likely to target the same presenter talent pool as their commercial rivals. For nostalgia or specialist stations, the talent pool is limited, particularly for established presenters most likely to attract audiences. For example, Boom Radio has presenters such as Simon Bates, Nicky Horne and David Hamilton who are familiar to audiences due to their time on BBC radio. A new nostalgia station, would directly seek to attract similar presenters, increasing the cost of talent.

Reduced incentive to innovate

- 4.54. If the extensions proceed as planned, they are likely to have a chilling impact on innovation and investment from the commercial sector. Rather than coming up with a distinctive proposition to serve a new audience, the BBC has observed which new commercial stations are successful and then replicated them, without advertisements and with the benefit of the BBC brand and cross-promotion resources.
- 4.55. The proposed extensions risk having a strong deterrent effect on innovation by the commercial sector: there are significant upfront costs to establish a new station and to build a listener base. Operators will be much less likely to take the financial risk of investing in new stations, if their innovation and successful ideas risk being copied by the BBC, with the substantial commercial advantages of being ad-free, DAB prominence and the valuable ability to cross-promote the new stations through its existing radio and television base.

Radiocentre commentary

Ultimately, the adverse impact on commercial radio will be significant through a combination of decreased revenues and increased costs, which will have an outsized impact on smaller operators.

The launch and success of Boom Radio showcases a recent success story of an independent radio operator to innovate, take a risk and create a successful new niche station. This success has been underpinned by significant investment that is now in jeopardy. Should the proposals be approved in their current form it would have a wider impact in future.

- 4.56. The BBC proposals would risk undermining this innovation, reducing audience choice:
- i) All commercial stations would lose a substantial number of listening hours and revenues, placing them under pressure to make cost reductions, rather than invest in new services;

¹⁰³ Bauer Media Group, [The Ken Effect: Bauer Media Audio UK secures record 22.8m reach](#), 3 August 2023

- ii) The viability of some stations such as [redacted] would be directly threatened, reducing audience choice;
- iii) Innovation is likely to be significantly impacted due to (i) reduced revenues for the commercial sector and (ii) the deterrent effect created by the risk that the BBC free-rides by launching an ad-free replica of successful stations.

C. Impact on services and investment – Radiocentre conclusion

The BBC's proposals are likely to have a negative long-term impact on audiences. Implementation of the current proposals would have a detrimental impact on competition and innovation in the UK radio market, in which the BBC is already dominant.

The greatest long-term impact on audiences is the deterrent effect of the BBC free-riding on other's innovations. If the BBC is allowed to launch ad-free replicas of successful commercial stations, fewer such innovative stations will launch, reducing overall choice for audiences, which ultimately leads to an outcome of poor value for money for licence fee payers.

Cross-promotion

- 4.63. As noted in section 4.5, the BBC enjoys huge marketing and cross-promotion power across TV, radio and online. However, the PIT document makes no reference to inevitable BBC plans for cross-promotion or marketing investment for the new stations. Following a request for further information, it was confirmed that anticipated first year external marketing spend for the services would be in the region of £385,000.
- 4.64. This direct marketing spend would be accompanied by cross-promotional material on the BBC's main radio and TV services. The BBC's latest Annual Report highlights the significant time devoted to on service and cross-promotion. For example, for Radio 2 promotion¹⁰⁴ for radio and BBC Sounds totalled 1,284 minutes across the year. Each week could amount to a considerable number of promotional spots for other BBC audio services. Even 25 minutes a week could mean 75 references with 20 second spots or 100 with 15 second spots. Across all the BBC's UK public services, cross-promotion of radio and BBC Sounds totals 15,392 minutes across the year, or 296 minutes a week.
- 4.65. Commercial broadcasters, without this unrivalled cross-promotional ability, must rely on significant investment in marketing across a range of platforms (any broadcasters that utilise their own inventory do so at a high opportunity cost). A typical national promotional advertising campaign for a commercial broadcaster dwarfs the costs indicated by the BBC. Further (confidential) information on this issue is available for Ofcom to consider.
- 4.66. Compass Lexecon also notes in its analysis that *"Listening to the BBC extension stations is also likely to be increased due to cross-promotional activity from existing BBC parent stations. BBC Radio 1, 2 and 3 account for 19% of all radio listening, and cross-promotional activities which raise awareness among listeners of the new extensions will likely have a very significant effect. As the PIT consultation included no data on plans for cross-promotion, our analysis ignores this by necessity, potentially underestimating the impact of the BBC's proposed extensions."*¹⁰⁵

¹⁰⁴ BBC, [BBC Group Annual Report and Accounts 2022/23](#), p.138

¹⁰⁵ Annex A, p.35, para 3.48-3.49

5. QUESTION 4

Are there any steps you think we could take to minimise any potential negative effects on fair and effective competition or to promote potential positive impacts?

Summary

We are keen to engage constructively with both the BBC and, subsequently, with Ofcom on the best ways to deliver distinctive public value content for audiences. However, at this stage, it is difficult to suggest specific adjustments to the proposed BBC services that would minimise the negative effects as the proposals are simply not distinctive enough and genuinely duplicative of existing commercial services.

There is little evidence of any public value for audiences from the launch of the proposed BBC music radio stations, as they will be neither distinct from nor additional to what is already provided by the commercial sector. Moreover, the provision of such ‘copycat’ services from the BBC – free of advertising – is likely to pull audiences away from existing commercial offerings and therefore have a negative impact on fair and effective competition with commercial radio.

We believe that the priority at this point in the process should be to establish a shared understanding between the BBC Board, Ofcom and the commercial sector that the current proposals cannot go ahead in their current form. There could then be the potential to work together on the specific detail of the areas where it may be possible for the BBC to provide content that is genuinely distinctive, delivering public value for audiences, with minimal unnecessary impact on the commercial sector.

Consequently, we have focused on potential areas for consideration and outlined some alternative suggestions that could help maximise the reach of some of the BBC’s most distinctive and high public value content from across the UK.

Minimising potential negative effects

- 5.1 As we have set out in detail in the previous sections, our analysis of the proposed BBC services in the PIT document suggests that they will provide little or no incremental public value. The music and speech content described is largely duplicative of existing commercial services and will target audiences already very well served by the market. The consequences of positioning these services in this way, and the significant negative economic impact on comparator stations in the commercial sector, is also set out in response to Question 3 and in further detail in the report from Compass Lexecon that is included as an Annex.
- 5.2. This analysis demonstrates that the current proposals are fundamentally flawed. The proposed services will do little to contribute to the fulfilment of the BBC’s mission and public purposes; there will clearly be adverse impacts on fair and effective competition;

and a lack of public value. As such they do not meet the requirements of a PIT as set out in the BBC Agreement¹⁰⁶.

- 5.3. All of this implies that the current proposals should not go ahead in their current form because any changes required in order to minimise the negative impact on fair and effective competition would need to be so radical that the services would be largely unrecognisable, when compared to the initial versions being proposed by the BBC.
- 5.4. We could of course provide a detailed list of such changes that would reflect this position and transform the nature of the proposed services fundamentally. However, we have opted not to do so at this stage, as we believe that the priority at this point in the process should be to establish a shared understanding between the BBC Board, Ofcom and the commercial sector that the current proposals cannot go ahead in their current form. If and when this can be established, there could then be the potential to work together on the specific detail of the areas where it may be possible for the BBC to provide content that is genuinely distinctive, delivering public value for audiences, with minimal unnecessary impact on the commercial sector (subject to scrutiny from Ofcom and further analysis of impact) and how that could be delivered across the BBC's broadcast and online platforms.
- 5.5. At that stage, consideration would need to be given to a number of content areas in order to drive much greater distinctiveness and minimise potential negative impacts, including (but not limited to) specific enforceable commitments on the following:

Music output

- clear requirements to ensure that most music that is played out and heard by audiences on BBC services is different to comparable stations, with a particular focus on daytime hours
- increased support for artists not heard elsewhere on UK radio
- much greater support coverage of live music and festivals
- significant use and access to archive music recordings
- stretching targets to drive increased exposure of UK music

Speech and other output

- regular and frequent news bulletins, with a particular focus on daytime hours
- extended news bulletins during peak times
- requirement to include discussion of news and current affairs
- requirements to include documentary and/ or speech content in keeping with the format of the station
- significant use of archive speech recordings
- limitations on the volume of cross-promotion for any BBC radio and audio service on its own platforms
- clearer criteria on any cross-promotion of a BBC radio service (e.g. limited to highlighting distinctive public service output)

- 5.6. Any such requirements that can ultimately be agreed for potential BBC radio services must be backed up by conditions in the BBC Operating Licence, in order for them to be

¹⁰⁶ DCMS, [An Agreement Between Her Majesty's Secretary of State for Culture, Media and Sport and the British Broadcasting Corporation](#), December 2016, Clause 8(1)

subject to independent monitoring and enforcement by Ofcom. As Ofcom has acknowledged previously, audio is different to the audiovisual sector and the specific features of the UK audio market (including the dominant position of the BBC) requires the continued use of quotas to help support distinctiveness and limit market impact¹⁰⁷. The BBC also confirmed that it would expect Ofcom to implement Operating Licence conditions if the proposals were to go ahead, either with quotas or transparency requirements.¹⁰⁸

Alternative public service approaches

- 5.7. As we have noted elsewhere in this response, the challenge identified by the BBC of reaching younger audiences and broader socio-economic groups is partly of its own making, due to changes in the programming and marketing strategies of some of its main radio services (this point was also one of the conclusions of the report from Folder Media). Therefore, a better approach may be to consider reforms to these services rather than seeking to launch brand extensions.
- 5.8. For example, a more effective means of serving the needs of younger audiences could well be to refocus Radio 1 on new music targeted at a younger audience and less on mainstream artists from the last twenty years. Similarly, it would be reasonable for the BBC to reconsider opportunities to use the very considerable direct appeal of both the main Radio 2 station and BBC Local Radio to C2DE audiences. Any of these approaches would be worthy of greater consideration than launching new standalone stations on DAB+ and online which do not appear to offer distinctiveness or public value, while potentially damaging competition.
- 5.9. There may also be other options worth exploring if the BBC is genuinely seeking to extend the public value it provides for audiences from its services. In particular, we understand that its services for the Nations (BBC Scotland, BBC Wales, BBC Cymru, BBC Northern Ireland) do not currently have 100% coverage in their respective parts of the UK, due to the incomplete nature of local DAB coverage that it relies upon in these cases. However, given that the BBC appears to have spare national DAB/ DAB+ capacity it seems that this issue could be resolved relatively simply by also carrying these services on its national multiplex.
- 5.10. This would have significant public value benefits. It would enable these services to improve broadcast coverage to much higher levels, up to near 100%, for audiences living in the Nations. Meanwhile, licence fee payers living in all other parts of the UK (including those working and living outside their home nation) would have access to these services on broadcast radio for the first time.
- 5.11. We would expect that any such change would still be subject to the usual regulatory processes, including a materiality assessment by the BBC. However, the nature of these services, as primarily speech-based services focusing on their respective part of the UK, means that they are much less likely to cause a significant adverse impact on competition. Indeed, this approach could create a positive outcome for audiences and

¹⁰⁷ Ofcom, [Modernising the BBC's Operating Licence](#), 22 June 2022

¹⁰⁸ Letter from BBC (Chris Rowsell) to Radiocentre, 23rd April 2024

be truly complementary to commercial services, creating enhanced societal and cultural impacts due to the BBC's unique ability to fund local, speech-led services which are especially challenging to provide commercially.

Process and accountability

- 5.12. There are also steps that we believe could be taken to improve and streamline the regulatory process that we believe could help minimise the potential negative effects on fair and effective competition.
- 5.13. Most significantly, as we have informed both the BBC and Ofcom, we do not believe that it is appropriate to run a separate regulatory process for online-only versions of these services in parallel with the PIT. The share of audience (and revenue for comparable commercial services) is similar for online as it is for DAB – and there is evidently a risk that the online versions of the stations may have a significant adverse impact on fair and effective competition. As such, we believe they should also be subject to a PIT.
- 5.14. In addition, if the BBC is permitted to launch additional radio services in some form there should be enhanced monitoring of the impact by Ofcom. This should go beyond the requirements to provide high level data on compliance with any conditions in the BBC Operating Licence, or broad descriptions of the progress of any service within the BBC Annual Plan. For example, the BBC should work with Ofcom to provide a progress report on market impact within the first 12 months of any service launching, including a call for evidence and consultation with stakeholders. Moreover, any changes proposed to the services would also need to be subject to a further materiality assessment and industry consultation.

Annexes

- A. Compass Lexecon report: *The Impact of the Proposed New BBC Radio Stations* – May 2024 (Confidential – attached)
- B. Folder Media report: *The BBC's new music radio stations proposals* – April 2024 (attached)