

Radiocentre submission to Ofcom’s review of proposed new BBC DAB+ radio stations and proposed changes to Radio 5 Sports Extra

Radiocentre welcomes Ofcom’s initial assessment of the BBC’s Public Interest Test (PIT) submission¹. Ultimately, the BBC’s updated proposals – if approved by Ofcom – have the potential to profoundly impact the commercial radio sector, due to the anticipated shift in radio listening hours and the consequential impact on advertising revenue.

Ofcom’s regulatory oversight of the proposals and the PIT, principally through the BBC Competition Assessment (BCA), is important. It will help to ensure that the BBC’s proposals are subject to a robust, evidence-led regulatory process, which provides a greater degree of confidence for stakeholders and creates an environment where commercial operators feel able to invest and innovate for the benefit of audiences.

We have outlined succinct responses to the consultation² questions, but would be happy to provide further information where required and look forward to working constructively with Ofcom throughout the initial assessment and BCA process.

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.

- We agree with Ofcom’s determination that these proposals (for four new DAB+ services) involve the introduction of new UK public services and therefore no further analysis is required to determine materiality.
- We also welcome Ofcom’s decision (July 2024) that the R2X online stream is material and requires the full regulatory scrutiny of a PIT.
- We disagree with Ofcom’s assessment which meant that it did not arrive at the same conclusion for the R1 Anthems and R3 Unwind streams on BBC Sounds.
- In our view, Ofcom reaching this conclusion as the starting point of its analysis assumes that the services launched on BBC Sounds are not material – as set out before, we strongly disagree. The UK radio sector, and the BBC’s relative scale within the market is vastly different to online TV, where it has a lower market share and international competitors.
- The resemblance of the proposed new stations to popular existing commercial radio services is overwhelming and the lack of distinctiveness of the BBC’s proposals enhances the impact on the commercial sector.
- We disagree with Ofcom’s assessment that stations that belong to larger radio commercial groups are unlikely to be materially affected by the BBC’s proposals.

¹ <https://www.bbc.co.uk/aboutthebbc/documents/new-music-radio-stations-pit-new-music-radio-stations-pit.pdf>

² <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/uncategorised/invitation-to-comment---ofcom-review-of-proposed-new-bbc-dab-radio-stations-and-proposed-changes-to-radio-5-sports-extra/main-docs/consultation-ofcom-review-of-proposed-new-bbc-dab-radio-stations.pdf>

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.

- No, we do not consider the BBC’s published proposals are clear in relation to their scale.
- The BBC has provided limited transparency in relation to the projected audience estimates or the budgets for these new services. We have written to Ofcom and the BBC on several occasions³ to raise concerns earlier on in the process and the BBC’s PIT submission provides limited additional information.
- The BBC’s initial audience estimates were drawn from two incompatible data sets which are based on distinct methodologies – the combination of RAJAR and streaming data has resulted in estimates that significantly understate the audience size – especially for online listening. It appears that the BBC’s model for the PIT submission exclusively uses RAJAR data, albeit only up to Q4 2023. Although the BBC’s analysis also appears to sporadically feature some of the latest RAJAR data, Q3 2024 (released on 24 October 2024).
- In addition, in the BBC’s initial audience estimates, it appeared that most smart speaker listening data had been excluded from the BBC Sounds streaming data estimates.⁴ This implied that the online estimates were significantly lower than stated by the BBC given that smart speaker listening accounts for over 50% of total online listening (RAJAR Q3 2024).
- [Redacted]
- The BBC’s budgets also seem to be very low, based on commissioning levels that we have analysed. This implies that these new services will either (i) be much more expensive than the BBC has proposed, or (ii) these will be largely music jukeboxes with very little commissioned or presenter-led content (and thereby undermining the public value proposition). This latter option appears to have been confirmed by the BBC in its PIT submission where it states⁵ that much of the original content on each station ‘will be repeated multiple times’.

Question 3: Did the BBC’s PIT consultation processes provide suitable opportunity for you to set out your views fully? If not, please provide details

- Although we have been able to engage with the BBC, we have not been able to engage fully because of the way the BBC has conducted the process and the limited information it has provided. We have not had an opportunity to engage with revisions to the BBC’s proposals since Ofcom’s materiality assessment concluded in July.

3

Radiocentre letter to Cristina Luna-Esteban (Ofcom) – 4 March 2024

Radiocentre letter to Cristina Luna-Esteban (Ofcom) – 22 May 2024

Radiocentre letter to Cristina Luna-Esteban (Ofcom) – 30 July 2024

Radiocentre letter to Chris Rowsell (BBC) – 22 March 2024

Radiocentre letter to Samir Shah (BBC) – 4 April 2024

Radiocentre letter to Chris Rowsell (BBC) – 10 April 2024

⁴ Para A1.2 [Review of the BBC’s materiality assessment of proposed new streams on BBC Sounds \(ofcom.org.uk\)](#)

⁵ Paras 5.4.3, 5.5.3, 5.6.6, 5.7.3 [BBC Public Interest Test: New music radio stations](#)

- Radiocentre responded to the BBC’s PIT consultation – and we were granted an extension by the BBC to enable us to complete economic analysis and research that we had commissioned.
- The original PIT (published 14 February) only provided stakeholders with limited information around the proposals. Key information missing from the initial PIT document, which we requested directly from the BBC but were largely refused, included:
 - station names
 - expected percentage of speech content during daytime
 - music policies for the stations, including expected crossover with commercial stations (including during peak time)
 - detail on presenter-led shows (including presenter names)
 - audience research
 - detail on budgets, including music rights, marketing and other associated costs.
- The separate materiality assessment process for launching the new stations earlier on BBC Sounds was very opaque – as noted in our letter to Cristina Luna-Esteban (4 March), we have been disappointed by the BBC’s limited engagement with the commercial radio sector throughout this process.
- There has been very little scope for meaningful discussion or opportunity to provide input on potential market consequences. Crucially, the BBC has failed to undertake any consultation or engagement following Ofcom’s determination in July 2024 that the R2X online stream was material and direction to the BBC undertake a PIT.
- We therefore question whether this lack of consultation, particularly on the R2X stream, is compliant with the new specified requirements in Ofcom’s revised guidance for engaging with stakeholders.⁶

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.

- We agree that Ofcom should undertake a BCA.
- These are four new UK public services and the BBC’s largest intervention in the radio market since 2002 when it launched its first national DAB-only music stations.
- A shorter assessment would be wholly inappropriate in this instance, having instead been used by Ofcom in the past for relatively minor changes to an existing radio service. For example, the BBC’s proposals in 2023 around Radio Cymru 2.
- The BBC remains the biggest single player in the audio market, with almost double the share of the nearest commercial competitor.
- New national radio services on launched by the BBC DAB+ (and on BBC Sounds) can therefore have a significant impact on fair and effective competition.
- There is a significant divergence of views regarding (i) the appropriate methodology / approach to assess the impact of the proposals and (ii) the actual impact of the proposals in listenership and therefore on fair and effective competition. This requires detailed and independent analysis by Ofcom.

⁶ Para 4.23-4.25 [Guidance for assessing the impact of proposed changes to the BBC’s public service activities \(ofcom.org.uk\)](https://www.ofcom.gov.uk/guidance/assessing-the-impact-of-proposed-changes-to-the-bbc-s-public-service-activities)

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?

- No – we believe these are largely copycat services which offer listeners very little truly distinctive output. We recognise that the BBC has outlined some additional information with regard to the distinctiveness of the proposed new services, along with some changes to R2X. However, these changes (individually or collectively) do not go far enough and started from a very low threshold that was surprising from the UK's foremost public service broadcaster.
- A request was refused from the BBC to share its Soundcheck research (conducted by MTM in 2022) which it relied upon to justify the omission of news on any of the proposed new stations. It is unclear if this research has been shared with Ofcom.
- Radio 1 Anthems, Radio 1 Dance and Radio 3 Unwind will not carry news and have extremely limited commitment to speech. Changes to the BBC's proposals highlight that R2X will now feature news and around 20% archive content (up from 5% in the original proposal). However, there are limited details on what archive material this might encapsulate, and the new shows appear to have been scheduled for evenings, when listening is likely to be lower. It is hard for the BBC to justify its value proposition on this basis alone.
- The MTM survey was conducted before changes to the BBC's proposals, meaning that it cannot provide any indication of whether these proposed changes significantly improve public value. Given that the BBC itself acknowledges that R2X has the capacity to have an impact on fair and effective competition, this is inadequate.
- The proposed services target an audience already well served by commercial radio, implying their success will come at the detriment of the commercial sector (and in a market where overall radio listening has remained flat for some time).
- Given the potential for material harm to competition from these proposals, both the likely market impact and the potential public value of the proposals must be measured appropriately. The BBC PIT does not do this adequately.
- There are significant problems with the BBC's approach to modelling. Most fundamentally, the BBC underestimates station size resulting in the BBC significantly underestimating the impact on fair and effective competition. To estimate station size, instead of using survey data, the BBC adopts a top-down approach that rests on many unrealistic assumptions. The initial uplift calculation is an input into diversion, revenue impact and therefore significantly understates the impact on fair and effective competition. In essence, the underestimate of station size acts as an unrealistic cap to the harm that will be felt by commercial radio.
- The problems with the initial uplift calculation are compounded by the methodology used for calculating diversion. As radio is a differentiated market, it is important to capture the closeness of competition between individual stations when estimating diversion. This closeness may not be fully captured through audience size or shares, nor objectively captured via an editorial and audience teams' perspective.
- Furthermore, the BBC's approach underplays the market impact by aggregating the commercial radio market impact. This obscures the impact that these proposals will have on the competitive set of stations where there is significant overlap.

- We do not agree that the BBC's impact on Boom Radio will be dampened because Boom's model relies on growth that it will find hard to achieve in the light of the new commercial radio services that will compete more closely with it. The launch of new commercial radio services may affect how Boom Radio competes, but this does not in any way mean that the BBC's proposals will not have a disproportionate effect on Boom Radio.

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.

- As outlined in our PIT response to the BBC, this is likely to have a detrimental impact on commercial radio revenues and on incentives for the commercial sector to invest.
- Compass Lexecon evaluated the market impact of these proposals (with insight from new audience research) and found that they are not distinctive. In addition, the analysis found that a significant proportion of listeners would be likely to switch to an ad free service as proposed by the BBC.
- As a result, the proposed launch of these new stations (on DAB+ and BBC Sounds) are likely to see an estimated 18% reduction in commercial radio listening hours on average; resulting in a reduction in revenue of around 10% (or £71m p.a.) to the commercial sector.
- The impact on revenues is likely to be exacerbated by the fact that three out of four of the proposed new stations (R1 Dance and Anthems, and R3 Unwind) are explicitly targeting a commercially attractive younger audience.
- In addition, R2X will make the economics of commercial radio stations targeting older audiences (e.g. Boom Radio) even more challenging.

5th December 2024