



New music radio stations: Public Interest Test annexes

Annex1: Modelling

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21 November 2024

Annex 1: Modelling

Data

Our modelling uses RAJAR, and publicly available financial data. It is conducted in Microsoft Excel.

RAJAR remains the main data source for broadcast radio consumption in the UK. It is a diary-based survey complimented with a passive panel with audio listening reported across week for a large representative sample of the UK population. The data is used as the basis for commercial revenue generation from the sale of advertisements, to sponsorship and 'takeovers' on commercial broadcast radio.

To be present with the RAJAR data a station needs to fulfil certain criteria, it must be an Ofcom licenced radio station, must be able to have a suitable sampling framework in place. There is also a minimum 5-minute listening threshold for data to be captured. Most on-line only streams are not licenced by Ofcom as radio stations and are not therefore captured in the data. The current Radio 1 Dance stream on BBC Sounds is an example of a BBC service that isn't separately tracked within RAJAR.

Counterfactual forecasts growth in digital listening

Our modelling is based on digital listening, i.e. we exclude AM/FM as the new stations will not be present on that service. Listening is moving from AM/FM to digital means. Digital listening now makes up the majority of listening to linear Radio. Our counterfactual model forecasts the growth trend in digital listening.

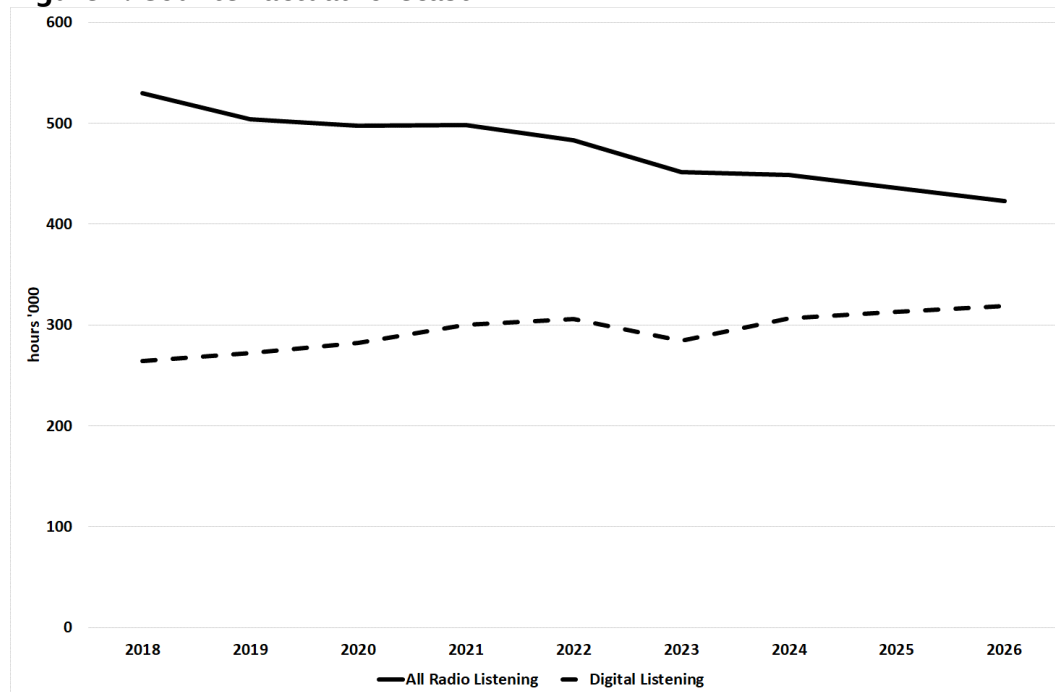
Analysis of RAJAR data shows that from 2022 to 2023 digital listening to BBC radio shrank by 7.2% whereas commercial radio grew by 12.8%. Prior growth in digital listening to BBC Radio was c.2%. We forecast that from 2023 to 2026 BBC radio will grow by an average of 3.9% with commercial radio growing by an average of 6.1%.

Our forecast is a simple linear regression based on historical RAJAR data aggregated across a year from 2018 to 2023. We generate the forecast based on major groups BBC, Global, Bauer, New UK and other radio. We do not forecast individual station growth. Given the limited time span of the forecast we do not cap the forecast at an overall radio market size. Our approach would not be suitable for long-range forecasting.

There is a gap in the RAJAR series due to COVID. Rather than rely on single quarters we have calculated averages for the effected years incorporating the leading and preceding quarters.

- The 2020 average consists of Q4 2019, Q1 2020 and Q3 2021
- The 2021 average consists of Q1 2020, Q3 2021, Q4 2021 and Q2 2022
- The 2022 average consists of Q2 2022, Q3 2022 and Q4 2022
- All other year averages are made up of their aggregate quarters

Figure 1: Counterfactual forecast



Source: BBC Analysis

General approach

We used a top-down approach based on market benchmarks to assess the potential size of the scale of the proposed music services. This reflects actual performance in the market of extension and enables us to reflect the size of the parent station.

We reviewed alternative approaches but did not consider those appropriate. We discounted the following approaches:

- A bottom-up approach to modelling the stations based on system data. We did not consider that these gave credible station size for potential BBC services on DAB+.
- Using our consumer survey to assess the station size. Surveys suffer from over claim for two reasons. First, they are costless switching opportunities, and second, particularly in the case of the BBC, offering services ‘free at the point of use’ or ‘without advertising’ also encourages over reporting. While there are methods that can be deployed both within the survey design and post survey to mitigate these issues. Our prior experience in modelling for audio has not found these to be effective. We consider that this is in part driven by the passive element of listening, which means that audiences do not have a clear recall of their current listening behaviour.

Uplift

We have used the relationship between the size of parent stations and their extensions to estimate the potential size of BBC proposals. Like the BBC’s proposed stations, commercial brand extensions focus on a subset of the genre or genres of music played by the parent station. They leverage a main brand signalling to the audience the tone

and quality of the station. There are over 50 brand extensions, and they are all smaller than their parent station. Apart from Kisstory, which is larger than Kiss and has been excluded for our top-down analysis as outlier. This approach assumes that the relationship observed for commercial extensions will hold for BBC extension, which we consider a reasonable assumption.

For each station we selected we have created a basket of radio extension with a similar music policy. We have calculated the size of the extensions in relation to the size of the parent station. We averaged across this bundle to give an estimated sizing for the full DAB+ stations. This provides us with ratios for the potential size of the new stations.

- Radio 1 Dance –Capital Xtra, Capital Reloaded, Capital Dance and Heart Dance.
- Radio 1 extension – Virgin Chilled, Virgin Anthems, Heart 00's, Absolute 00's and Absolute 10's
- Radio 2 extension – Virgin Anthems, Virgin Rock, Heart 70s, Absolute 60's, Absolute 70's and Absolute Classic Rock
- Radio 3 Unwind –the R3 extension is built of five competitors – Unlike the other stations, there are no direct extension comparators for the BBC Radio 3 Unwind. We've therefore built the estimate off five competitors that do not share the same music policy (focussing more on popular rather than classical music) rather they're similarly chill/mellow/winddown branding that matches the ethos of the proposed extension. Our bottom-up assessment did not yield a station of credible scale to test. Through the basket approach the station would be a little smaller than Scala, the only recent classical station launched five years ago and draws under 2 million hours a week, which we consider to be achievable. The extensions are: Virgin Chilled, Smooth Chilled, Capital Chill, Magic Chill and Magic Mellow.¹

Given that BBC Radio 2 is the largest music radio station by hours in the UK being more than twice the size BBC Radio 1 or Global's Heart. We consider that its extension may perform differently to those currently observed in the market. It's size enabling it to gather a larger listening share than may otherwise be the case. To account for its potential outsized brand power, we have applied a factor for aiming up of 20%.

These benchmarks have then been applied to the current listening of BBC Radio 1, BBC Radio 2 and BBC Radio 3 to generate the estimate size of the proposed DAB stations.

Assessing station growth shows that most of the stations are at least three years post launch. It's therefore a reasonable case to apply as an upper band for PIT modelling which looks at a 3–5-year time horizon.

¹ We did try a bottom up approach to modelling but could not generate station sizes that looked plausible. Data limitations made this particularly difficult for the classical genre which isn't widely served.

Figure 2: Uplift basket comparison and station sizes

Extension	Average size	Max size	Min size	Resulting hours ('000)
All stations	11.4%	47.9%	1.3%	-
Radio 2 Extension	13.7%	30.5%	4.8%	18,590
Radio 2 Extension – aim up	16.4%	30.5%	4.8%	22,308
Radio 1 Dance	10.8%	17.2%	4.2%	4,946
BBC Radio 1 Anthems	7.6%	11.3%	1.6%	3,480
BBC Radio 3 Unwind	8.8%	16.4%	1.3%	1,161

Source: BBC Analysis

Diversification modelling

Cannibalisation

In prior PITs we have made a standalone assessment of BBC cannibalisation independent of the BBC's listening share. These estimates are usually derived from survey data or experimentation. This has been suitable for audio-visual developments as this is primarily an active format. Audio, particularly radio, is a more passive consumption medium. As well as active listening radio is also used a background to people's day as they about other tasks. This means that survey data, such as we've previously relied on, is not robust in understanding listening habits and changes in listening habits. We have therefore adopted an approach to cannibalisation based on RAJAR listening data, the industry standard for audio measurement.

Cannibalisation for each station therefore reflects the listening share of the BBC's overall listening or that of the parent station in the relevant comparator group. This means that the level of cannibalisation is different for each of the proposed BBC stations This is done on the same basis as diversion discussed below.

Diversification

We have calculated diversion at the market level and for, each of the proposed stations, with a smaller subset of comparators. This generally reduces the expected cannibalisation, as the BBC is smaller in the specific genres. For example, BBC Radio 3 is significantly smaller than Classic FM. These more focussed diversion calculations limit the stations over which impact is felt, altering the aggregate pattern of impact. Again, with the BBC Radio 3 Unwind as an example impact is assigned to Global for Classic FM and Bauer for Scala, with no impact is assigned to News Broadcasting stations as they have no classical offering.

Our listening shares are based on digital listening only. We do not model growth in total listening that may be driven by these changes, i.e. that the changes may accelerate the decline of BBC AM/FM listening, listening may come from commercial AM/FM listening rather than digital listening, or it may come from other sources like streaming.

We have made the modifications to our standard approach based on particularities each station and the representations made.

As part of the new Radio 2 extension diversion estimate we have included weighting for stations that are closer substitutes for proposed extension (i.e. Boom). We have adopted a simple editorial led weighting method. For those editorially close stations we've upweighted the impact on them by a factor of two. This has been done by assuming the stations are twice the size and reweighting market share. We have not altered the overall level of impact so non-weighted stations received a lower diversion than they otherwise would. The station have been weighted based on the advice of our editorial teams.

This is the approach that we used in the recent materiality assessment for the proposed Radio 2 extension BBC Sounds stream. Ofcom, in response to our materiality assessment for proposed two weighting methods: one based on 55+ audience size; and another based on Radiomonitor analysis of decade share to provide a range of each station. Ofcom did not apply this approach to the current BBC Radio 2 audience, instead taking our weighted audience share as cannibalisation (c.35%) and reweighting the commercial listening.

We continue to use our simplified method for a couple of reasons. First, we have selected the stations in the comparator group based on the knowledge of our editorial teams and response from consultation. Retaining the editorial approach to closeness is consistent with this. Second, our editorial approach to closeness produces similar results to Ofcom's approaches.

With the genre approach, there are some technical issues with the Radiomonitor data that add complications. Radiomonitor is less comprehensive for both specialist music and music from the specific decades. We understand that older tracks do not necessarily have the correct release dates for a range of reasons including remastered versions of originals being released. This reduces playlist coverage, for example Boom report that Radiomonitor does not adequately capture their play list. Our analysis indicates that some 27% of Booms tracks are not fully recorded in Radiomonitor.

Additionally, Ofcom used unique tracks rather than plays. Plays more closely reflects the sound of the station and commercial radio in general has a higher repeat rate for tracks. For example, our analysis shows that 74% of Absolute 60's tracks are from 50's, 60's and 70's but 92% of plays, while for Magic it is 16% of tracks but only 6.2% of plays. On a Radiomonitor genre basis Boom would not be a close competitor.

We have also made modification for the BBC Radio 1 Dance extension. This has been done to reflect the fact while, BBC Radio 1 is a significant contributor to dance music in the UK but is not 100% dance music. Radio 1 Dance's comparator stations comprise, primarily, stations playing the dance genre. While we would anticipate cannibalisation from other genres, using the full-size BBC Radio 1 may overstate cannibalisation for the comparator analysis. To account for this in our comparator analysis we have reduced the size of BBC Radio 1 to just 25% of its total listening when assessing listening share for diversion. This reflects the proportion of Dance music and shows played out on BBC Radio 1.

Assessing profitability

Commercial radio revenues and profitability

Commercial Radio generated £715.5m in revenue in 2023. With revenues above £700m for the past three years.² The over half of the revenue delivered via national advertising, but with significant contributions from Branded Content (21%), Local advertising (16%) and digital advertising (10%). In our counterfactual this rises to £754.6m in 2026 driven by growth in listening.

In 2023 Global generated £426m in revenue from radio, up a little on the prior year. They don't report separate audio costs as part of their reporting we've therefore estimated an EBITDA of £107m based on their c.25% margin for the entire business.

The most recent accounts for News Broadcasting³ the operating company for News Broadcasting's radio stations, shows growth in both revenue and profits. In 2023 recording just under £81m in revenue and just under £11.5m EBITDA. This was lower margin than in 2022 after reporting a loss in 2021, like due to COVIDs effects on advertising and sport. Over the two years the average margin was 15%.

Not all commercial radio publishes accounts to the detail of News Broadcasting or Global. We have therefore relied on Radio Centre industry level revenue figures. We've assigned revenue to the three major groups and 'other' based on their total listening as measured by RAJAR. The revenue posted in Global Radio and News Broadcasting is higher than the revenue predicted in our modelling.

Group level competition

Reductions in regulatory requirements on commercial radio over the prior decades has enabled the industry to consolidate into three major commercial radio groups, with few independent stations. Our assessment of the impact on revenues and profitability are conducted at the group level to reflect this.

We do not have access to station level profitability and, even if we did, we do not consider that to be an appropriate way to assess the impact on profitability. While there may be some station specific packages and sponsorships, the market norm in commercial radio is to be invested across a portfolio of genres and brands through which to sell advertising.

The only exception to this in our analysis is Boom radio where we have made a station specific assessment. Boom is an independent radio station focusing on older audiences and will potentially be impacted by the Radio 2 Extension. However, Boom's operating model is not typical for the market. It does not have the diversification across different genres and instead offers a niche advertising product based on older demographics. We understand that advertisers in general see younger audiences as more valuable.

² <https://www.radiocentre.org/the-audio-market/ad-revenues-and-forecasts/>

³ Accounts posted as talkSPORT Limited

Annex 2: Summary of consultation responses

On 14 February 2024 the BBC launched a Public Interest Test consultation on plans to launch four new, distinctive, digital music stations on DAB+ – extensions to BBC Radio 1, BBC Radio 2 and BBC Radio 3.

The purpose of our consultation was to seek views, primarily from industry stakeholders, to help us to refine our proposals. This was a necessary step, given the need for us to undertake robust analysis on both the public value of our proposals as well as the potential impact on fair and effective competition, as required by the Public Interest Test.

We received 164 responses to our consultation, consisting of 17 from industry stakeholders (11 from organisational stakeholders and 6 from individual stakeholders), and 147 from members of the public. A summary of those responses follows below. Non-confidential responses from stakeholders have been published on our website alongside this document.

Advertising Association

The Advertising Association is a trade association representing advertisers, agencies, media and research services in the UK advertising industry. The response related to all of the BBC's proposed music extensions.

The Advertising Association was not supportive of the BBC's proposals, suggesting that they posed a significant risk to the market and that, as outlined, they appeared to lack any real public value. They argued that commercial radio was serving the target audience well, that the BBC should focus on providing content that is distinct, underserved and not well represented in the commercial radio sector. They noted in particular the lack of any news provision in the proposed extensions. They also suggested that the BBC concentrate resources on existing stations.

On competitive impact, they believe that the new stations represent a significant threat to the commercial radio market, with increased competition for audience share impacting commercial radio's ability to attract advertising and consequential loss of advertising revenue on which it depends. It could also impact the wider advertising market. The Advertising Association also suggested that the proposals risked 'crowding out' smaller, independent commercial operators, reducing diversity in the marketplace.

The Association argued that the BBC's competitive impact analysis had not been rigorous enough, focusing on an aggregate of all commercial radio rather than a competitive set of stations; that it did not take into account the competition between commercial radio operators and music streaming services. They also argued that the proposals did not consider the impact of BBC Sounds and the BBC's ability to repurpose content already produced creating a potentially unfair competitive advantage, potentially deterring commercial radio operators from investing in new, innovative content, reducing diversity and listener choice.

The Advertising Association also argued that the BBC has a significant cross-promotion advantage over commercial radio and asked about marketing budgets and cross-promotion plans.

Suggestions for mitigations included: a full public interest test on the BBC Sounds-only streams; transparency around costs associated with the new stations from existing BBC services; stretching quotas for new and original programming, limits on marketing and cross-promotion, regular independent reviews of market impact and a focus on underserved audiences.

AudioUK

AudioUK is the trade body for the audio-led production sector. The response related to all of the BBC's proposed music extensions.

AudioUK raised a number of questions in their response. They expressed disappointment that there was no indication about how the BBC would interact with the independent production sector, emphasising the distinctiveness and diversity that independent producers could bring and would not incur on the territory of other services available to UK audiences.

They also expressed some concerns around budgets – that the funding for the new stations would come from existing, already squeezed, audio budgets – risking quality and distinctiveness. They argued that the BBC should consider funding the expansion to its radio & audio portfolio from elsewhere.

Based on the information in the public interest consultation they suggest that there is a risk that the new services will not be sufficiently distinctive from the commercial radio sector. They suggest that the best way to ensure distinctiveness is with involvement of the independent sector and with sufficient budget.

Other issues raised by AudioUK related to a call for more of BBC's radio and audio non-news speech content to be open to external competition.

Boom Radio

Boom Radio is an independent, privately-owned radio station, providing a popular service primarily of music from the 1950s, 1960s & 1970s, for a target audience of listeners aged 55+.

Boom submitted a detailed response with supporting research. Their response related to the proposed Radio 2 Extension.

In their response Boom pointed out that the station was created out of a gap in the market left by earlier music policy decisions made by the BBC.

Boom suggested that there was no public value in the proposed R2 extension – that there was nothing original, creative, innovative that was not already available on Boom Radio or other existing stations.

Boom argued that the proposed R2 extension that it would be virtually identical to the service already provided by Boom Radio – often to a higher standard than the proposed extension. In Boom's view, the service description and music policy of the of the Radio 2

extension could apply equally to Boom. They stated that the station's sole focus appeared to be nostalgia and that it was simply not distinctive to play oldies – other commercial stations already feature this format. They also said that the artists and proposed range of genres already featured significantly in many commercial radio playlists. They also stated that the proposed range of tracks was significantly smaller than that currently delivered by Boom.

Boom stated that the R2 extension proposal appeared to offer little, and little detail of, speech content and that there was no news content.

On proposals to draw on the BBC's archive they said that the BBC was able to do that already on a number of platforms and that little had been shared on what was in the archive for which rights were retained.

Boom stated that the proposal did not contribute to the BBC's Mission and Public Purposes, that the BBC had been selective in its application of the public purposes – the proposal did not support learning; reflect, represent and serve the diverse communities of the UK and it provided no news. In playing back catalogue music and BBC archive material, they said it was difficult to see how this was supporting the creative economy.

They argued that there was no evidence to support the BBC's claim that the station would appeal to C2DE listeners or address the issues raised by Ofcom that the BBC needed to better engage with D and E socio-economic groups.

They suggested that the target audience of over-55s was identical to Boom's and questioned why the proposed station would target 55+, a demographic already well served by BBC Radio (and Radio 2 in particular)

On budget, they said that they believed the BBC had under-stated the investment scale required to launch and run the proposed station. They suggested the programming budget was not credible, did not factor in music rights and questioned how it would cover proposed talent costs. They questioned whether there was a marketing budget, that there would be significant cross promotion of the station which should be factored in as a cost. They argued that the scale of the budget and the format itself would not deliver a distinctive, quality service.

On competitive impact Boom challenged the BBC's assertion that the proposed station would not be large, stating that their research had shown that its potential size meant it would have a significantly greater impact than the other three proposed new BBC services.

Boom stated that they disagreed with the BBC's assertion that the audience to the new station would come from streaming and non-radio users, arguing that there was little evidence to support this, especially as the target audience was strongly engaged with radio and less so with streaming. Boom stated that their own research (using RAJAR data and independent research) showed they would suffer significant audience loss (39%) with a consequential impact on national advertising revenues – their main source of income. This decline in revenue could make the station unviable and destroy the value of Boom Radio as a business.

Boom argued that the proposed extension represented an existential threat to them. They pointed to the BBC's funding status and spending power, cross-promotion opportunities; PSB status and prominence and; appeal as an ad-free content provider

Boom also suggested that the proposed station would deter innovation in the market. They stated that Boom's existing spin-off services – Boom Light and Boom Rock – as well as potential future ones would be unsustainable and be forced to close if there was a decline in Boom's overall audiences and revenues.

Boom were critical of the BBC's engagement with the market, suggesting that the BBC did not appear to have complied with obligations on openness, transparency, accountability and industry engagement, and were critical that the plans had not been trailed in the BBC's Annual Plan.

Boom argued that the Public Interest Test consultation document did not supply sufficient information, that the programming proposals were vague and incomplete, with little idea of station sound. They also suggested that there were flaws in the data upon which the BBC had based the proposals and that the market analysis was insufficient and based on incomplete competitor sets.

Separately they argued that the online versions of the service should be subject to a full Public Interest Test, not just a materiality assessment.

Boom stated that in their view there were no mitigating steps the BBC could take to account for the lack of public value and the substantial competitive impact. They suggested that the BBC could seek to recoup older listeners in other ways – through changes to Radio 2 and BBC Local Radio – which would also better serve C2DE audiences.

Joint Submission from the Music Managers Forum (MMF) and Featured Artists Coalition (FAC)

The FAC is the UK trade body representing the specific rights and interests of music artists. The MMF is the world's largest professional community of music managers. Their response related to all of the BBC's proposed music extensions.

The MMF and FAC were generally supportive of the proposals and welcomed many of the commitments in the public interest test consultation, especially the support to British music at home and abroad, raising the profile of lesser known artists, the support to contemporary classical music artists, and the support to new artists in Radio 1 Dance. They also welcomed the commitment to reflect the creative calendar across the year.

The MMF and FAC said that they would like to see more detail on plans for commissioning new programmes for the proposed stations and they would like to see increased coverage of overseas showcases.

There was some concern from their members about the division between supporting and championing new music as opposed to catalogue and the need to do both.

On the proposed Radio 3 extension, the MMF and FAC said they would like to see a stronger commitment to living composers.

Other points raised – that the curation of the new stations should be wider than existing station gatekeepers; avoiding genre pigeon-holing; that the integrity of the public performance licence is maintained.

Music Publishers Association

The Music Publishers Association (MPA) is the representative body for the UK music publishing industry. The MPA Group includes the Mechanical Copyright Protection Society (MCPS).

Their response related to all of the BBC's proposed music extensions.

The MPA believed that the proposals will deliver 'great value for the public purse', noting the modest cost of the proposals.

They particularly welcomed the proposed Radio 3 extension, stating that the UK is a world leader in classical music and that the broadcast of classical music by the BBC is central to the UK's strong position.

They suggested a number of changes that they believe would improve the public value of the proposals. They suggested the Radio 3 extension extends the target audience to include under 35s, arguing that there is a growing interest in classical music from younger audiences and that the BBC is uniquely placed to act a point of entry for them.

They noted the role the BBC has played in introducing new artists, exposing new talent in a way that commercial radio does not (citing PRS for Music 2023 figures). Whilst they welcomed the new music commitments on Radio 1 Dance and the Radio 3 extension, they expressed disappointment that the R1 and R2 extensions focussed on catalogue. They argued that in the light of the cuts to BBC Introducing, all the extensions commit to play at least one-third new music.

On competitive impact they believe that the BBC and Commercial Radio deliver distinct and complementary services and that commercial radio should not be negatively impacted. However, they suggest increasing the allocation of new tracks per year to a third across each of the four stations would reduce any possible risks.

PRS for Music

PRS for Music is the UK-based, collective management organisation representing the rights of more than 165,000 songwriters, composers and music publishers globally. Their response related to all of the BBC's proposed music extensions.

The Society 'strongly welcome' the proposals' and highlighted the importance of the BBC across all its platforms to the UK music industry and especially its 'unparalleled role' in supporting new, British music. They acknowledged that the proposals would serve diverse communities and support the creative economy.

They made a number of suggestions which they believed would enhance the public value of the proposals: to include a minimum number of unique tracks for each radio station: an allocation of overall content share dedicated to new music and homegrown talent. Pointing to the cuts to BBC Introducing, they note that only Radio 1 Dance and the Radio 3 Extension would provide a platform for new music and proposed that the BBC

commits to playing new music on all four of the new stations. On supporting homegrown talent and the UK's classical music scene, they also asked that works by British composers constitute at least one-third of music on the Radio 3 extension.

To ensure the BBC meets its Charter requirements they suggested that the BBC increase the number of tracks across each station which would also help differentiate the offer from commercial radio.

News Broadcasting

News Broadcasting is a media business operating in the UK and Ireland and includes national broadcasting brands talkSPORT, Talk, Times Radio and Virgin Radio UK.

Their response focussed on the proposed Radio 1 and Radio 2 extensions and included their own research.

News Broadcasting were strongly opposed to the proposed Radio 1 and 2 extensions, stating that they were not distinctive, did not offer additional public value, replicated what is already offered by the commercial radio sector and would impact fair and effective competition, having a material impact on News Broadcasting's Virgin Radio network.

They suggested that the BBC has provided little evidence to support the premise that the stations would help the BBC serve younger and C2DE audiences and were a poor use of the BBC's resources. They questioned why the BBC would consider investing in offline services to reach younger audiences. They also suggested that investing in offline services did not fit with the BBC's digital-first strategy.

On the breadth and range of music proposed, they questioned how these differed from the rest of the market, suggested a heavy overlap with what Virgin Radio stations already provided, but noted that their assessment was based on what they saw as very limited information provided by the BBC in the public interest test consultation document.

Citing their own research with Virgin Radio listeners, they said that nearly half of them said the proposed extensions sounded similar to what already exists in the radio market.

With regard to British music, News Broadcasting believed that the BBC's aims were not ambitious and did not go beyond what the commercial market already provided.

On speech and live or specially recorded music, they suggested this was very limited, but again that it was difficult to respond due to lack of information in the public interest consultation document. They questioned why there was no news content in the proposal.

With regard to utilising the BBC archive, they suggest this would be better done through the commercial market and on-demand distribution.

They also suggest that four DAB+ stations were not an efficient use of the BBC's spectrum capacity. Whilst News UK said they would welcome the BBC's support for DAB+, they argued that it would be better for the BBC to move some or all of its existing DAB radio services to DAB+ and drive wider uptake.

News Broadcasting stated that the launch of the stations would have significant negative material impact on the Virgin Radio network. They argued that it was unlikely that the proposals would grow the market for music radio listening and that the BBC had not set out the extent to which it expects listening to come from existing BBC services versus those of commercial radio. Their own research with Virgin Radio network listeners suggested many would be likely to listen to the new extensions, with a significant proportion indicating that they would listen to Virgin Radio less resulting in a loss of listening hours and loss of advertising revenues. This would have a material impact on the finances and future of Virgin Radio.

In their submission, News Broadcasting stated that taken together with the proposed changes to Radio 5 Sports Extra, there was a significant risk to its entire radio business.

They suggest that the BBC's market analysis did not accurately reflect the potential cost to the music radio sector of the proposals. They were also critical of the BBC's market analysis arguing that it only presented the commercial radio sector in aggregate and did not focus sufficiently on the competitor set of stations most likely to be affected by the proposals.

With regard to the public interest test consultation document News UK said that the decision of the BBC to run all of its market research and economic analysis in parallel to the consultation was unhelpful. They also suggested that the BBC had provided very limited detailed on the look and sound of the stations, making it more difficult to understand the propositions. They pointed to a lack of detail in the budget – asking what core costs had been included – and that no marketing budget had been set out. On the latter they expressed concern that the stations would have significant cross-promotion advantages not available to commercial competitors.

News Broadcasting were critical of the regulatory process and argued that the proposal to launch the stations as online-only streams on BBC Sounds should have been subject to a public interest test given the increasing importance of online listening as a distribution channel.

News Broadcasting stated that the proposals were deeply flawed there were no mitigations that would negate the negative impacts on fair and effective competition and should consider alternative ways it could serve the target audience with services complementary to the commercial sector.

Radiocentre

Radiocentre is the industry body for commercial radio in the UK. Their response related to all of the BBC's proposed music extensions.

Radiocentre stated that the BBC, despite the recent competition and success of the commercial radio market, was still the single biggest player in the radio market – with funding, distribution and spectrum, and cross-promotion power advantages over the commercial radio sector and that the proposed music extensions should be seen in this context.

Radiocentre were critical of the proposals and argued that they had minimal public value and would not contribute to the BBC's mission or fulfilment of its public purposes.

Based on their own commissioned research they argued that the expected output of the proposed extensions was not distinctive to that provided by commercial radio and was directly targeting audiences currently well served by commercial radio with music and entertainment content of the same nature. They noted that there was no news provision proposed and more broadly the level of speech content in the proposals and suggested that the stations would operate for much of the time as 'music jukebox services'. In terms of supporting British creativity – they argued that the proportion of new and/or British music was broadly similar to commercial operators.

Radiocentre said that the BBC's argument that the proposals would do more for underserved audiences were 'unconvincing' and misrepresented Ofcom's challenge to the BBC. They argued that the BBC was conflating underserved audiences with audiences that the BBC was finding hard to reach, but were well served by commercial radio. They suggested that the proposals were designed to help the BBC regain audience share lost to commercial radio.

They argued that the 'copycat' nature of the proposals would result in audience share being taken away from existing commercial services. They also suggested that there was little evidence to suggest how the proposals would support the digital transition to BBC Sounds.

Radiocentre commissioned economic consultancy, Compass Lexecon, to evaluate the impact of the BBC's proposals. They stated that the results of the research demonstrated the BBC's proposals would create unnecessary adverse impacts on fair and effective competition which would damage the commercial radio sector. They argued that the research indicated that the consumers felt the BBC's proposals sounded like existing commercial services and that they would be likely to switch to the BBC's ad-free offering. They argued that the majority of each of the proposed extensions listeners would come from commercial radio. This could result in an 18% reduction in listening hours to comparable commercial stations on digital platforms with a subsequent loss in advertising revenues of up to 10% p.a. especially as the Radio 1 and Radio 3 extensions targeted 'commercially attractive younger audiences'. Meanwhile they said that the Radio 2 extension could make the 'economics of commercial radio stations targeting older audiences (e.g. Boom Radio) even more challenging'.

Radiocentre argued that the proposals would have a negative impact on competition and innovation and would reduce choice in the UK market suggesting that the loss of listening hours and revenue would place commercial radio under pressure to make cost reductions and would reduce resources for investment in new services. Competition for talent was also cited. They also suggested that the proposals could also impact the entry of new and innovative stations – with potential entrants deterred if the BBC could replicate successful commercial stations without carrying advertising.

Radiocentre expressed concern over the level of detail provided in the Public Interest Consultation suggesting that there was a lack of analysis and evaluation of market impact. They were also critical of the level at which the analysis was undertaken – commercial radio in aggregate.

In terms of mitigations, they suggested that the BBC could achieve better public value, with minimal impact, through reversing BBC Local Radio changes, making changes to existing services, distribution changes to Nations radio.

UK Music

UK Music is the collective voice of the UK's music industry, representing all sectors of the music industry. Their response related to all of the BBC's proposed music extensions.

UK Music said they were 'broadly supportive' of the proposals.

They acknowledged the strong relationship between music and the BBC, and highlighted the BBC's role in supporting the UK music industry (as the largest employer of musicians in the UK, as a large commissioner of music, producer of live events and coverage of others) and its broad and distinctive offer, providing a platform for artists, producers, songwriters and composers to gain exposure and reach wider audiences.

Whilst overall acknowledging that the BBC is sufficiently distinct from commercial radio in the music it plays, UK Music suggested that the proposals for the new stations may not be sufficiently distinct and did not provide sufficient provision for new, unique or British music. To increase distinctiveness and reduce risk of impact on the commercial sector, they suggested a number of changes.

- Share of new music – UK Music noted that two of the four proposed stations (Radio 1 Dance; Radio 3 Extension) would provide new content. They argued that this didn't strike the right balance for quantity of new music. They asked the BBC commit to at least a third of tracks across each of the stations being new music, setting out the importance of radio play to upcoming talent and the independent labels that support them as well as highlighting the role of as the primary source for adults for discovering new music.
- A stronger commitment to the Radio 3 Extension to play British composers.
- A commitment for each station to play c.10,000 unique tracks per year – whilst acknowledging that BBC radio is sufficiently distinct from commercial and plays a broader range of works and artists, and that the proposed stations would play more unique content than the commercial average, they would not be sufficiently distinct. UK Music's proposed increase would reduce risk of competitive impact.

UK Music also strongly argued for the cuts to BBC Introducing to be reversed stating that it had provided vital career breaks to artists, producers, engineers. Noting the budget for the proposed stations, they commented that despite the cost, the proposals as outlined would not sufficiently rectify what was being lost by the cuts to BBC Introducing.

UK Music also argued that the BBC should be investing more in music, increasing funding for music projects across the board –maintaining the licence fee as a model for achieving this.

Voice of the Listener and Viewer

The Voice of the Listener and Viewer (VLV) is an independent, not for profit membership based charity that supporting high quality broadcasting which maintains the democratic

and cultural traditions of the UK. Their response related to all of the BBC's proposed music extensions.

The VLV believed that if the ambitions set out in the public interest test consultation were realised the proposed stations would have genuine public value, as long as they were genuinely additional and not imitative of what is already provided by the market.

They were supportive of the ambitions around curated content, considering it important that the BBC played a leading role in curating content and not relying on models based primarily on algorithms; themed/more niche content for specific audiences would reflect changing audience habits; there would be greater choice for audiences; a broader range of music; there would be greater support for emerging talent and UK Music; there would be greater support for new commissions and new music. They noted that the proposals would bring greater plurality in the supply of classical music in the UK.

They welcomed the plan to better serve younger and C2DE audiences. They also noted that the plans were cost-effective. They did raise a concern that the services would require citizens to own a DAB+ enabled radio.

On competitive impact, the VLV said that they understood why commercial radio could be concerned by the BBC's proposals as they operated stations which provided some of the features of the BBC's proposed offer. It was essential therefore for Ofcom to hold the BBC to account to deliver the distinctiveness set out in the public interest test and to step-in if it did not.

The VLV also said that the commitments contained in the Public Value Hypothesis in the consultation document around breadth and range of music, new music, British music and talent and live and specially recorded music should be explicit commitments in the BBC's Annual Plan and reported on in the BBC's Annual Report and Accounts.

Confidential Radio Industry response

This response related to the R3 proposed extension.

The respondent agreed the BBC should be able to evolve the radio network, however felt that a single public interest test covering four proposed extensions did not allow for sufficient scrutiny of the proposals given how wide ranging the impacts could be.

The respondent felt that the R3 extension was not a distinctive offer and would duplicate services and formats offers already in the market. They felt that the programme proposals as outlined were vague and could result in format creep.

Whilst they welcomed strategies to appeal to a C2DE audience, they did not believe the proposals were clear in how the R3 extension would specifically appeal to this audience, arguing that the extension's association with Radio 3 would naturally skew it towards Radio 3's ABC1 audience.

Noting the target age range – they suggested that this age group was already overserved by both the BBC and commercial radio. They noted that the extension would be targeted towards audiences aged 35 – 54 (to reduce possible impacts on commercial classical offers) but stated that the proposal did not specify how this would be prevented.

The respondent stated that there was no mention of the archive being used by the R3E and questioned how much new/original programming there would be and how it will differ to R3 and how the programming would interact with the parent station – standalone or spin-off programming.

They also noted the BBC's power to cross-promote the station across its existing services remarking that most of the commercial sector would be unable to compete with that level of promotional power.

The respondent stated that on the surface, the R3 extension would seem to have less impact and would attract less noise than the other proposals, however the lack of clarity in the proposals, potential impacts on other stations with a classical chill or chillout offer were cause for concern. That there was ambiguity on the R3 extension playlist that could lead to format creep and impact on stations with a similar offer. They noted that the BBC's existing chillout offer was comprehensive, but distributed across various networks and was a good way of broadening musical choice encouraging listeners to seek similar formats elsewhere. However they were concerned about a potential chillout offer concentrated in a single station, which had the potential for greater market impact and would narrow the range of listening.

In terms of mitigations, the respondent suggested that rather than launch some form of chillout station – the BBC should keep the current 'bouquet' of chillout programming across its existing networks, of which the respondent is supportive as it allows different age and socio-economic groups to explore world of chillout.

In other points raised, the respondent noted that the proposal did not stipulate a DAB+ migration plan, and that the BBC was not fully committed to fully participate in DAB+ migration, arguing that until a plan/timetable is put in place, none of the brand extensions should take place. This would build confidence in the non-BBC sector that the BBC was serious about DAB+ and not just using it to target new listeners that have already migrated to DAB+.

The respondent also suggested that the proposed funding for the extensions should be re-allocated to BBC local radio, given its unique status and high public value.

Individual industry stakeholders:

David Lloyd – Co-founder Boom Radio. Personal response.

The focus of David Lloyd's response was the proposed Radio 2 Extension.

He argued that the public interest test did not make a case that the R2 extension would provide any appreciable public value.

David Lloyd stated that in the public interest test had understated the BBC's existing penetration with the 55+ demographic by not acknowledging that it already has a 55+ service in BBC Local Radio. He stated that the BBC dominated 55+ with almost three quarters of all radio listeners over 55 listening to a BBC radio channel and that another publicly funded entrant in the 55+ market must be deemed unfair competition, that it would stifle innovation and deter new entrants. He suggested that if the BBC felt it needed to make more progress amongst 55+ it should invest more in BBC local radio as a distinctive service.

He also argued that the public interest test failed to make the case on how it would serve a C2DE audience, that it again ignored how the BBC was already serving that audience through BBC Local Radio which reached two-thirds of all C2DE listeners over the age of 55.

He argued that the PIT emphasised 'mood states', something which, unlike distinctiveness and quality, did not form part of the BBC's public purposes.

On use of archive material he stated that the BBC was being disingenuous when it suggested archive content would define the service and make it distinctive; that little archive material would be programmed, particularly at peak listening time and that little relevant material exists

He was critical of the market analysis in the PIT stating that it had ignored a key comparator – Gold – and made incorrect claims about music and era mixes available in the market.

He argued that the R2 extension would have a huge market impact, that its potential size had been underestimated, suggesting that its exposure on Radio 2 would drive scale making it a significant new radio player larger than other public services.

He questioned the budget as outlined in the public interest test, questioning how it could deliver the service based on the quantum stated. He asked how the staff costs of programming and scheduling, operations, editing as well as talent costs and marketing costs could be contained in the stated budget, especially when compared to the running costs of other BBC radio networks. He argued that the stated budget was misleading and that there should have been more clarity on the overall cost.

In other points made, he suggested that if the proposal were accepted that the public interest test process was not working and that the BBC should no longer be able to arbitrate on its own planning permission applications.

John Rosborough – Music radio programmer and presenter.

Mr Rosborough's response focused on the competitive impact of the proposed Radio 2 extension.

The respondent suggested that that as described, the R2 extension seemed very similar to Boom Radio in terms of station sound and music policy. He suggested that whilst the BBC proposal emphasised the availability of unique 'live music' and interview content, the vast majority of output was likely to be music from the 50s, 60s and 70s as was Boom.

The respondent argued that any proposal to essentially replicate Boom Radio using public funds had the potential to be a destabilising intervention in the radio ecology.

The respondent sought clarification around distribution of the stations on DAB+, asking whether existing capacity on the BBC National Multiplex would be used for the new DAB+ stations. If so, would that mean that some current BBC services would move from standard DAB to DAB+ to free up the necessary capacity? Were that the case, he argued that this should be explicit given listeners with older DAB sets that do not receive DAB+ could lose access to their favourite stations on that platform.

Paul Simpson – Retired academic and former Head of PR for Radio 1

Responded on all four propositions.

The respondent stated that only one of the proposed extensions – Radio 1 Dance - clearly contributed to the BBC's mission in terms of its target audience, breadth and range, support for new and live music and UK talent and the creative industries more generally. It would have a breadth and range not provided by commercial radio. They agreed it would have individual, society and industry value. They also felt that there would be little impact on the commercial radio market as the proposition is significantly different to commercial offers.

The respondent felt that the Radio 1 extension provided little public value in terms of content or reaching an underserved audience. Whilst providing a broader range of tracks than commercial radio, they would be similar to commercial offers already playing music from the same era. It would not support new music. Whilst it might give a voice to presentation talent, which they acknowledged Radio 1 does well, this could be accommodated in the parent station with more live slots over pre-recorded podcasts already available on Sounds. Additionally they felt it could dilute the Radio 1 offer

With regard to the Radio 2 extension, the respondent suggested there was little public value in the proposal, that it would duplicate offers already available in the market much of which had developed to fill a gap left by previous changes to Radio 2's schedule and content. They acknowledged that there was some individual and social value in helping older audiences become more tech savvy and discover the offers on BBC Sounds and unlocking the BBC archive, however the industry impacts would be negative, especially on services such as Boom Radio.

They disagreed with the BBC's assessment that housing more of the proposed content on Radio 1 and Radio 2 would dilute public value, arguing that Radio 1 is already doing this and that there was scope for Radio 2 to do the same by expanding some existing programming and incorporating some of the proposed content such as archive material and sessions.

Additional mitigations could be to make some of the proposed content available via BBC Local Radio given its reach to underserved audiences and those aged 55+ and C2DE.

Similarly they felt the proposed Radio 3 extension would not add public value, suggesting that it may dilute the parent station brand – given overlapping content and simulcasting. The respondent stated it was not clear how breadth of content compared with commercial offerings, or R3 itself and that matching moods and routines is similar to commercial radio offers. They did acknowledge that there was value in introducing classical music to a younger and more diverse audience and in tapping into well-being as well as some value to the creative economy in supporting composers and performers and new commissions. However they felt like the proposition was an attempt to target Classic FM.

Bob Wootton – Deconstruction Consulting

Commercial media industry and former Director of the UK advertisers representative trade body.

Mr Wootton raised the following points – that the proposals offered little public value and were largely duplicating existing offers, that the benefit to audiences and wider social and cultural impacts would be few. He suggested that rather than divert licence fee funds, it would be better if Ofcom required commercial broadcasters to step up aspects of their licence obligations – such as increased quotas for new music.

On market impact, the respondent suggested that there were many potential overlaps between the proposed services and what was already in the market and could have significant adverse consequences. There was no need for the services whose offer was already provided for by the commercial sector without the need for licence fee funding. BBC losses of reach and share were not sufficient reason to launch the proposed new services.

Former Radio Producer (name withheld)

The response focussed on the Radio 2 extension proposal.

The respondent was critical of that the range of music genres across the Radio 2 network and offer for older audiences had diminished and expressed disappointment the proposed extension address this -operetta in particular, but also big band, dance band, brass band and other specialist areas. He also was critical of the loss of specialist music presenters more generally on the BBC.

The respondent suggested whilst the BBC did seem to have recognised the need to serve older audiences better, the proposed extension would not address that need, but would be more of the same. He believed that that offer would not be distinctive from that already provided by commercial radio.

On the proposed use of archive, the respondent stated that past retention schedules for Radio 2 meant that there would be limited surviving recordings. They acknowledged however that Radio 1 and 6 Music archives were very extensive.

On the cost of the proposed new stations, they stated that once the costs of rights were factored in, the running costs would be far from modest. They also questioned why, given the BBC's straitened finances, it was proposing to launch the new extensions and questioned what the impact would be on existing services.

The respondent also argued that there were many audiences outside of those from C2DE who felt underserved by the BBC.

Confidential respondent

Responding to all four of the proposed extensions, the respondent stated that the proposals would not contribute to the BBC's mission nor add public value, that they duplicated offers already available in the commercial market.

They suggested that the stations would come at the expense of the wider UK audio production industry with commercial radio income tied to listening figures, any audience loss would have an impact on earnings.

On cost, the respondent argued that the estimated budget – £3.1m – did not include music rights, without this, it was difficult to stakeholders to get a full picture of the

actual costs. They suggested that, given the BBC's tight economic circumstances, the budget could be better spent to the benefit of audiences.

The respondent suggested that the proposed changes, especially in the case of the R2 extension, would have better been developed at the time Radio 2's output shifted to a younger target audience – now the commercial market has filled that gap.

In terms of mitigations, the respondent suggested were the services to go ahead, a competitive tender be used to procure programming, allowing commercial broadcasters whose revenues would be affected to bid to produce content.

That the stations should be confined to online services so as not to directly compete with commercial broadcast stations. Whilst supportive of DAB+ technology this should be used for the BBC to operate more efficiently rather than creating new stations.

Summary of responses from members of the public

The BBC received 147 responses from members of the public to the consultation on the proposed digital music extensions.

The majority of responses only made reference to the proposed Radio 2 extension. A few referred to the proposed extensions for Radio 1 and Radio 3.

Most of the responses to the Radio 2 extension proposal followed a call to action from Boom Radio to its listeners to write to the BBC consultation.

Many of the respondents stated that they were former BBC Radio/Radio 2 listeners but had switched following schedule, playlist and presenter changes and a perception that the BBC had 'abandoned' its older listeners over a period of years.

Of the above respondents, most stated that they saw little or no public value in the proposal for the Radio 2 extension suggesting that it was an attempt by the BBC to win back lost audiences which were now well served by commercial offerings – predominantly Boom Radio. A number stated that the offer as set out did not appear to offer something distinctive, or was possibly marginally distinctive (e.g. archive), but that it was by and large duplicating the Boom offer, therefore of little benefit to listeners. A couple of respondents noted that the proposed stations would be offering little or no news coverage.

There were a small number of respondents that suggested there was public value in the Radio 2 extension proposal. In their view, the BBC had an obligation to offer pop music of cultural significance to audiences and to those who felt currently underserved. That Radio 2 could not single-handedly serve an age range of 35+. They believed that the BBC proposal had the potential to offer greater depth and variety and production knowledge and experience to curate and educate and entertain. Though they felt it could offer a wider range of music genres. BBC funding would enable it to take more risks with playlists than commercial providers. The BBC archive was cited as a positive as was advertisement free listening. A few respondents emphasised the importance of the services being live in nature, rather pre-programmed or voice-tracked, that this would add to the distinctiveness of the service, a sense of companionship and community.

A small subset of respondents also mentioned the Radio 3 proposal, with two respondents only mentioning the R3 extension. There was some appreciation for the potential public value of the extension, that it would fill a much needed gap as an advertisement free, calming classical station and would have individual and societal impact. However a number of respondents also suggested that the commercial radio market already made broadly similar offers, especially Classic FM and Scala.

Another small subset of respondents mentioned the Radio 1 extensions. A couple of respondents said that the introduction of Dance on DAB+ was long overdue. They argued it give greater choice to audiences and expose them to a wider range of artists and music than commercial radio. A couple of respondents stated that Dance was an already crowded market and that there was too much overlap with the BBC's own existing services.

A significant proportion of respondents questioned the value for money of the proposal. A number of these respondents suggested that the BBC would be better served by improving existing services, reversing changes to Local Radio or more generally spending in areas less well served by the commercial sector. Some also questioned how the BBC could afford to fund the stations given straitened funding circumstances and in the light of cuts to Local Radio

In terms of competitive impact, the majority of respondents stated that they believed the R2 extension proposal would negatively impact free and fair competition. Most of these cited a negative impact on Boom Radio suggesting that the BBC's resources, including its ability to cross-promote, would harm Boom radio and its spin-offs, Boom Light and Boom Rock, leading to a loss of income for the broadcaster and potentially its demise. Stations mentioned, other than Boom, that could potentially be impacted by the BBC's proposals were Greatest Hits Radio, Solid Gold Gem, Serenade, Angel, Heart and Smooth.

A few respondents also cited possible impacts on the wider commercial radio sector – that the proposals would lead to loss of audience to commercial radio which would impact the ability to attract advertising revenue; and how it could negatively impact the ability of the sector to develop and innovate.

A couple of respondents agreed with the BBC's assessment that the total BBC audience would grow, largely from increased listening hours rather than a switch from commercial radio listening.

Of respondents that referred to the other music extension proposals, a few expressed the view that the proposal for the Radio 3 extension could negatively impact Scala with a couple also suggesting Classic FM could be impacted.

In terms of whether the proposals could be improved, or their potential competitive impact mitigated, respondents who addressed these points suggested the following: increasing the range of playlists/artists/genres; presenters chosen for knowledge and enthusiasm rather than celebrity; live programming; reducing simulcasting of parent station; providing the service on FM, or Long Wave rather than DAB, especially for digitally excluded audiences or those in areas of poor DAB reception.

A number of respondents suggested that it would be better, particularly in the case of the Radio 2 extension, to include the programming within the existing station, or playing material as an opt out from the main station at times when content is focused on under-55 audience. Using BBC Sounds to leverage better the BBC archive was also suggested.

One respondent suggested that whilst the proposals did have public value they should only be BBC Sounds only service, arguing that full DAB+ services would have too great a negative market impact.

A few respondents questioned why the consultation process was run by the BBC, rather than Ofcom, suggesting that it would not be independent and was framed in such a way as to generate a positive response.

A number of issues were raised by respondents that fell outside of the remit of the consultation including: calls to reverse changes to BBC Local Radio – an area not served well by commercial radio – which would be of greater public value than the proposed extensions and serve the target audience (for the Radio 2 Extension) better; concern that the changes to BBC Local Radio lacked scrutiny and had not been subject to a Public Interest Test; that the BBC had failed to listen to audiences with regard to changes to Local Radio; that the money would be better spent on maintaining Local Radio. Also mentioned was a suggestion that all of the BBC's services should be moved to DAB+ and spare spectrum sold off. A number of respondents questioned more broadly value for money of the Licence Fee; suggested that the BBC should limit its activities to areas of market failure only; questioned talent pay; and questioned poor management.