

Invitation to comment

Ofcom review of proposed new BBC DAB+ radio stations

Response from Boom Radio

05/12/2024

OFCOM REVIEW OF PROPOSED NEW BBC DAB+ RADIO STATIONS

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- **Contrary to the BBC's claims, the R2X proposal has not been significantly altered. The BBC has failed to take reasonable steps to ensure that the proposed service has no adverse impact on fair and effective competition which is not necessary for the effective fulfilment of the Mission and the promotion of the Public Purposes.**
- **The target audience is unchanged and there remains no cogent rationale for the BBC reinforcing its existing dominance in radio listening amongst those over 55.**
- **The BBC appears to believe that it is entitled to listening parity with commercial radio but there is no case for a 'necessary response' to changing audience patterns.**
- **The BBC has proposed no steps to mitigate the market impact of R2X.**
- **There are serious methodological flaws in the BBC's competitive impact analysis, compounded by flaws in the research design and analysis.**
- **Some 30%-35% of Boom's listening is likely to be lost to R2X. The scale of this damage to Boom Radio is potentially so great the proposal should be turned down on adverse impact grounds alone.**
- **There is no trace of originality, distinctiveness or creativity in the R2X proposal and little public value. It largely duplicates the service provided by Boom.**
- **The proposed budget for R2X remains implausibly low and continues to exclude marketing, music rights and a realistic assessment of programming costs.**
- **The BBC continues to underestimate and misrepresent the impact of R2X on Boom, and we are concerned the BBC Board have made the decision to proceed based on incorrect data and assumptions.**
- **The BBC's decision to persist with R2X has already caused the Boom Radio Board to pause the expansion of the programming and platform availability of Boom Light, our 1950s/easy listening service aimed at those over 70.**
- **R2X continues to represent an existential threat to Boom Radio, whilst still not providing any discernible public value.**

Question 1: We consider that the launch of the four DAB+ music stations and the extension of broadcast hours for BBC 5 Sports Extra are material changes. If you disagree, please explain why you consider the BBC's published proposals are not material.

1. We welcome the opportunity to comment on Ofcom's initial conclusions concerning the new DAB+ services proposed by the BBC, and their serious consideration of these matters to date. Our comments relate almost solely to the proposed Radio 2 extension ("R2X"). They are brief as we assume we will have opportunity during the BCA consultation to expand on the points raised.
2. We agree that the proposals constitute material changes.

Question 2: Do you consider that the BBC's published proposals are clear in relation to their scale (both in terms of financial resource and in terms of reach and type of content) and the timescales for implementation? If not, please provide details of the areas where you feel more clarity is required.

3. We do not consider the proposals clear. The original R2X proposition outlined in the BBC's PIT consultation document of 14 February ("the PIT consultation") was extremely vague. For example, archive content was trumpeted as a key constituent, yet no indication of its quantity or scheduling was stated. The statement of 21 November detailing the BBC's PIT decision and submission to Ofcom ("the PIT decision") has added some further information, but much relevant detail is absent. Many of the questions that we raised in our PIT response (para 37 and summarised below) remain unanswered:
 - What is the music era blend and the scale, if any, of any new music element, and what justifies the claim that the music played will support homegrown creativity? Will the specialist genres cited will be part of the daytime mix?
 - Which "much-loved presenters" are expected to be part of the "high quality, talent-led" programming that has been promised?
 - "Potentially a small amount of new live content," has been suggested – how small an amount, and when?
 - How will the station genuinely "support learning for people of all ages"?
 - Which aspects of the programming are intended to appeal particularly to C2DE audiences?
 - Through the commissioning of new programmes, the new service will "be raising the profile of artists ... that are lesser known and have not received as much broadcast coverage." How?

Additionally, new questions are raised by the PIT decision:

- News bulletins are hailed as the “largest change to the plans”. How will simulcasting Radio 2’s bulletins (targeted at those aged 35+) enhance the station’s appeal to C2DE listeners aged over 55? Is this, as the BBC insists, really ‘relevant news’? Radio 1 and 2 have a different news style, but the BBC appears not to afford similar importance to the differing interests of older listeners - nor differentiate themselves from competitors such as Boom Radio.
 - The proposed partnership with BBC local and national radio seems a token nod to the BBC’s Public Purposes. The BBC describe this as “the story of the significance of the music of their specific regions across the UK”, but we can find this nowhere in the outline schedule for the station. How will it be incorporated into the station’s output and what is the scale of the content?
 - What is the level of speech content during daytime and off-peak? Whilst 60% of programmes are described as 'speech-led', the BBC fails to define what ‘speech-led’ means. Given that the two prime examples of such programming are 45% and 35% speech, can we surmise the remainder are less? Not least because, the BBC states that the services will be less speech-heavy than their parents. And if 60% is to have this unstated level of speech, should we assume that the remaining 40% has none whatsoever?
 - How will the station genuinely contribute to the BBC’s Mission and Purposes through content which is genuinely incremental to what is currently available? Music radio is defined by both its music blend and other content, so how can the BBC be confident its proposals will bring value if it has made no attempt to analyse the market beyond just music provision?
 - Which aspects of the programme proposals, including the level of speech content, especially during peak hours, is the BBC willing to commit to in the operating licence for R2X?
 - Given the BBC’s original proposals were said to address the appetite of C2DE listeners, to what extent is that appeal now reduced by what the BBC describes as significant changes to the offer – and how has the impact of the changes been tested?
4. There remains little clarity on the financial resources committed to R2X. The issues raised by stakeholders and detailed in section 4.2.2. of the PIT decision – the lack of credibility of the programming budget; the absence of any marketing budget; the sustainability of the service given BBC Radio’s general budgetary constraints – have gone largely ignored. Given there has been no genuinely “significant development” of the R2X proposal which we can point to in the draft schedule or programme description, the uplift in its programming budget merely reflects that the original figure was misleading. The scale of budgets for other BBC radio services suggests that delivering a service of quality on the budget suggested for R2X would be highly challenging for the BBC. If consistently repeating programmes is part of the plan to contain the budget, that erosion of listener value should have been made clear in the original PIT consultation document and in the programme proposals offered to research respondents.

5. An estimate of music rights remains undisclosed, but the additional cost will be significant. The BBC's own forecasts indicate commercial radio's revenues will decline by £30m. Our view (based on Radiocentre data) is that the figure will be much higher, but even £30m in lost revenues would mean £3m in foregone royalties to PPL/PRS, so one assumes that is the lower bound the royalty organisations will set in any BBC fee negotiations. This alone would double the real cost of launch.
6. There is a headline figure for launch marketing, but it is a total for all four new services with no breakdown per station and no indication of ongoing marketing budgets.

Q3. Did the BBC's PIT consultation processes provide suitable opportunity for you to set out your views fully? If not, please provide details.

7. No. We highlighted in our PIT response significant flaws in the way in which the BBC has consulted. There was a serious lack of transparency and engagement with the commercial sector prior to the launch of the public consultation on 14 February – and Boom had to 'insert itself' into the process at Ofcom's suggestion. The BBC Board had approved the new services in principle in October 2023 (a decision not published until just after the new services were announced). Yet, in order for the proposals to be sufficiently advanced for Board consideration, BBC executives must have been working on them for several months, during which time they could have been fulfilling their regulatory obligations to engage with the wider industry, making sensible rational adjustments – and correcting errors – before launching the PIT consultation.
8. The BBC separated off the online streams of the new radio services and sought to conduct the materiality assessment for those and get them on-air with minimal external scrutiny rather than allow the station's online presence to form a natural part of the overall PIT. Once again, Boom Radio had to insert itself into this process to make its voice properly heard.
9. Throughout the PIT process, the BBC was at pains to stress that the PIT did not include the online streams – only to then 'clarify' the position in its PIT decision by stating the exact opposite.
10. The service descriptions in the PIT consultation document used carefully worded sophistry and hyperbole which was too vague to be meaningful. For example, whilst its archive was much vaunted by the BBC and cited by respondents, there was no indication of quantity, nature, scheduling or duration. Nor was there any indication of the 'best loved personalities' who would be heard on the station. Aspects of R2X's programming are "curated" or "showcased", or they might be described as "engaging" or "timeless", with no sense of what these terms are actually supposed to mean.

11. There were material errors in the BBC's marketplace analysis, as we detailed in our response. Some highly relevant and significant commercial services were absent (Gold remains absent in fig 5 of the PIT decision), calculations were wrong, and it was suggested that no other station already provides the era blend, music breadth or audience focus of R2X, when Boom Radio clearly does. PIT respondents, therefore, were not given accurate context, undermining the integrity of the entire process.
12. An outside observer, without in-depth knowledge of the radio industry or the regulatory environment, might take the BBC's claims that R2X is distinctive and fulfils public purposes at face value, and not notice the serious lack of substantiation. For a public consultation to be meaningful, it must set out proposals that are credible and genuine. We do not believe that is the case here, and we think that many respondents would have had difficulty in reaching an informed opinion on the BBC's proposals.

Question 4: Given that both proposals raise a number of contentious issues, it is our intention to undertake full BCAs for both. If you disagree and think that Ofcom should undertake Shorter Assessments, please explain why.

13. We agree that a full BCA is required. Aside from the very substantial market impact that R2X will have, there are several important issues of principle raised in this document and elsewhere that we hope Ofcom will consider.

Question 5: Do you agree with the BBC's assessments in its PITs about the potential public value and/or market impact of the proposals? Are there any additional public value and/or competition considerations that have not been identified by the BBC?

14. We do not agree with the BBC's assessments on either the public value or market impact of R2X. It has not made a convincing case that R2X will provide any more public value than is already provided by its existing services and, indeed, by many commercial radio services, including Boom Radio. The R2X proposal is devoid of distinctiveness, originality or creativity. No case has been made to justify using licence fee money to launch a new service for over-55s, an audience segment in which BBC Radio already commands market dominance.
15. There is no evidence that R2X will address the BBC's failure to appeal to listeners in D and E socio-economic groups. In its latest review of the BBC's performance (p4), Ofcom indicates its dissatisfaction with the BBC's plans for those in the DE groups and calls for better explanation of "whether its initiatives have had a positive impact" and "how it is assessing what is and isn't working for audiences". There is certainly little clarity on the appeal of these proposals on the D and E groups specifically. Indeed, the inclusion now of simulcast national news bulletins and supposedly 'speech-led' programming would seem to contradict the claims in the PIT consultation that R2X's laid-back, mood-based, low-speech approach would especially appeal to C2DE audiences. And as we highlight in our

appendix, there are serious errors in the BBC's methodology in predicting the market impact of R2X, which has led to grossly unrealistic conclusions.

16. Among the competition considerations that have not been identified by the BBC are issues relating to the wider media ecology. For example, the BBC has near-monopsony power in the market for presenting talent across the full range of its TV and radio services, particularly for presenters who appeal strongly to over-55 audiences. We have already seen the impact of the R2X proposals on our ability to secure the services of presenters.
17. The very slightly revised programming proposals in the PIT decision add nothing to the public value of R2X. As the BBC is forced to admit in the PIT decision, the major programme strands detailed in the draft programme schedule are not new and not the result of "having considered stakeholder feedback" – they are programmes for which commissioning briefs were published by the BBC before the PIT consultation closing date and before the materiality assessment for R2X online was concluded. There has been a small increase in the total number of tracks to be played, from 5,000 to 6,000. There is a new commitment to simulcast Radio 2's news bulletins, which ironically only serves to make the format of R2X even closer to that of Boom Radio, not more distinctive. The other changes are an increase in a budget which we had pointed out was grossly insufficient and a claimed adjustment to an archive content percentage which had not been formally stated previously in any case and which is predominantly scheduled in evenings and late nights, when radio audiences are naturally much diminished.
18. The BBC has largely ignored arguments made by us and other commercial broadcasters. The BBC's response to each of the concerns raised by commercial radio is mostly just a re-statement of the BBC's original position, with little or no evidence to support this view.
19. In terms of Charter fulfilment and responses to Ofcom's earlier concerns of BBC performance, there remains little evidence to support the claim that R2X will appeal particularly to C2DE listeners - and fig 24 (p61) in the document indicates the almost identical appeal of the proposal to C2DEs and all adults. The level of investment and lacklustre, presumably oft-repeated, programming is neither "high quality" nor "distinctive", thus fails to fulfil the Mission; and the advances in its fulfilment of the public purposes are tenuous.
20. With the claim that "only the BBC" can provide "context, curation and storytelling-through-music", the BBC ignores what many commercial radio stations have done for years – and indicates the BBC has not troubled to understand Boom's output. The boast of the scale of the BBC's record library is meaningless as most music is now readily available via third-party digital archives - as shown by our amassing a significant library from which we play more tracks than R2X pledges. In assessing the music R2X plays versus 'comparable services' – a test in the operating licence for other BBC radio – R2X would fail the distinctiveness test. Contrary to the BBC's claim (p6), R2X does not expand the breadth and range of music on radio.

21. In general terms, aside from nostalgia, and given the pre-recorded nature and repetitive scheduling of these externally commissioned programmes, there appears to be nothing of topical or lifestyle relevance to today's 55+ listener. The suggestion by the BBC that anything they do is inherently distinctive from, and superior to, anything done by commercial radio is demonstrably wrong.
22. The BBC also appears to believe that it is entitled to listening parity with commercial radio. This is clear from its statement that the new stations are “a necessary response to the significant growth in the number of stations competing to serve listeners”. The BBC feels justified in spending licence fee money on copying commercial rivals in order to win back lost listeners, including those it has strategically jettisoned itself, even if it means putting new stations out of business.
23. The BBC claims in the PIT decision (p108) that “we have taken significant steps to mitigate the impact [on Boom Radio].” This is wholly incorrect. The BBC has taken no steps to mitigate the significant market impact that the BBC itself has concluded R2X will have and took no steps to contact Boom Radio to discuss any potential mitigations with us.
24. Section 8.3.2.3 of the PIT decision, which purports to outline how the BBC plans to mitigate the market impact of R2X, actually does not. It doubles-down on its commitment to serve listeners over 55, offering no rationale for extending its market dominance in this audience segment where it already leads in both reach and total listening. Indeed, amongst 55+ listening, the BBC is well over double the size of its nearest commercial competitor (Global). It is already notable that the Radio 3 extension is being promoted on BBC Radio 4 – we can surely expect this to also happen with R2X, thereby further exploiting the BBC's promotional hegemony amongst over 55s.
25. The BBC then repeats its unconvincing arguments for how the R2X programme service will add public value. This misunderstands the role of public value in this competition assessment. A strong, evidence-based case for public value might allow the BBC to *justify* launching a new service that has a significant market impact, but it does not necessarily *mitigate* the market impact. The BBC has elided these two concepts. It has, in fact, neither offered a strong, evidence-based case for R2X's public value nor outlined a single proposal to mitigate the market impact of R2X.
26. The BBC enjoyed radio dominance for years purely because it commanded platform dominance. Now that has changed, there is no public value case for a “necessary response” to changing audience patterns. The BBC should focus on distinctive, high-quality offerings and the Charter is clear in that regard.

Question 6: Do these proposals lead to any significant market impact concerns which might affect your own services? If so, please explain how the BBC's proposals would affect your services if they go ahead.

27. Yes, the BBC's proposed R2X service would adversely affect Boom Radio.

Boom Radio today is a healthy, vibrant business, comfortably meeting or exceeding its long-term financial plans, budgets and forecasts. Our year 4 accounts (Oct 23-Sept 24) will show a moderate EBITDA profit for the first time. Audience growth is in line with expectations, and RAJAR awareness data indicates much scope for listener increases. We have invested heavily through the first four years of our existence in programming, marketing and brand extensions and, prior to the BBC PIT decision announcement, we were planning on continuing to do so.

28. There are references in the PIT decision to the increased level of competition in the digital radio marketplace (p103), as evidenced by the recent launch of GHR 60s and the launch of an additional suite of stations from Global. We feel confident we can take this increased commercial competition in our stride. It is already evident that these new stations are working within the expected commercial constraints of digital offshoot brands. There are quite low levels of presenter input – along with limited marketing support – mainly social media activity. We have detected no adverse effects on our own listening, and no feedback from our listeners on potential switching. We do not believe these stations will become a serious impediment to our growth.

29. The R2X proposals will however have a significant adverse market impact on Boom Radio. Here will be a station, backed by promotion on Radio 2, Europe's largest radio station, currently reaching over 13m adults each week, almost half of them in its target demographic, supplemented potentially by exposure on the BBC's other older targeted stations such as Radio 4, Radio 5Live, Radio 6 Music and BBC Local Radio. It also has access to the UK's biggest TV broadcast channel, BBC1, with a monthly reach of 77% of the total adult population of the UK and a 20% share of all TV viewing. It will have unparalleled access to UK broadcast and radio talent and will bundle its programming within an ad-free environment, across the most substantial DAB network in the country, backed by the UK's most downloaded audio app in BBC Sounds. BBC R2X cannot fail to have a significant impact on Commercial Radio's closest format competitor, Boom Radio. We must repeat our view that an advertising campaign on Radio 2 would be the most powerful, effective marketing vehicle a 55+ music radio service could ever consider, but it is available only to R2X, not Boom Radio.

30. A detailed numerical analysis of the impact modelling has been provided in a confidential appendix, in which we have described multiple errors made by the BBC in its market impact assessments. These include RAJAR methodology and labelling issues, ignoring Ofcom modelling recommendations, using incorrect data, and arithmetical errors. These have combined to produce a significantly inaccurate impression of damage. The BBC analysis in the PIT decision which

predicted just an 11% adverse audience effect is fundamentally flawed, and we are concerned that the decision by the BBC Board to continue with the R2X proposal must have relied on these flawed numbers (see confidential appendix).

31. Our initial estimates of 39% audience damage and a 51% revenue shortfall (£2.25m per annum) are still supported by proper analysis of current evidence.
32. Even the BBC's underestimated shortfall of (£1m) per annum would leave our business painfully exposed and facing difficult choices on expansion, marketing investment and support for offshoot services. £1m currently represents around one-third of our total income – a huge amount to lose, and an ongoing drain on our income of this quantum would mean cumulatively, after seven years in existence, we would still not be profitable, with little chance of being so in the future. The resulting operation would be a shadow of our vision for Boom Radio and its highly distinctive offer for listeners – programming which attracts the most loyal audiences of any UK music radio station when judged by weekly time-spent-listening.
33. The BBC's disregard for the market impact of R2X, and its decision to persist with these proposals despite their lack of public value, creates a high level of uncertainty that is already hampering investment and innovation. Boom had advanced plans to expand Boom Light, our popular and fast-growing service of 50s and easy listening/light music for listeners aged over 70. We had committed to expand Boom Light onto DAB across the UK's major metropolitan markets, increase programming and marketing support for the station, and enter RAJAR. In the Board meeting following the publication of the BBC's PIT decision, our directors took the painful decision not to continue at this stage, owing to the risk and uncertainty. This is just one immediate example of the consequences of this proposal.
34. Finally, the true likely loss in revenues for Boom were R2X to launch would be £2m-£2.5m per annum by 26/27. This would be existential for the whole of Boom Radio and its offshoot stations. There is no question in these circumstances that all of Boom's services would be put at risk of closure.