

Proposed new BBC DAB+ radio stations and proposed changes to Radio 5 Sports Extra

Annex 1: Assessment of market impacts

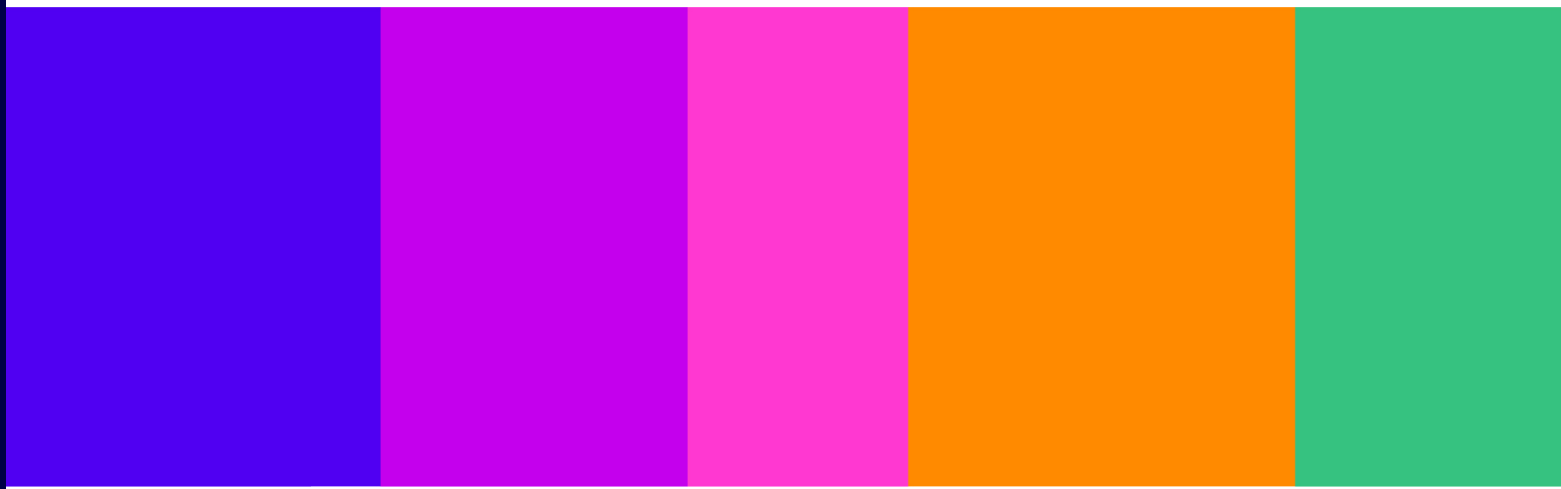
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Annex

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Annex

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A1. Assessment of market impacts

Introduction

- A1.1 In accordance with our duties under the Charter and Agreement, we are required to make an assessment of the potential impact on fair and effective competition of the changes proposed by the BBC. In this annex we expand on section 5, and set out the detail of our market impact assessment.
- A1.2 The structure is as follows:
- the potential competition concern, including the BBC's and other stakeholders' conclusions on market impact;
 - how we approached our competition assessment for the music and sports stations, including details on each step of our base case modelling and sensitivity analysis;
 - our assessment of dynamic impacts of the proposals;
 - our assessment of the impacts on local and community radio; and
 - our assessment of wider impacts.

Potential competition concern

- A1.3 Competition is valued because it can produce good outcomes for consumers, and for society in general. Changes which the BBC proposes to make to its public services could have an impact on competition in the UK's media markets. Some of that impact may be positive, serving to stimulate investment or encourage innovation. However, some changes may also harm competition.
- A1.4 Where the BBC offers a new public service or makes a significant change to its existing services, this may reduce the potential audience for commercial rivals. This could have a consequential impact on their revenues which, in turn, could lower their profitability. The fact that the BBC's activities may result in competitive pressure on commercial operators is not in itself a problem and would not necessarily constitute an adverse impact on competition. If, for example, commercial competitors can respond by investing more or improving quality, this may improve market outcomes for audiences.
- A1.5 However, an adverse impact on competition could arise if the launch of the new radio stations and/or the extension of the hours of 5SE would reduce commercial operators' revenues and profits to such an extent that it undermines their willingness to invest in new services, or in improving the quality of their existing services. It may also result in some commercial operators ceasing to provide services or being deterred from entering the market. This ultimately has the potential to harm audiences in the long run by reducing choice, quality and/or innovation.
- A1.6 In this annex, we have taken into account our approach to assessing market impact in our [BCA guidance](#) when assessing whether the BBC's proposals could lead to an adverse impact on fair and effective competition.

The BBC's conclusions on market impact

A1.7 Under the Agreement, the BBC is required to consider the scale and likelihood of impacts on competitors when developing proposals for new services and/or significant changes to its existing services.

The proposed new music stations

A1.8 The BBC is of the view that three of the four proposed new music stations are unlikely to have an impact on fair and effective competition, but that R2E has the capacity to have an impact on close competitors.

R1A, R1D and R3U

A1.9 The BBC considers that R1D, R1A and R3U would likely, both individually and in aggregate, have a limited impact on fair and effective competition. It says that these stations could draw some listeners away from commercial operators, but its analysis indicates that the impact on group-level revenues is likely to be low (only around a 1.2% loss in aggregate). As such, the BBC considers these stations would be unlikely to have an impact on investment incentives on a static basis.¹

R2E

A1.10 In contrast, the BBC considers R2E has the capacity to have an impact on fair and effective competition. It estimates the likely impact of R2E on commercial operators' revenues to be a 2.6% loss, which is more than twice that of the three other proposed music stations combined. The BBC says that R2E has the potential to impact investment incentives, and that it is not possible to say whether dynamic effects would fully mitigate this. The BBC considers that this would likely add further pressure to Boom Radio on top of recent changes by Global and Bauer who are targeting a similar demographic.²

The proposed changes to 5SE

A1.11 The BBC considers there to be a "potential significant adverse impact on the single sports radio broadcaster in the market".³ Its analysis finds that the proposed changes to 5SE could reduce News Broadcasting's revenue by 1.6%, and that it has limited potential dynamic responses to mitigate this impact. The BBC considers this level of impact may influence investment in talkSPORT 2 (or other News Broadcasting stations), and possibly result in cost cutting.⁴

Stakeholder views on the market impact

A1.12 We have received a number of submissions from stakeholders on the potential impact of the BBC's proposals on fair and effective competition. These were submitted to us as part of the Initial Assessment and through the information gathering stage of our BCA. This feedback is summarised below in relation to the four music stations and 5SE.

Music stations

A1.13 Radiocentre said the BBC's proposals would have a significant adverse impact on fair and effective competition. It also raised concerns about the BBC's approach to modelling the

¹ BBC, [New music radio stations: Public Interest Test](#), p. 103.

² BBC, [New music radio stations: Public Interest Test](#), p. 103.

³ BBC, [5 Sports Extra: Public Interest Test](#), p. 6.

⁴ BBC, [5 Sports Extra: Public Interest Test](#), p. 64.

market impact, for example it said it is incorrect to link the proposed extensions to the BBC parent station. It also disagrees with the set of extension stations which the BBC used to calculate the ratio of expected listening between relevant parent and extension stations.⁵

- A1.14 Local radio (London Music Radio) and community radio (Radio Lear, Soar Sound, Winchester Radio) have expressed concerns that the BBC's proposals risk crowding out listeners from their stations.⁶
- A1.15 Manchester DAB CIC, City West Digital CIC and South of the River Digital Radio Ltd expressed concerns on the wider impacts of BBC's proposals in other parts of the supply chain. They said the BBC's proposals may affect local and community radio, thereby impacting the financial sustainability of small-scale DAB multiplexes.⁷

5SE

- A1.16 News Broadcasting agrees with the BBC that its proposal would have a significant adverse impact on talkSPORT Network, but it considers that the BBC underestimated the magnitude of this impact. News Broadcasting also states that there is no room to respond given that talkSPORT Network is unable to expand its audio sports rights portfolio, and that this would likely lead to cost cutting and the need for them to assess whether talkSPORT 2 could remain in its current form.⁸
- A1.17 News Broadcasting also considered wider impacts, primarily in its response to the BBC's PIT consultation. It argued that 5SE would grow audiences for BBC podcasts and push listeners towards the "walled garden" of BBC Sounds, which it considers would negatively impact the sports podcast market.⁹

High level overview of our approach

- A1.18 We first assess the 'static impacts' of the BBC's proposals by focusing on the loss of listening to national commercial radio services and its resulting impact on revenue and profitability. These are the first-order effects of the BBC's proposals on existing commercial radio services, without taking into account how other radio services might respond.¹⁰ We estimate the static impacts in the following steps.
- 1) Define the counterfactual: we assess what would happen to the listening, revenue and profitability of existing radio services in the absence of the BBC's proposals.

⁵ Radiocentre, *Radiocentre response to Ofcom's BBC competition assessment on planned new DAB+ radio station*, section 5.

⁶ London Music Radio, [response to our Initial Assessment invitation to comment](#), p.2; Radio Lear, [response to our Initial Assessment invitation to comment](#), pp. 11-13; Soar Sound, [response to our Initial Assessment invitation to comment](#), p.4; Winchester Radio, [response to our Initial Assessment invitation to comment](#), pp. 3-4.

⁷ Manchester DAB CIC, City West Digital CIC and South of the River Digital Radio Ltd, [response to our Initial Assessment invitation to comment](#), p. 6.

⁸ News Broadcasting, [response to our Initial Assessment invitation to comment](#), Page 11-12.

⁹ News Broadcasting, [response to the BBC's 5 Sports Extra: Public Interest Test consultation](#), p. 11.

¹⁰ We consider the impact of the BBC's proposed stations at their 'mature' level, which we expect would be around 3 years after launch. Given the data we have access to, we assess the impact on commercial stations in 2027.

- 2) Estimate listening to the BBC stations: we estimate how much listening the BBC could potentially achieve for each of the four proposed new music stations and the changes to 5SE.
- 3) Define competitors: we identify the competitor stations for each of the BBC's stations based on similarities of these commercial stations to the BBC's proposals.
- 4) Estimate loss of listening to competitors: we then estimate the amount of listening that would be diverted from the competitor radio stations, taking into account the amount of listening that could be cannibalised from the BBC's existing stations.
- 5) Assess financial impact: using the estimated loss of listening, we assess the impact on the revenue and profitability of the commercial operators.

A1.19 As part of assessing the 'static impacts', we further conduct some sensitivity analysis in order to check whether our overall conclusions would change when some of the inputs and assumptions are changed.

A1.20 We then assess the 'dynamic impacts' of the BBC's proposals where we consider how the BBC's proposals could affect the ability of commercial operators to invest and deliver services to consumers. As part of this, we also take account of how commercial radio services might react to the BBC's changes, to mitigate any adverse impacts. For example, commercial radio operators might improve their offerings or differentiate their content to mitigate the loss of listening. We have not quantified these effects as they are inherently more uncertain, including their timing.

A1.21 We have focused our analysis primarily on the direct impact on listening to national commercial radio operators. We further consider if the BBC's proposals could have a significant impact on local and community radio stations. We then consider the 'wider impacts' of the BBC's proposals by looking at the impact on competition in other areas of the supply chain. These include (i) presenter costs; (ii) music and sports rights; (iii) impacts on small-scale DAB multiplexes; and (iv) impacts on listening to BBC Sounds.

A1.22 We provide a detailed explanation of the above in the following subsections.

Static impacts

Defining the counterfactual

A1.23 We set out below how we define what would happen if the BBC did not make its proposed changes. This is the baseline against which we assess the impact of the BBC's proposals.

A1.24 We note that forecasting what could happen in the counterfactual is inherently uncertain and sensitive to assumptions. Therefore, we adopt a relatively simple approach that relies on operators' own forecasts where available, and otherwise relies on historic data from 2018 to 2024. Where appropriate, we place more weight on recent data from 2024.

Counterfactual listening

A1.25 For most of the competitors to the BBC's proposed music stations, we take the following steps in our base case scenario:

- We first forecast total counterfactual listening (for all radio operators) over time to 2027 by applying a linear trend to 2018-24 RAJAR listening hours.¹¹
- We then estimate listening to Bauer, Global and News Broadcasting at the group-level by linearly forecasting the share of listening for each group to 2027 based on 2018-24 RAJAR data.
- Finally, we forecast the listening to each station based on its 2024 share of listening hours within each group.

A1.26 For Boom Radio, we use its own listening forecasts up to 2027 as our base case counterfactual listening.

A1.27 For 5SE's competitors (i.e. talkSPORT Network), we adopt a similar approach to the above. Specifically, we forecast listening to the talkSPORT Network over time to 2027 by applying a linear trend to 2018-24 RAJAR listening hours. We then estimate listening to the talkSPORT and talkSPORT 2 stations based on their share of listening in 2024.

Counterfactual revenue

A1.28 In our base case scenario, we adopt operator forecasts for those that submitted them (i.e. Boom Radio) and we forecast counterfactual revenue for the other operators using the following method:¹²

- a) For each revenue category for each year between 2018 and 2024, we estimate average revenue per hour of weekly listening.¹³ This draws on revenue data provided by stakeholders in response to formal information requests, and RAJAR listening data.
- b) We then multiply the operator's average revenue per hour across 2018-24, by the forecast listening hours of the relevant platform.¹⁴

Counterfactual profit

A1.29 We adopt assumptions on the operators' counterfactual profit margins, depending on the data available to us. Specifically:

- for operators who provided us with forecast profit data to 2027, we adopt these profit margins in the base case counterfactual scenario;
- where operator forecasts are not available, we use linear forecasting of profit margins based on 2018-2024 data as our preferred method; and
- in situations where linear forecasting is not suitable (for example if the historic data is unstable and produces unreasonable forecasts), we adopt the operators' 2024 profit margin as the base case for 2025-2027.

¹¹ [RAJAR changed its methodology](#) for estimating listening hours in 2020/21, which had some impacts on a granular station level but not at a UK-wide level. This is supported by our analysis which indicates only a minor increase (3%) in the size of the radio market if we use RAJAR listening hours data from 2022-24 compared with 2018-24. To ensure consistency when making comparisons between stations over time and to comply with the RAJAR code we have used a 6-month weight for all stations, networks and brands in our analysis.

¹² In particular, we use Boom Radio's forecasts prior to the announcement of the BBC's proposals.

¹³ By 'revenue category' we mean a particular activity that generates income for the operator, for example national advertising, IP-targeted advertising, branded content and events. In terms of our method, we divide revenue by the platform's listening hours that are most relevant for that particular revenue generation activity e.g. all platform listening for airtime advertising revenue; streamed listening for online advertising revenue.

¹⁴ See above footnote for explanation of 'relevant platform'.

Estimating listening to the new music stations

- A1.30 Our usual starting position in previous BCAs has been to estimate consumption based on existing figures from the BBC's comparable services. For example:
- we used the viewing of the old BBC Three channel in its final year of broadcast to estimate the potential impact of the relaunch of the BBC Three broadcast channel on rival broadcasters for the BBC Three BCA;
 - we used the performance of BBC Two's Scottish programming relative to BBC Two's national programmes to estimate viewing for BBC Scotland in the BBC Scotland BCA; and
 - we extrapolated from observed BBC iPlayer viewing to estimate the increase in viewing due to increased amount of archive content on the BBC iPlayer in the BBC iPlayer BCA.
- A1.31 However, this is not possible for the four music stations, as the BBC has not launched a comparable music-based digital radio station since 2002, during which time the radio sector and listening behaviours have changed significantly.

We have examined a number of approaches and consider the parent / extension approach a reasonable and practicable approach

- A1.32 The BBC used the parent / extension approach to estimate listening as outlined in its PITs.¹⁵ We consider that the parent / extension approach is a reasonable and practical approach to estimate listening to the proposed BBC stations. Commercial radio extensions typically offer listeners music curated around specific moods or genres, but often simulcast other content from the main network or 'parent' station to create a consistent tone and feel across the brand portfolio. Listening to the extensions is therefore partly driven and influenced by the parent station via this shared content, which can include presenters, announcers, news bulletins and advertisements, as well as cross-promotions. We observe similar characteristics for the BBC's new music stations relative to their respective parent stations.
- A1.33 Firstly, we consider that the level of listening to the proposed BBC stations would depend on content / cross promotion from the parent station.
- The BBC indicated in the music PIT that a number of programmes for the new music extensions would be simulcasts / repeats from the parent station. As such, this means that the new music stations would retain the parent stations' branding despite playing different music. This is highlighted by the BBC's proposals.
 - R1D would share programming with its parent station in the evenings and late night and over Friday-Sunday (this represents around 35% of the sample schedule).¹⁶
 - R1A would share programming of existing Radio 1 'anthem' branded content including workout, pop and chillout anthem (this represents around 35% of the sample schedule).¹⁷ This is planned to be mostly broadcast as repeats on R1A across all days of the week and hours.
 - R2E would share some programming, mostly repeats from its parent station during late nights and on weekends (this represents around 18% of the sample schedule).¹⁸

¹⁵ BBC, [New music radio stations: Public Interest Test](#), pp. 84-85.

¹⁶ BBC, [New music radio stations: Public Interest Test](#), p. 36.

¹⁷ BBC, [New music radio stations: Public Interest Test](#), p. 37.

¹⁸ BBC, [New music radio stations: Public Interest Test](#), p. 43

It would also share at least ten news bulletins simulcast with Radio 2 throughout the day.¹⁹

- R3U would share some programming from Radio 3, limited to late-night, representing roughly 8% of the total sample schedule in hours.²⁰
- The BBC also provided further details, in response to a request for information, on its plans for cross-promotion of the new music stations from the parent stations, which amounts to hourly mentions on Radio 1 for R1D and R1A; similar ‘natural points’ across the schedule of the main Radio 2 network; an estimated cross-promotion of R3U of 4 per day (c.2.5-3mins per day), with mentions 5-6 times per day in Radio 3 programming (c.2 minutes per day).²¹

A1.34 Secondly, we also note there is some correlation between listening to commercial extensions and their parent station. RAJAR evidence shows that listening to extensions is less than 15% of the listening hours of the parent station for the vast majority of cases (when looking at extensions in our competitor sets). We understand that this is likely to be driven by commercial operators prioritising the parent station over the extensions. For example, Ofcom analysis of data from [§<] indicates that extensions’ presenter costs can be as little as c.[§<]% of the parent station’s presenter costs, and [§<] indicated that the new Global and Bauer stations have limited presenter, marketing and social media support.²² In addition, RFI responses further show that commercial extensions typically generate [§<] of revenue when compared to the parent station.²³ As such, we expect that the new BBC stations would likely follow this relationship and that the BBC’s primary focus would be the parent station.

A1.35 We recognise that the commercial extension station KISSTORY does not fit the extension station profile outlined above, as it has achieved significantly higher listening than its parent station. However, we consider that KISSTORY is an outlier to the above as (i) KISSTORY’s growth in listening could be explained by the fact that it is a very well-established station that was launched at a time when the market was less saturated with extensions; and (ii) the high ratio of listening of KISSTORY relative to KISS could also be explained by KISS’s listening declining significantly over time.²⁴ This is illustrated by figure A1 which shows that KISSTORY’s listening as a proportion of its parent station is significantly above any other commercial extension.

Figure A1: The size of listening hours for an extension station compared with its parent station

¹⁹ BBC, [New music radio stations: Public Interest Test](#), p. 40

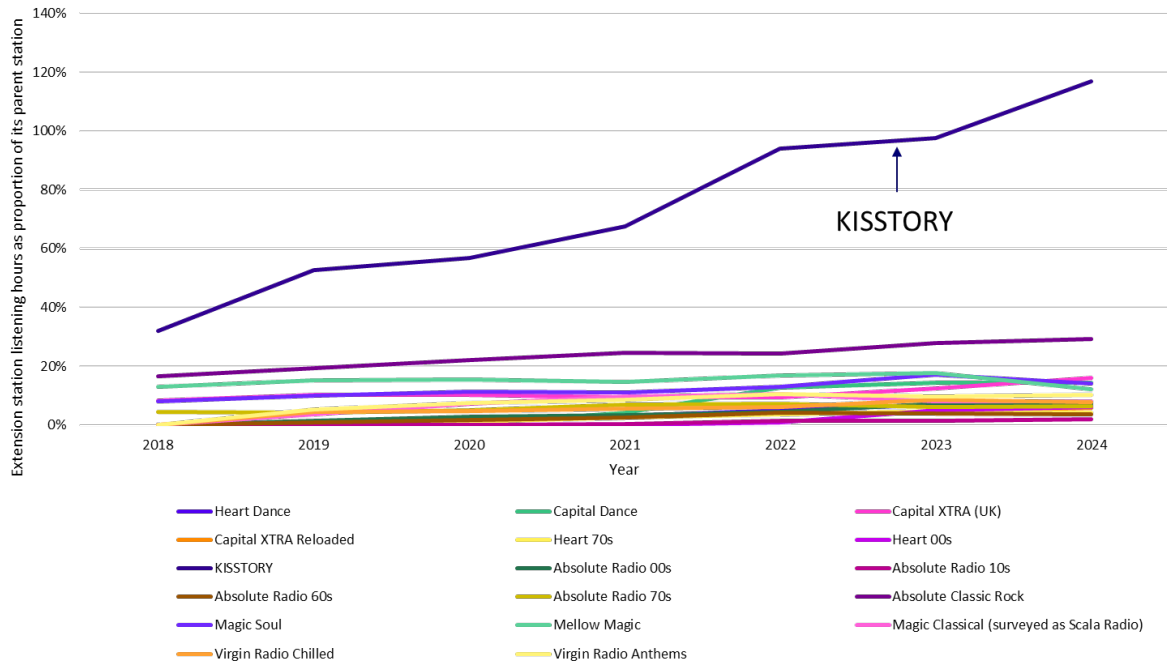
²⁰ BBC, [New music radio stations: Public Interest Test](#), p. 47

²¹ BBC response to Ofcom information request dated 13 January 2025, question 1.

²² [§<].

²³ Ofcom analysis of [§<].

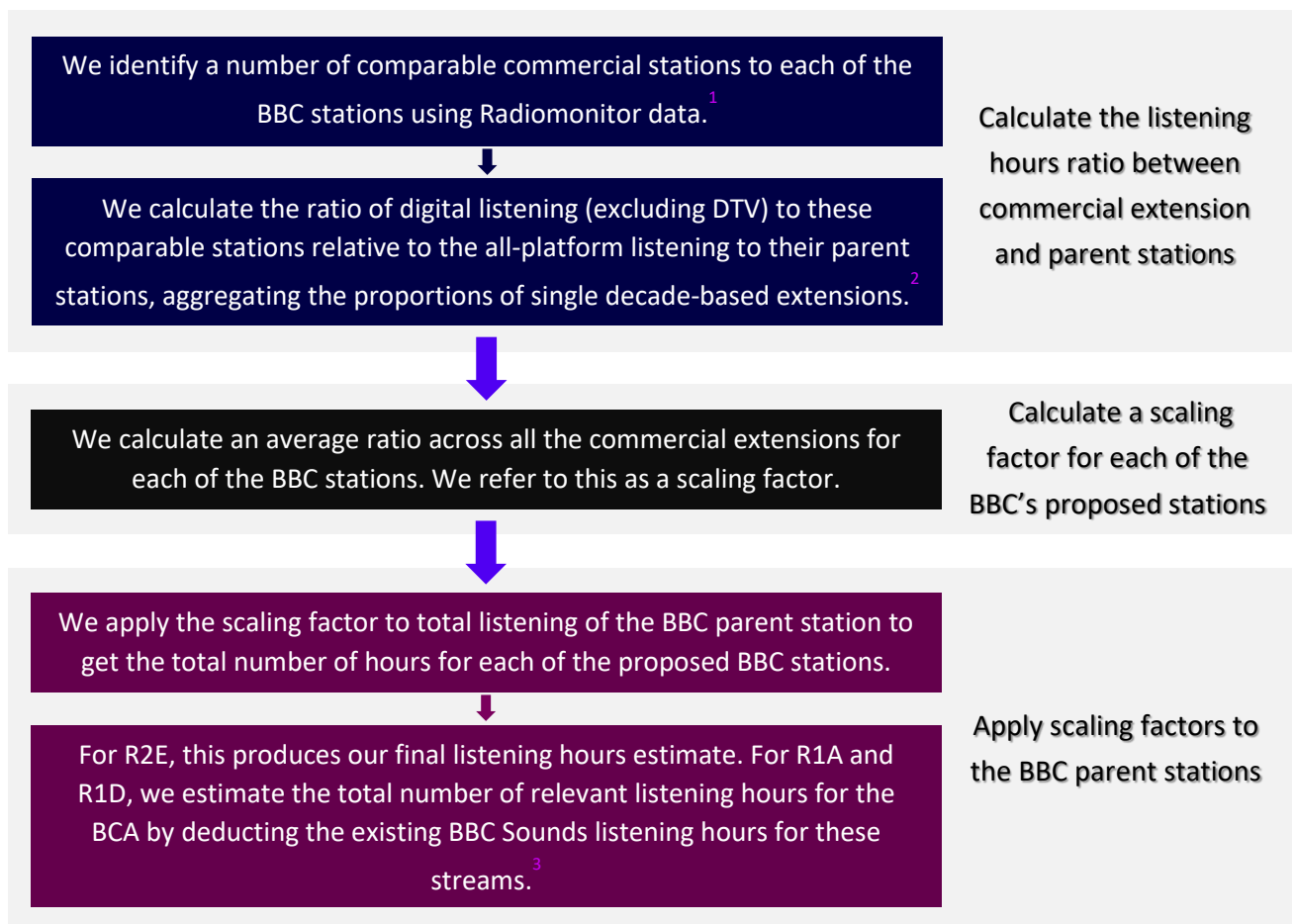
²⁴ For example, KISS listening hours (for all platforms) have declined by 64% from 2018 to 2024.



Given the reasons outlined above we have used the BBC's parent / extension station approach as the starting point and adjusted where appropriate

A1.36 We have adopted the following approach to estimate listening for R1A, R1D and R2E (see figure A2).

Figure A2: Estimating listening to R1A, R1D and R2E



Notes:

¹ We do not include the 13 newly launched Global and Bauer stations in our parent / extension approach, given that these stations were only launched in September 2024 and we do not have enough information on how they will perform. We include more detail below on how we used the Radiomonitor data to identify comparable commercial stations.

² We use this ratio because it replicates the relationship between a digital commercial station and its parent (which includes all platform listening). We aggregate the proportions of single decade-based extensions with the same parent brand, as we consider that this would better reflect the ratio of listening to the proposed BBC stations that cover multiple decades of music (i.e. R1A and R2E). For example, Heart 00s and Heart 10s have 8% and 2% of the listening hours that Heart's parent station has. When we aggregate these stations into a single ratio to represent a multi-decade station the size becomes 10%.

³ We obtained BBC Sounds streaming data for the R1A and R1D streams and converted these into RAJAR equivalent values by using the ratio between the BBC's average weekly listening to live BBC streams and RAJAR's average weekly streaming listening for the BBC. We focus on the incremental hours that could be achieved by the full DAB+ stations as the existing R1A and R1D streams will continue regardless of our BCA decision.

A1.37 We have adopted a different approach for R3U due to the lack of suitable comparable commercial extensions to R3U. This is because, at the time of starting our analysis in January 2025, Magic Classical had just recently been rebranded as an extension (from Scala) and we therefore did not have reliable listening figures on its performance as an extension within the Magic brand. In addition, Classic FM Calm was launched recently in September 2024, which means that it is too early to consider how it will perform as an extension as part of the Classic brand. As such, we have used the following approach based on BBC data and our estimates above for R1D.

- a) We obtained the existing listening to the R3U extension stream, and we convert this into a RAJAR equivalent figure.
- b) We then calculate the ratio of listening to the existing R1D extension stream relative to our final estimates of the full DAB+ station for R1D above.²⁵
- c) Finally, we apply this ratio to the R3U extension stream and deduct existing listening to the existing R3U BBC Sounds stream to obtain a total number of hours that is relevant to the BCA.

A1.38 When considering which extension stations are comparable to the proposed BBC stations, we use Radiomonitor data to calculate the proportion of music, from artists and decades the BBC named as relevant, played by each potential competitor during the period from 28 October 2024 to 24 November 2024. Where a station played more than a certain threshold of music from both relevant artists and relevant decades, it has been included as a comparable station for the parent / extension approach. In borderline cases, where a station only just met or fell short of the threshold, our choice was also informed by our knowledge of the station, the context of the radio market and the BBC's proposals.

A1.39 We exported data from Radiomonitor on the top 5,000 tracks played by each potential competitor station for each week i.e. Monday 28 October - Sunday 03 November, Monday 04 November - Sunday 10 November, Monday 11 November - Sunday 17 November and

²⁵ We use R1D as the base for R3U because we consider these stations to be more similar to each other, given that they are both genre-based stations, which impacts how we treat the scaling factors of the stations. R1A and R2E are decades-based, which means we aggregate the scaling factors of single decade stations (with the same parent brand), which is not necessary for R1D or R3U.

Monday 18 November - Sunday 24 November (inclusive). These weeks were chosen to be the most recent and representative of typical output for the station e.g. avoiding Christmas playlists and holiday programming. By allowing for 5,000 tracks per week we capture the vast majority – if not all – of the output available in Radiomonitor for the period.²⁶

Figure A3: list of comparator extension stations included in the parent / extension approach

R1D	R1A	R2E
Capital Dance	Absolute Radio 00s	Absolute Radio 60s
Heart Dance	Absolute Radio 10s	Absolute Radio 70s
	Heart 00s	Heart 70s
	Virgin Radio Chilled	Virgin Radio Anthems
		Mellow Magic

The BBC and commercial stakeholders have commissioned surveys but we do not consider these to be suitable for estimating listening

- A1.40 The BBC, Radiocentre, News Broadcasting and Boom Radio commissioned surveys to understand the potential interest from listeners to the proposed BBC music stations. We have reviewed the surveys and associated analysis from the relevant stakeholders and consider there are challenges with using these in our approach to estimating listening.
- A1.41 The surveys from the BBC and Boom Radio only ask the extent to which respondents are likely to listen / interested in listening to the BBC’s new stations. The BBC and Boom Radio did not use their surveys to estimate listening, and we consider that it would be challenging to do so. These surveys may provide an indication on the likely reach of the new BBC stations, but it would be difficult to estimate listening hours from these surveys.
- A1.42 There are a number of difficulties with the survey that Radiocentre commissioned Kantar to complete, in addition to how Radiocentre’s consultant (Compass Lexecon) used the survey outputs to estimate listening. We consider that some of these issues would lead to a systematic over-estimation of the size of the BBC’s proposed stations, while other concerns relate to the general reliability of conclusions based on the survey.
- A1.43 Our concerns related to Compass Lexecon systematically over-estimating the size of the proposed stations include the following.
- We consider that Kantar’s survey results are likely to contain some hypothetical bias – which refers to a difference between what people say they would do in response to a survey, and what they would actually do – resulting in respondents overstating their likelihood to listen to the proposed stations and how much time they think they would listen to them. This is because:

²⁶ Radiomonitor is not 100% accurate and there are inevitable inaccuracies in the track data it captures. These inaccuracies are inherently difficult to account for due to the number of tracks and stations in our analysis, which make manual verification extremely challenging. As we were interested in whether a station exceeded a percentage threshold for relevant music – and not absolute figures – we considered these inaccuracies tolerable for the purposes of our analysis.

- We are aware of a previous survey which the BBC used to estimate potential listening to the R1D stream, which also used montages of the station’s potential music (similar to Kantar’s survey). The BBC considered the estimated reach produced by the survey to be unreasonable, and this has been borne out in the stream’s actual reach.
- In Kantar’s survey, among respondents who stated they would definitely listen to the BBC’s stations and whose listening would come at the expense of their existing listening, the hours they indicated they would listen to the new stations is significantly higher than the hours they stated they would take away from their existing stations. If Compass Lexecon were to build station listening using the switching indicated by this group of respondents, this would lead to much lower listening estimates.
- Hypothetical bias may be accentuated in Kantar’s survey, given that respondents took each proposed station in turn and stated how likely they would be to listen, and for respondents who indicated they were likely to listen, how many hours they would likely listen to it. We consider that this could further lead to respondents overstating their likelihood to listen, relative to a scenario where they considered their likelihood to listen to all stations at the same time.^{27 28}
- We also think that framing bias – which occurs when individuals’ decisions are influenced by how something is presented – could result in respondents over-stating their likelihood to listen in Kantar’s survey. For example, this survey seems to overemphasise the fact that the BBC stations would not carry adverts. We expect this would likely elicit stronger reactions from respondents when answering the survey questions and may not fully reflect how likely they would be to listen to the specific offerings of the proposed stations, compared to commercial stations.
- Finally, we consider that Compass Lexecon’s estimated reach for the BBC’s proposed stations supports our concerns above, on using Kantar’s survey to estimate listening. Its estimated reach for each of the stations ranges from c.3.5m to c.6.6m, which is significantly higher than the vast majority of well-established commercial stations, and any commercial extension available in the market. We do not think these reach figures are reasonable for a number of reasons, including: i) as outlined above, extension stations are typically less than 15% the size of the parent station, hence it is reasonable to expect a similar relationship to exist for reach; ii) the budgets of the proposed stations are low, including for advertising/marketing; and iii) there is a high proportion of simulcast content or repeated programmes from the parent station, therefore much of the content already exists on current BBC stations.

A1.44 We also have the following concerns relating to the reliability of Kantar’s survey.

- The Kantar survey asked respondents to provide their likelihood to listen to each of the four music stations based on a 40 second montage of suggested tracks from the BBC’s PIT. We do

²⁷ We note that respondents were told that the questions related to multiple stations that the BBC intend to launch. However, we still consider that a different survey structure is likely to have elicited different results.

²⁸ Compass Lexecon does acknowledge this concern and applies an adjustment of up to -20% to its listening hours for each of the four music stations as part of its sensitivity checks. However, total estimated listening hours still remain significantly higher than our own estimates even after this adjustment, and we do not consider this sufficiently addresses the concern that respondents will likely overstate their listening to each station.

not think that a montage is a good representation of the proposed stations as it does not accurately reflect the true feel of a radio station (i.e. it only highlights what a playlist would sound like). In addition, the schedules available on BBC Sounds and the BBC's descriptions of its proposed new music stations indicates that the way music is presented to listeners would be reflective of several factors e.g. mood, time of day, genre, presenters' choices etc. These factors are not captured by the montages.

- The written descriptions of these stations are likely to have affected responses from respondents due to the lengthy written descriptions of each station.

We have examined other approaches but we do not consider these to be reasonable or practicable

A1.45 We have further considered two other approaches that could be used to estimate listening.

- a) **Case study:** This would involve looking at the proposed content of each BBC station and estimating the listening to each of its characteristics (e.g. type of music, speech content, presenter-led show etc) based on an assessment of factors that determine listening to commercial radio stations. This would require an econometric assessment that determines the extent that different aspects of a commercial station could each affect listening. These might include, for example: (i) type of music / content played, (ii) appeal of presenters, (iii) budget, (iv) time since launch and (v) mixture of speech vs music content etc.
- b) **Schedule-based approach:** This involves looking at the proposed schedules for each BBC station, as detailed in the BBC's PIT, and estimating the listening to content per hour based on listening to similar content on existing BBC stations and/or commercial stations. Adjustments would need to be made to reflect differences in the time of broadcast between the BBC proposals and the time of similar existing content on other BBC / commercial stations.

A1.46 There are significant challenges in relation to using either of these approaches to estimate listening:

- Both approaches require a detailed understanding of what the BBC is proposing to broadcast for each station. However, given that the schedule is uncertain at this stage, we consider that any estimates using these two approaches would likely be overly sensitive to any assumptions we would need to make on the schedule.
- There are also significant data limitations with both approaches. The schedule-based approach would require information on listening to particular programmes, which we cannot reliably source from RAJAR. The case study approach would require a significant amount of information from commercial operators (e.g. information on budget and content by station over time) and there are a number of subjective factors that would be difficult to quantify and incorporate within our overall analysis (e.g. appeal of presenters, station style etc).

Estimating listening to 5SE

We have examined a number of approaches and consider the top-down approach to be reasonable and practicable

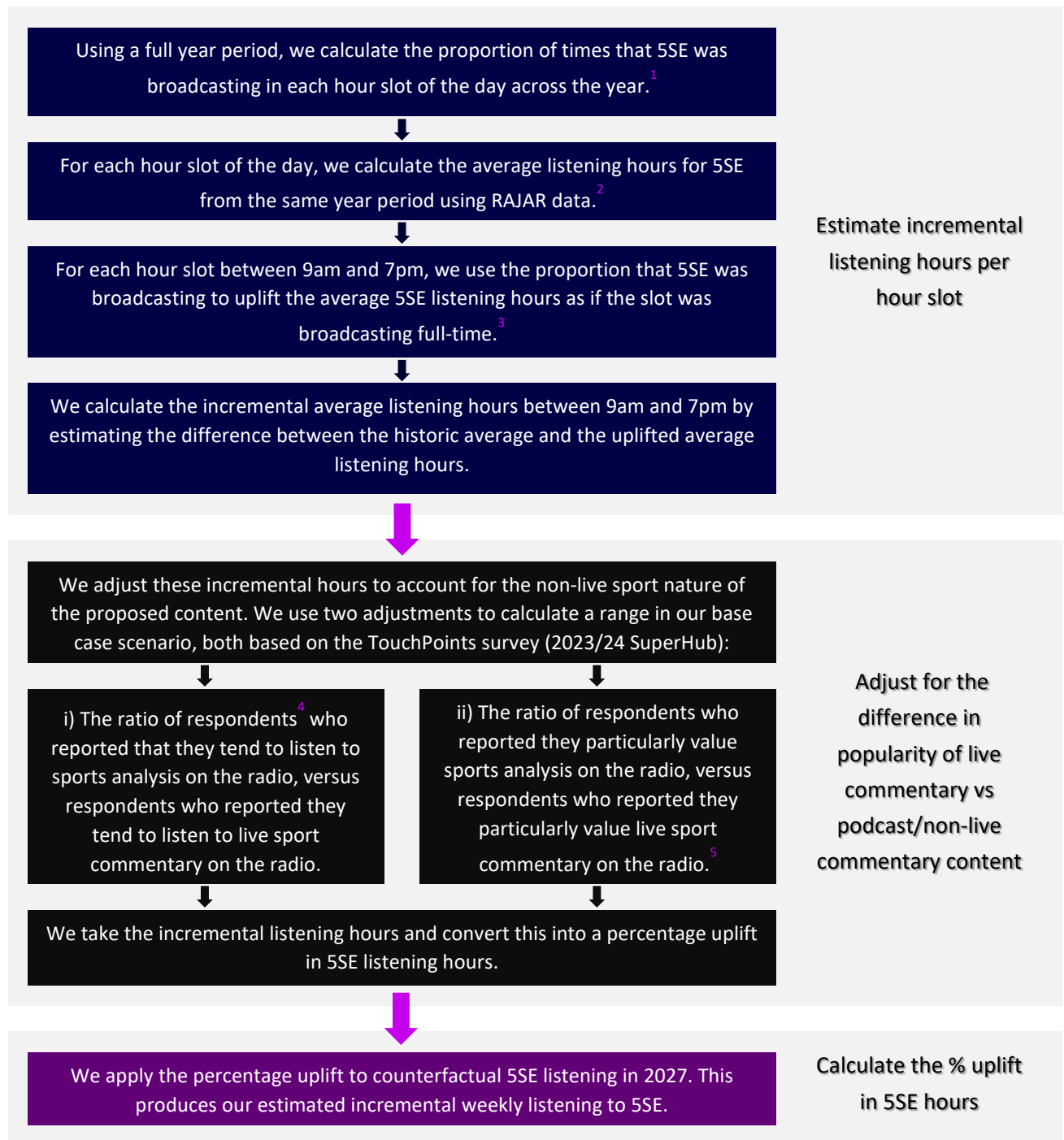
A1.47 We consider that the top-down approach (used by the BBC) is a reasonable approach to estimate listening to 5SE. This approach involves extrapolating existing listening to 5SE to

reflect the BBC's proposed additional hours of broadcast between 9am and 7pm, and adjusting this incremental listening to reflect the lower popularity of the proposed non-live sports content (i.e. podcasts and repeat commentaries).

- A1.48 We consider this appropriate because (i) it allows us to use the existing listening to 5SE as a benchmark to estimate additional listening; and (ii) adjusting the existing listening to live sports commentary content (to reflect the lower popularity of the proposed non-live sports content) is consistent with our understanding that the BBC's additional content would be tailored around the live sports schedule.²⁹
- A1.49 We have therefore used the BBC's approach as a starting point and make some adjustments, by using more recent, and a wider range of, inputs. Specifically, this involves the following steps.

²⁹ BBC, [5 Sports Extra: Public Interest Test](#), p. 35.

Figure A4: Estimating listening to 5SE



Notes:

¹ We use BBC analysis of 5SE schedule data provided in response to our formal information request.

² We use a 12-month weight for the hourly RAJAR data, to maintain consistency with the BBC’s 5SE schedule data which is based on a full year period.

³ e.g. if average listening for 9-10am is 10,000 hours, and there was a broadcast 50% of the time across the year period, then we uplift 9-10am listening to be 20,000 hours.

⁴ Base: all respondents

⁵ The BBC use the ratio described in (ii) in their model, which produces lower estimated incremental listening than the ratio described in (i). We note that these TouchPoints adjustments use reported measures rather than being based on actual behaviour; and that “sports analysis on the radio” may not be a perfect proxy for podcast content on the radio (or non-live commentary content).

A1.50 We note that the outcome of the top-down approach could depend on the particular year, given that the incremental number of hours that could be filled with non-live content between 9am to 7pm would vary based on how much live sport is broadcast. As such, in our base case, we calculate the uplift to 5SE listening by taking an average of the uplifts estimated using both the 2023 and 2024 schedules. We consider that this could more reasonably indicate the likely listening to 5SE in the future. We test the impact of using either 2023 or 2024 data as part of our sensitivity analysis which is covered later.

We have also tested another approach to estimating 5SE listening based on existing listening to sports podcasts on BBC Sounds

A1.51 We considered it reasonable to test whether an alternative approach would result in similar conclusions on the estimated size of 5SE. Therefore, we tested a bottom-up approach as a sensitivity check for our base case listening estimate. This involves using existing on-demand listening to sports podcast content on BBC Sounds, and scaling this up to reflect listening to a live radio station.

A1.52 More specifically, this involves the following steps.

- a) Estimate average live listening to an hour of sports podcast content on BBC Sounds by multiplying:
 - > average episode-level listening (measured in total listening hours) to on-demand sports podcasts, by
 - > the ratio of listening to a defined set of speech-based on-demand episodes (for the quarter that the episode was released), versus listening to these same episodes live.
- b) Scale the estimate of live listening to an hour of sports podcast content on BBC Sounds as follows:
 - > to be RAJAR-equivalent: use the ratio of BBC's average weekly listening to live BBC streams, versus RAJAR's average weekly total streamed listening (for 5SE and BBC 5 Live); and
 - > to the level of all-platform listening: use the ratio of RAJAR's average weekly total streamed listening, versus RAJAR's average weekly listening on all platforms (for 5SE and BBC 5 Live).
- c) Finally, use the BBC's estimate of average weekly hours to be filled by non-live sport content (1,314 hours each year), to estimate the number of additional weekly broadcast hours (c.25 hours).³⁰ Then, estimate incremental weekly listening hours by multiplying this estimate of additional weekly broadcast hours by average listening to an hour of sports podcast content.

A1.53 We requested data from the BBC for this approach. This data covered listening to podcasts on BBC Sounds that the BBC would consider putting on 5SE and listening to a defined set of speech-based episodes (both on-demand and live). However, we found there to be a number of difficulties when applying the above approach to this data.

- Most of the relevant speech-based episodes – used to create the ratio of on-demand to live listening – were broadcast live and put on-demand on the same day. As such, this does not accurately reflect the BBC's proposal on 5SE as the BBC plans to make podcasts available on 5SE after they have already been made available on-demand on BBC Sounds (although we

³⁰ See BBC, [5 Sports Extra: Public Interest Test](#), page 35.

do not rule out the possibility that these could still be broadcast on the same day). Therefore, we consider this method is likely to over-estimate listening.

- The speech-based episodes used to create the ratio of on-demand to live listening are mostly original broadcasts rather than purpose-made podcasts. The nature of listening to these episodes on demand is likely to differ to the nature of listening to podcasts on live radio.
- Finally, we understand that listening to non-live sports content would depend on how it is inserted into the 5SE schedule. For example, adding content as build-up to related live sports events would likely elicit higher listening figures than if the content was inserted to fill gaps within the schedule. As such, this approach may not reasonably capture how the BBC is planning on implementing additional content onto 5SE.

A1.54 Given these challenges, we do not consider that this approach should be used in our base case analysis. However, we think it is reasonable to check, despite its limitations, that this method does not contradict our base case results (see our sensitivity analysis section later in this annex).

We have also considered an approach submitted by News Broadcasting but we do not think this is reasonable for estimating listening

A1.55 News Broadcasting submitted an alternative approach for estimating listening to 5SE. This involves quantifying total listening to all sports radio content between 9am to 7pm and applying an estimate of the appeal of 5SE to this total listening. News Broadcasting estimate 24 million hours (per week) for total sports radio listening and considered it reasonable to assume that the new 5SE station would appeal to at least 35% of existing sports radio listeners.³¹ Specifically, it referenced both its own survey which found that 73% of talkSPORT listeners would be likely to listen to the revised 5SE, and the BBC's survey finding that 71% of sports fans aged 25-44 would be likely to listen (although we note this figure should be 61%).³²

A1.56 We do not consider this approach is reasonable to estimate listening to 5SE for the following reasons.

- We do not consider that News Broadcasting's survey (242 respondents) is representative of sports radio listeners.
- There does not appear to be a clear rationale for how News Broadcasting arrived at the estimate of 35% of sports radio listeners being interested in 5SE. We note that this is inconsistent with its own survey results which indicated a 73% figure for talkSPORT listeners who said they were "quite likely" or "very likely" to listen and the 22% figure who said they were very likely to listen.

Estimated listening to the proposed music stations and 5SE

A1.57 In the base case, our estimated listening for the proposed new music stations and the changes to 5SE are shown in figure A5 below. In general, we have estimated similar

³¹ News Broadcasting supplementary input, p. 7.

³² This 61% refers to the share of 25-44 year old sports fans in the survey who selected at least 8 out of 10 in response to being asked how likely they would be to listen to the sports radio service. We also note that respondents were not told that this sports radio station already existed part-time.

listening to the BBC for 5SE and the music stations, except for R3U where our estimated listening hours are higher than the BBC’s estimate.

A1.58 For R1A, R1D and R3U (which are already streams on BBC Sounds), we focus our assessment on the incremental listening to the DAB+ stations and hence deduct listening to the BBC’s existing extension streams. The BBC does not do this in its analysis, which results in our estimated listening for R1A and R1D being lower than the BBC’s estimate.³³ We note that our estimate for the incremental DAB+ listening to R3U (excluding existing stream listening) is higher than the BBC’s listening estimate, which include both the stream and DAB+.

A1.59 Our estimated results are lower than estimates from Radiocentre and News Broadcasting.

Figure A5: estimated listening in comparison to the BBC and other stakeholder estimates

	Ofcom ³⁴	BBC	Radiocentre (Compass Lexecon)	News Broadcasting
Radio 1 Anthems	3.0m – 3.4m	3.5m	28.5m	N/A
Radio 1 Dance	4.20m - 4.24m	4.9m	22.8m	N/A
Radio 2 Extension	13.8m - 20.9m ³⁵	18.6m - 22.3m ³⁶	46.4m	N/A
Radio 3 Unwind	3.92m - 3.95m	1.2m	18.1m	N/A
Radio 5 Sports Extra (incremental listening)	1.5m - 1.7m	1.6m	N/A	3.6m

Define competitors

A1.60 For the music stations, we defined the competitor sets by using a similar approach to how we decided which extension stations belonged in the ‘comparable set’ for the parent /

³³ BBC, [New music radio stations: Public Interest Test](#), p. 5.

³⁴ We provide a range for our estimated listening hours to each proposed music station, because our parent extension approach draws on two possible groups of similar commercial extension stations: (i) based on our own analysis, or (ii) using the BBC’s set of comparable stations. For 5SE, we also present a range for our estimated incremental listening to the station, because our base case analysis draws on two potential adjustments to reflect the lower popularity of the proposed non-live sports content, relative to live sports commentary.

³⁵ Our estimated listening range for R2E is wide because the BBC’s set of comparable stations includes Absolute Classic Rock. We do not include this station in our list of comparable extensions to R2E as it is an outlier in terms of its size relative to its parent station.

³⁶ The BBC’s estimate of R2E’s estimated listening hours includes a 20% uplift which they explained is due to the brand power of Radio 2. We have not included this adjustment factor within our analysis as the BBC has not provided any evidence to support this figure.

extension approach.³⁷ This is also the same approach we used for the materiality assessment where we defined the list of competitor stations based on similarities in their music content using data from Radiomonitor.³⁸ See figure A6 for the list of stations within the competitor set for each proposed BBC station.

- A1.61 We have also included the new Global and Bauer stations in the competitor list, where relevant, as it is possible that some listeners to these stations would divert their listening to the proposed BBC stations given the similarity in music genres.

Figure A6: list of stations included in the competitor set for each proposed BBC station

R1D	R1A	R2E	R3U
BBC Radio 1	BBC Radio 1	BBC Radio 2	BBC Radio 3
Capital Network	Absolute Radio 00s	Absolute Radio 60s	Classic FM
Capital Dance	Absolute Radio 10s	Absolute Radio 70s	Classic FM Calm
Heart Dance	Heart Network	Boom Radio	Magic Classical
KISS	Heart 00s	Greatest Hits Radio	
KISSTORY	Heart 10s	Gold Network (UK)	
	KISSTORY	Heart 70s	
	Hits Radio	Smooth Radio Network (UK)	
	Virgin Radio Chilled	Smooth 70s	
	Capital Anthems	Smooth Soul	
	Radio X 00s	Virgin Radio Anthems	
		Magic	
		Mellow Magic	

- A1.62 We note that this differs from the BBC, who used editorial judgement to define its competitor sets to its proposed music extensions, and cited technical issues with the Radiomonitor data, such as it being less comprehensive for specialist music and music from the specific decades.³⁹ Bearing these caveats in mind, we still consider that the use of Radiomonitor data provides a more objective and robust method for defining the list of relevant competitors.

- A1.63 We also note that Compass Lexecon (commissioned by Radiocentre) adopted a different approach to defining competitors by focusing on which stations respondents stated they would take listening away from, in order to listen to the BBC's proposed stations. Due to

³⁷ The main difference between the comparable set of stations used for the parent / extension approach, and the competitor set from which we assume listening would be diverted, is that the comparable set only includes extension stations. Any station (as long as it meets our criteria set out above) can be included in the competitor set.

³⁸ Ofcom, [Review of the BBC's materiality assessment of proposed new streams on BBC Sounds](#), p. 17.

³⁹ BBC, [New music radio stations: Public Interest Test annexes](#), p. 5.

our concerns with the survey described above, we do not consider the survey responses (including where listening would come from) to be as reliable as the method we have used.

- A1.64 For 5SE, we have defined talkSPORT and talkSPORT 2 as the competitor stations since they are the only commercial sport stations in the UK. This is consistent with the approaches from both the BBC and News Broadcasting.⁴⁰
- A1.65 We note that it is possible some listening for the new music stations and 5SE could come from stations and audio services outside of our competitor sets. We address the implications of this in our loss of listening section below.

Estimate loss of listening

- A1.66 After our competitor set is identified, we estimate the amount of listening that could be diverted from these commercial stations / groups, and the amount of listening that could be cannibalised from the BBC. In brief, we use each station's share of listening as a starting point for the proportion of the BBC's proposed station's listening that we expect to be diverted from that station. For the base case, we apply the following adjustments to the listening shares:
- for the BBC stations from which we expect to see cannibalisation, we adjust the listening share based on the proportion of relevant content on that BBC station;⁴¹ and
 - for commercial competitors to the BBC's proposed music stations, we also apply weights to the stations' listening shares based on similarities in demographics and music content (relative to the BBC's proposed station).
- A1.67 We explain these approaches in more detail below, alongside the BBC's approach to estimating diversion and cannibalisation.

Music assumptions

- A1.68 We adopt a broadly similar approach to the BBC for the music stations, as we use the relative shares of listening hours for the BBC parent station and the list of competitor stations to determine the extent of cannibalisation from existing BBC services and diversion from commercial operators respectively. However, we make a number of important adjustments:
- The BBC applied a weight to the relative share of Radio 1 (R1) listening hours to reduce the cannibalisation (due to the percentage of dance content broadcast on R1) but the BBC did not apply a similar weight to the cannibalisation calculations of other BBC stations. In our modelling, we apply 'relevant content weights' to all BBC parent stations based on Radiomonitor data, except for Radio 3 (R3) where we assume all R3 content is relevant based on scheduled programmes listed in the BBC's music PIT document.⁴²

⁴⁰ BBC, [5 Sports Extra: Public Interest Test](#), p. 12; News Broadcasting, [response to the BBC's 5 Sports Extra: Public Interest Test consultation](#), p. 1.

⁴¹ For music stations, relevant content on existing BBC stations refers to music content that matches the genre of the proposed extension station. For sports stations (i.e. BBC 5 Live), relevant content is sports content.

⁴² For example, from Radiomonitor data we know that 48% of music played on R1 was released between 2000-2019 (and therefore relevant to R1A) and 30% of music played on R2 was released between 1950-1979 (and therefore relevant to R2E). As such, we down weight the relative shares of R1 and R2 listening hours in our cannibalisation step using the corresponding percentage of content which is relevant to each of the parent stations. Similarly, the BBC have told us that 25% of R1's music output is dance genre, thus we reduce the

- The BBC only considered the extent that diversion may vary by commercial station for R2E, where it applied an arbitrary weight of 2 to stations it defined as close competitors and 1 to those it defined as less close competitor stations. We have applied an adjusted version of this approach to the competitors of each proposed BBC station with the weights based on (i) the proportion of listeners of that station within the BBC’s target audience age range, (ii) the percentage of relevant music played which matches the BBC’s proposed station (using Radiomonitor data), (iii) the percentage of listeners that are more likely to switch from their current station;⁴³ and (iv) the percentage of shared reach between the BBC parent station and the competitor such that stations with a higher proportion of listeners in the same age demographic as the BBC target would see higher diverted listening.⁴⁴

A1.69 RAJAR evidence indicates that new commercial extensions tend to attract listeners from within the brand at first, with a higher shared reach between the parent and extension which lowers over time, resulting in incremental growth of the overall brand. Our assumptions for cannibalisation and diversion are shown in figure A7 below. We test our results using alternative cannibalisation and diversion assumptions in our sensitivity checks (see the sensitivity analysis section below).

Figure A7: cannibalisation and diversion assumptions for the BBC’s music stations

	Diversion from commercial competitor set	Cannibalisation of BBC services
Radio 1 Anthems	86%	14%
Radio 1 Dance	89%	11%
Radio 2 Extension	87%	13%
Radio 3 Unwind	75%	25%

5SE assumptions

A1.70 For 5SE, we use the relative shares of listening hours for BBC 5 Live, talkSPORT and talkSPORT 2, and adjust BBC 5 Live’s share using the proportion of its schedule that is sport (rather than news and current affairs).⁴⁵

A1.71 We note that the BBC did not use listening shares to estimate the amount of diversion and cannibalisation resulting from changes to 5SE. Given that only the BBC and talkSPORT provide sports radio, it considers that the use of listening shares “may overstate cannibalisation and concentrate diversion”.⁴⁶ Instead, the BBC draw on three data sources to inform a range of possible diversion rates from talkSPORT Network (25%, 50%, 75%),

relative share of listening hours for R1 accordingly. We consider that the schedule for R3U indicates that almost all of R3’s current output will be relevant to R3U, hence we do not apply a similar adjustment to R3’s relative share of listening hours.

⁴³ This is based on RAJAR preference data which shows the proportion of a station’s listeners who stated that station is their 2nd to 5th preference station, as opposed to their main station (P1). We would expect stations with a lower proportion of P1 listeners to be more vulnerable to competitors, as these listeners are already using the station to supplement listening to their P1 station.

⁴⁴ We expect stations with more listeners that also listen to the BBC parent station to potentially lose more listening to the BBC stations.

⁴⁵ Ofcom, 2023, *Modernising the BBC’s Operating Licence*, p. 7.

⁴⁶ BBC, *5 Sports Extra: Public Interest Test*, p. 61.

with the remainder of 5SE listening assumed to be cannibalised from other BBC services.⁴⁷ The BBC’s base case diversion rate is 50%.

A1.72 While it is difficult to accurately estimate the amount of diversion and cannibalisation, we disagree with the BBC’s central estimate of 50% diversion from talkSPORT Network and 50% cannibalisation. We expect that the majority of cannibalised listening would come from BBC 5 Live, which generally does not broadcast sports content between 9am and 7pm on weekdays. We also consider it unlikely that 5SE would cannibalise much of 5 Live’s listening during periods of live sports commentary on 5 Live. Therefore, 50% cannibalisation seems unreasonably high.

A1.73 We think that a listening shares approach (adjusted using the amount of relevant content on BBC 5 Live) is the most appropriate option for sports radio, given that it is our best measure of listening behaviour.⁴⁸ However, we test our results using the BBC’s central assumption of 50% cannibalisation in our sensitivity analysis (see the sensitivity analysis section below).

A1.74 Our assumptions for cannibalisation and diversion are shown in figure A8 below.

Figure A8: cannibalisation and diversion assumptions for 5SE

	Diversion from commercial competitor set	Cannibalisation of BBC services
5 Sports Extra	70%	30%

Some stakeholders have considered different approaches to diversion and cannibalisation, but we do not consider these to be reasonable.

A1.75 News Broadcasting consider that diversion from talkSPORT Network is likely to lie somewhere between 75% and 95%, due to close substitution of talkSPORT’s programming and the content proposed for 5SE. It thinks it is likely that the BBC would provide ‘sports chat’ programming about mainstream sports, competing directly with talkSPORT’s core offer between 9am and 7pm, when there is generally no sports output on BBC 5 Live (on weekdays).⁴⁹ We note that the lower end of News Broadcasting’s range is broadly in line with our base case, but do not consider there to be a clear method to support the higher end of the range.

A1.76 Compass Lexecon adopt a different approach to estimating the loss of listening. As described above, Compass Lexecon use a survey-based approach to estimate listening to the BBC’s proposed stations. They also use this survey to estimate loss of listening from stations that respondents indicated they would take listening from. Specifically, for each “competitor” station, they calculate a switching rate using a ratio of the number of listening hours that would be switched away to one of the BBC’s proposed extensions,

⁴⁷ The BBC refers to its MTM survey data, listener journeys from RAJAR and a survey commissioned by News Broadcasting. See BBC, [5 Sports Extra: Public Interest Test](#), pp. 61-63.

⁴⁸ For the 5SE impact base case, we assume the listening diverted from talkSPORT and talkSPORT 2 aligns with their respective shares of listening. However, in our sensitivity analysis, we apply weights to their listening shares based on similarities in demographics (to existing 5SE listeners) and schedules (to 5SE’s proposed additional content).

⁴⁹ News Broadcasting supplementary input, p. 1.

relative to the number of hours that were currently spent listening to the station.⁵⁰ Compass Lexecon argue that these survey questions (which ask how much time respondents would divert from their existing stations) act as a control for hypothetical bias given that respondents are indicating more of a commitment to a change in behaviour. However, we consider that it is difficult to use this information given the issues with Kantar’s survey (explained above).⁵¹

Our base case results for loss of listening by commercial group

A1.77 Using the inputs for cannibalisation and diversion above, we estimate the following loss of listening to commercial groups and networks, as set out in figure A9 below:

Figure A9: Listening loss⁵²

	Bauer	Global	Boom Radio	News Broadcasting: Virgin Radio Network	News Broadcasting: talkSPORT Network
Radio 1 Anthems	0.6% - 0.6%	0.5% - 0.5%	N/A	0.3% - 0.3%	N/A
Radio 1 Dance	0.6% - 0.6%	0.8% - 0.9%	N/A	N/A	N/A
Radio 2 Extension	2.2% - 3.3%	2.0% - 3.0%	14.0% - 21.1%	1.5% - 2.2%	N/A
Radio 3 Unwind	0.1% - 0.1%	1.0% - 1.0%	N/A	N/A	N/A
5 Sports Extra	N/A	N/A	N/A	N/A	4.6% - 5.3%

A1.78 The table above indicates that R1A, R1D and R3U would likely, individually and in aggregate, have a low impact on listening for Global, Bauer and News Broadcasting. Our

⁵⁰ For each respondent, Compass Lexecon calculate a net switching rate for all of the BBC’s proposed extensions by assuming the highest switching rate to any individual BBC extension (rather than summing up switching rates to all individual extensions which would potentially overestimate total net switching given that each extension was presented in isolation and disregarding any previous switching the respondent had committed to). (Compass Lexecon report for Radiocentre, ‘The impact of the proposed new BBC radio stations’, Annex B).

⁵¹ We also note that Compass Lexecon use an alternative method to calculate station-level loss of listening as part of its sensitivity analysis. However, this approach uses its estimated total audience size to inform switching rates, and we already explain above why we disagree with Compass Lexecon’s audience size estimates.

⁵² We present results at the group-level for Bauer and Global; at the network-level for Virgin Radio Network and talkSPORT Network; and at the station-level for Boom Radio. We consider the impact on talkSPORT Network to be the most relevant in terms of the impact on fair and effective competition. This is because talkSPORT Network is the only commercial provider of sports services and, while we recognise that it is part of a larger group, we consider that the dynamic considerations discussed later create challenges for the group in continuing to invest in offering sports radio services. We consider the impact on Virgin Radio Network to be most relevant as these stations are the only music radio stations within the wider News Broadcasting group. We consider the impact solely on Boom Radio (not Boom Light or Boom Rock) as the main Boom Radio station accounts for almost all of the operator’s total revenue ([8<]%). Furthermore, it is also the only one of these stations with data available on RAJAR.

analysis does indicate larger listening losses at the station-level for each operator (typically below 8% for established stations if all three stations are launched) as we would expect that the impact would be largely borne by stations with similar characteristics to the BBC's stations.⁵³ We include further station-specific analysis in the dynamic impacts section below.

- A1.79 In addition, our analysis also indicates that the new Global and Bauer stations would lose a larger proportion of listening, which reflects the fact that these are new stations (with relatively low listening hours for now) and they share very similar characteristics with the proposed BBC stations.⁵⁴
- A1.80 The table also indicates that R2E would be likely to have a larger impact on Global and Bauer than the other three music extensions combined. In particular, we note that R2E would lead to a significant loss of listening for the independent radio operator Boom Radio. This reflects the fact that Boom Radio shares many similar characteristics with R2E such as its focus on 50s / 60s music and listeners aged 55+.
- A1.81 Finally, our analysis indicates that the extension of 5SE's broadcast hours would lead to a material loss of listening for the talkSPORT network of News Broadcasting.
- A1.82 As previously noted, for both the music stations and 5SE, we consider it possible that some listening could come from stations/audio services outside of our competitor sets, including local radio. For example, some talkSPORT listeners might divert some attention away from music stations as well as from talkSPORT, while some music radio listeners might divert some listening hours from stations covering different genres, or from streaming services such as Spotify. As such, our base case analysis, which does not account for this, would likely over-estimate the impact on any particular station or commercial group. We test the implications of this in our sensitivity analysis and this confirms that that our conclusions do not change when we assume some diversion from elsewhere.

Estimate financial impact

- A1.83 Using our estimated impacts on listening set out above, we then translate these into financial impacts.
- A1.84 We understand that commercial operators primarily generate revenue through four main sources:

⁵³ We estimate a larger than average listening loss when we consider the impact of R1A and R1D in aggregate for KISSTORY (15% - 16%). However, we consider this could be an overestimate due to the factors we discuss below in the financial impact section, and we note that diversion from KISSTORY could be even more limited given that it does not fully share the same type of content as R1A and R1D. For R3U, the impact would be largely borne by three commercial stations (i.e. Magic Classical, Classical FM and Classic FM Calm). Our analysis indicates that Magic Classical would lose around 15%, Classic FM would lose around 6% and Classic FM Calm would lose around 25% of listening to R3U. However, as discussed in the dynamic impacts section, we consider that these static impacts could be an overestimation, and that operators would be able to dynamically respond to mitigate the impact of the BBC's proposals.

⁵⁴ For example, in the R1A impact base case, we estimate Capital Anthems to lose 11%-12% of listening and Heart 10s to lose 11%-13% of listening.

- **national airtime advertising** – radio operators generate revenue through the placement of advertisements within their broadcasting schedule (radio stations can generate more revenue if they have higher listening according to RAJAR);
- **personalised online advertising** – radio operators generate revenue by dynamically inserting advertisements into online radio broadcasts, which are more highly targeted based on the characteristics of the listener;
- **sponsorships and partnerships** – radio operators generate revenue from organisations who pay for longer-term advertising partnerships; and
- **other sources** – this includes other sources such as SMS competitions, betting and local advertising.

A1.85 We have engaged with stakeholders to better understand how their revenue streams could change with a decline in listening. We note that:

- Stakeholders in general provided evidence of a 1:1 relationship between listening and revenue across the various categories (i.e. a 1% fall in listening hours would roughly lead to a 1% fall in revenue).
- Compass Lexecon defined more granular categories of revenue streams for each commercial operator but assumed that most revenue categories (e.g. advertisements sold on a cost per thousand (CPT) basis, IP-targeted / digital revenue and revenue from competitions) have a linear 1:1 relationship with either listening hours or reach on the relevant platform(s). They further assumed that some revenue categories do not vary with listening (e.g. revenues priced on a cost per slot (CPS) basis as these are sold by spot and will not vary with listening over the short term).⁵⁵
- News Broadcasting provided a detailed explanation of how its different revenue streams vary with listening (especially for the talkSPORT Network) and indicates that the loss of listening may have a smaller direct impact than indicated by a linear 1:1 relationship. In particular, it explained that advertisers pay for the number of listener impacts that their ad receives, and if listening hours fall, an operator can repeat the ad to reach its target level of impacts. In other words, if an operator has low inventory for a particular type of advertising (e.g. airtime advertising), it will have less flexibility to repeat an ad to reach its target impacts. News Broadcasting provided information on the ad fill rates for each of their advertising streams and this indicates that they have excess inventory, which means they have some flexibility to reach their target impacts despite the fall in listening.⁵⁶

A1.86 We recognise that the relationship between revenue and listening is complex and will depend on numerous factors. Based on the above, we have used the following assumptions (figure A10) when translating listening losses into revenue impacts in the base case for the proposed music stations.

Figure A10: music assumptions on the relationship between listening hours and revenue

Revenue Category	Relationship with listening
National airtime	Linear 1:1 fall with total listening

⁵⁵ Compass Lexecon report for Radiocentre, *'The impact of the proposed new BBC radio stations'*, annex D.

⁵⁶ News Broadcasting response to Ofcom information request dated 13 January 2025, question 7; News Broadcasting supplementary input dated 10 February 2025, annex 1.

Personalise online advertising	Linear 1:1 fall with streaming listening
Sponsorship and partnership	Linear 1:1 fall with total listening
Others	Broadly linear 1:1 fall with total listening, but exact relationship differs by revenue category

A1.87 Given we have more detailed information on fill rates for the talkSPORT Network, we adopt these inputs in our 5SE analysis where available. In addition, as part of our sensitivity checks for the impact of 5SE, we assume no impact of a reduction in listening on revenue categories which only hold an indirect link to listening.

A1.88 Our estimated impact on the revenue of groups under the base case scenario is shown in figure A11. This indicates that R1A, R1D and R3U would have a limited impact, individually and in aggregate, on the revenue of radio groups. We note that R2E would likely have a larger impact than all three stations combined and, particularly significant for the independent radio station Boom Radio. We also note that 5SE would likely have a material impact on the revenue of talkSPORT Network.

Figure A11: Revenue loss

	Bauer	Global	Boom Radio	News Broadcasting: Virgin Radio Network	News Broadcasting: talkSPORT Network
R1A	0.6% - 0.6%	0.5% - 0.5%	N/A	0.3% - 0.3%	N/A
R1D	0.6% - 0.6%	0.8% - 0.9%	N/A	N/A	N/A
R2E	2.2% - 3.3%	2.0% - 3.0%	14.0% - 21.1%	1.5% - 2.2%	N/A
R3U	0.1% - 0.1%	1.0% - 1.0%	N/A	N/A	N/A
5SE	N/A	N/A	N/A	N/A	3.7% - 4.4%

A1.89 We then translate our estimated revenue impacts into profitability impacts.⁵⁷ For this, we assume that the amount of profit generated by radio operators would fall broadly in line with the decline in revenue. However, a small proportion of the total costs that radio operators incur are variable (e.g. music royalty payments). This means that we assume a less than 1:1 relationship between revenue loss and profit loss.⁵⁸

A1.90 The profitability impact is shown in figure A12. We note that R1A, R1D and R3U would likely have a limited impact, individually and in aggregate, on the profitability of radio groups. We note that R2E would likely have a significant impact on the profitability of

⁵⁷ Measured in terms of impacts on the EBITDA margin (Earnings before Interest Taxes Depreciation and Amortization).

⁵⁸ Variable cost data is based on information provided by stakeholders in response to formal information requests.

Boom Radio and that 5SE would also likely have a significant impact on talkSPORT's profitability.⁵⁹

Figure A12: Percentage loss in profit margin

[§<]

A1.91 While we consider our base case to represent the most likely outcome, we note that we have generally taken a conservative approach to estimating the impact of the proposed music stations on commercial operators by erring on the side of overstating the impact. This is because of the following reasons.

- As set out in our approach to estimating listening to the music stations, we apply a scaling factor to total listening of the BBC parent station, to estimate the size of the BBC's proposed extensions. We note that the BBC typically has a larger share of listeners on AM / FM than commercial radio, and therefore consider that this is likely to overestimate the amount of listening hours that could be achieved on these new extensions.
- For R3U specifically, we adopt a different approach that results in this extension equating to around 30% of total listening to the parent. We note that the BBC has publicly indicated that the R3U stream is doing better than they expected, but we nevertheless consider our results are likely to be an overestimate as this is significantly above the average ratio of listening of commercial extensions relative to their parent station.⁶⁰
- We would expect some diversion for the music stations to come from global streamers, lessening the impact on commercial operators.⁶¹ We would expect this to be more relevant for R1A, R1D and R3U, given that they target younger age groups (who are more likely to use global streamers); and these stations focus on music / moods which could be more substitutable to global streamers. We would also expect that some diversion to R3U could come from mindfulness apps and YouTube, given this station has meditation and mindfulness programmes which may overlap with audio available on other apps and YouTube.
- Also as mentioned above, we also consider it possible that some listening for the music stations (and 5SE) could come from radio stations outside of our competitor set, including local radio. Given the difficulties in estimating diversion from stations other than those in our competitor set, our base case assumes that all new listening is diverted from competitors or cannibalised from the BBC.

Sensitivity analysis

A1.92 As mentioned throughout our explanation of our base case modelling, we carry out sensitivity checks at different stages of the analysis, in particular for the most uncertain assumptions or estimates. This section brings these sensitivity checks together to test whether any of these would change our provisional conclusion on the impact of BBC's

⁵⁹ Our estimated profitability impact for talkSPORT is significantly higher than the BBC's estimate, even when we assess the impact on News Broadcasting's portfolio rather than the talkSPORT network. This is because the profitability data we rely on relates specifically to News Broadcasting's UK sports radio business which is different to the public financial data that the BBC used. The differences primarily reflect the fact that News Broadcasting's Companies House filings [§<].

⁶⁰ The Radio 3 controller, Sam Jackson, told The Times that the R3U stream on BBC Sounds was exceeding the corporation's expectations (based in figures from January 2025). [Classic FM vs Radio 3 — the classical stations going head to head](#), *The Sunday Times* (February 2025)

⁶¹ Global streamers refers to large multi-national music streaming platforms such as Spotify and Apple Music.

proposals on fair and effective competition. We start with the BBC's proposed stations for which our base case analysis estimates a significant market impact i.e. R2E and 5SE. We then cover our sensitivity checks for R1A, R1D and R3U, for which we don't find a significant market impact.

R2E

A1.93 For R2E, given our base case finds that the market impact is likely to be significant, we focus our sensitivity analysis on variables that would reduce the market impact. The results of these sensitivity checks are summarised below, alongside the base case for comparison. In each sensitivity test we have changed one assumption, leaving the other assumptions as per the base case. In our sensitivity analysis we test the impact of the following.

- **Increasing cannibalisation.** We have tested the impact of increasing cannibalisation by either 10 percentage points (from 13% in the base case to 23%) or by 22 percentage points (to 35%). We do this because the higher the cannibalisation, the lower the impact on commercial stations.
- **Excluding the diversion weight which is based on reach profile.** Reach profile is important for R2E as the BBC plan to target audiences who are 55+ with this service. The reach profile weight diverts more listening from stations with a greater proportion of its audience in R2E's target age demographic. Part of the rationale for including this sensitivity is because the BBC does not weight for age profile in its modelling.
- **Global streamers.** The loss of listening for commercial groups would be lower if some of R2E's listening is diverted from global streamers (such as Spotify or Apple Music). We tested the impact of 7% of the listening coming from global streamers. We chose this value as Touchpoints data indicates that listeners who are 55+ typically spend 7% of their audio listening time with global streamers, thus we have used this as a proxy for diversion from global streamers.
- **Listening from non-competitor stations.** The loss of listening for competitor stations is lower if there is a wider group of stations from which listening is diverted to the proposed R2E station. We use data from the BBC's MTM survey on where respondents would take their listening from to provide an indicative upper bound of diversion from non-R2E competitor stations.

A1.94 We do not consider any of these sensitivity checks to alter our provisional conclusions. In particular, we note that the most significant impact of these sensitivity checks is a reduction in Boom Radio's estimated revenue loss, if we exclude the diversion weight based on reach profile. However, given the similarities between Boom Radio and the BBC's proposed R2E, we do expect a larger impact on Boom Radio, relative to other competitors. We note that, even with this very conservative adjustment which redistributes the impacts of R2E, there remains a significant impact on Boom Radio.

Figure A13: R2E sensitivity tests

		Base Case ⁶²	Increase cannibalisation by 10pp (from 13% to 23%)	Increase cannibalisation by 22pp (from 13% to 35%)	Exclude diversion weight based on reach profile	Assume 7% of listening comes from global streamers	Assume 19% of listening comes from non-competitor stations
% loss in revenue	Bauer	2.2%	1.9%	1.6%	2.5%	2.0%	1.8%
	Global	2.0%	1.8%	1.5%	2.0%	1.9%	1.6%
	Virgin Radio Network	1.5%	1.3%	1.1%	1.7%	1.4%	1.2%
	Boom Radio	14.0%	12.4%	10.5%	7.8%	13.0%	11.4%

5SE

A1.95 We perform a range of sensitivity checks that could increase or decrease our estimated market impact. These sensitivities are the following.

- Within our base case approach to estimate listening, we test the impact of:
 - relying on either 2023 or 2024 data to estimate 5SE listening.
 - using listening data provided by News Broadcasting to estimate the relative popularity of different types of sport content on talkSPORT and talkSPORT 2.⁶³
- We also use the bottom-up approach to estimating listening (explained above) as a further sensitivity check for our listening estimates. This method produces significantly higher estimated 5SE listening, which aligns with our rationale as to why this approach might over-estimate listening.
- We account for potential diversion from non-sports stations. We use data from the BBC’s MTM survey on where respondents would take their listening from to provide an indicative upper bound of diversion from non-sports stations.
- We assume BBC’s central estimate of 50% cannibalisation and 50% diversion from talkSPORT.
- We assume no impact of a loss in listening on revenue categories that only have an indirect relationship with listening.
- We assume more listening is diverted from talkSPORT 2 (compared to talkSPORT), based on data that shows talkSPORT 2’s audience and schedule to be more similar to 5SE’s existing audience and its proposed additional content (i.e. relatively more similar to podcasts).

A1.96 Given our provisional conclusion that the market impact of 5SE is likely to be significant, in figure A14 we only set out the results of the sensitivity checks above that that would

⁶² We do not present a range here as we are testing whether our provisional conclusion remains the same despite using assumptions that would reduce the market impact. As such, we test these sensitivities against the lower bound of our base case estimates for R2E.

⁶³ We compare the average listening per hour of “sports analysis” to the average listening per hour of live sport commentary on talkSPORT Network. Note that “sports analysis” includes shows with a live phone in element, and as such is not a direct comparison for podcasts. Therefore, we consider this adjustment to over-estimate the popularity of podcasts on the radio.

reduce the market impact. We do not consider any of these sensitivity checks to alter our provisional conclusions.

Figure A14: 5SE sensitivity tests

	Base case ⁶⁴	Account for diversion from non-sport stations	Assume 50% cannibalisation (& 50% diversion from talkSPORT)	Assume no impact of a loss in listening where there is only an indirect link between revenue and listening	Assume more listening is diverted from talkSPORT2	Use 2023 5SE schedule
5SE listening	1.5m	1.5m	1.5m	1.5m	1.5m	1.3m
Listening loss %	4.6%	3.9%	3.3%	4.6%	4.6%	4.1%
Revenue loss %	3.7%	3.2%	2.7%	3.2%	3.4%	3.4%
% loss in profit margin	[8<]%	[8<]%	[8<]%	[8<]%	[8<]%	[8<]%

R1A, R1D and R3U

A1.97 As explained above, we have generally taken a conservative approach in terms of overstating the potential impact on competitors. Therefore, for R1A, R1D and R3U we have carried out sensitivity checks that would increase the market impact, e.g. decreasing our cannibalisation assumption. These sensitivity checks (outlined in figures A15, A16 and A17 below) do not alter our provisional conclusions that R1A, R1D and R3U would likely have a relatively low market impact.

A1.98 For all sensitivity checks, we test these against the upper bound of our estimates in the base case scenario. In our sensitivity analysis we test the impact of:

- decreasing cannibalisation from the parent station by 10 percentage points;
- excluding the diversion weight based on the audience overlap with the relevant BBC parent station. This weight diverts more listening from stations with greater shared reach with the relevant BBC parent station; and
- excluding the diversion weight based on the relevant reach profile.

Figure A15: R1A sensitivity tests

	Base Case	Decrease cannibalisation by 10pp (from 14% to 4%)	Exclude diversion weight based on audience	Exclude diversion weight based on reach profile
5SE listening	1.5m	1.5m	1.5m	1.5m
Listening loss %	4.6%	3.3%	4.6%	4.6%
Revenue loss %	3.7%	2.7%	3.2%	3.4%
% loss in profit margin	[8<]%	[8<]%	[8<]%	[8<]%

⁶⁴ We do not present a range here as we are testing whether our provisional conclusion remains the same despite using assumptions that would reduce the market impact. As such, we test these sensitivities against the lower bound of our base case estimates for 5SE.

					overlap with R1
% loss in revenue	Bauer	0.6%	0.7%	0.6%	0.6%
	Global	0.5%	0.6%	0.6%	0.6%
	Virgin Radio Network	0.3%	0.4%	0.4%	0.3%

Figure A16: R1D sensitivity tests

		Base Case	Decrease cannibalisation by 10pp (from 11% to 1%)	Exclude diversion weight based on audience overlap with R1	Exclude diversion weight based on reach profile
% loss in revenue	Bauer	0.6%	0.7%	0.6%	0.6%
	Global	0.9%	1.0%	0.9%	0.9%

Figure A17: R3U sensitivity tests

		Base Case	Decrease cannibalisation by 10pp (from 25% to 15%)	Exclude diversion weight based on audience overlap with R3	Exclude diversion weight based on reach profile
% loss in revenue	Bauer	0.1%	0.1%	0.1%	0.1%
	Global	1.0%	1.1%	1.0%	1.1%

Dynamic impacts

- A1.99 For the BBC's proposals to harm fair and effective competition through crowding out, they would need to result in the commercial sector reducing their investment and offerings to audiences, relative to the counterfactual scenario. We have considered whether the BBC's proposals could have longer term impacts on commercial operators' incentives to innovate and invest.
- A1.100 This is inherently difficult to assess because it is hard to predict how commercial operators would respond to the BBC's proposals. Commercial operators may respond by investing and/or innovating to reduce the listening shift to the BBC. On the other hand, commercial operators may respond to lower listening by reducing investment to reduce costs and maintain profitability. This could potentially undermine the viability of some competitors

who are negatively affected, or deter others from entering. This could have a negative impact on consumers if it reduces overall choice and quality. Another possibility is that commercial operators reposition themselves to provide greater differentiation relative to the BBC. This could affect consumers differently, with some having more content that suits their tastes and some having less.

- A1.101 Our assessment of dynamic impacts builds on the analysis of static impacts set out above, but also requires a view of the longer-term development of the sector and the potential for providers to respond to the BBC's proposals.
- A1.102 We do not try to quantify the dynamic impacts resulting from changes in the behaviour of commercial channels, as we consider there is too much uncertainty to have sufficient confidence in any quantitative estimates. However, we identify the potential dynamic effects, and where possible give our view on their likelihood and potential scale.

Radio 1 Anthems, Radio 1 Dance and Radio 3 Unwind

- A1.103 For R1A, R1D and R3U, our modelling suggests that the launch of these stations, individually and in aggregate, would likely have a limited impact on listening to commercial operators at the group level. As such, we estimate that commercial operators would likely lose a relatively small proportion of revenue and profitability due to these three stations. Therefore, we consider that the impact on crowding out / incentives to invest by commercial operators is likely to be limited as we understand that these operators primarily generate revenue based on the number of hours listened across their entire portfolios of stations.
- A1.104 As discussed above, we note that the impact of R3U would be largely borne by three commercial stations (i.e. Magic Classical, Classic FM and Classic FM Calm) as these stations offer similar content to R3 Unwind. Our base case analysis indicates that Magic Classical would lose around 15%, Classic FM would lose around 6% and Classic FM Calm would lose around 25% of listening to R3U.
- A1.105 However, we consider that the potential impact on investment incentives is likely to be limited as (i) these stations form part of a large portfolio and we estimate any revenue loss to be relatively low across the portfolio; and (ii) there are indications that commercial operators could dynamically respond to the BBC's proposals to mitigate any potential impact, such as the new Global and Bauer stations mentioned above, some of which have grown rapidly since launch.⁶⁵ In any case, we consider that the risk that radio operators would close any of these stations is likely to be low as we understand that radio operators (with large portfolios) have kept stations operational with much higher losses of listening.
- A1.106 We estimate the BBC's proposals to generally have a larger impact on Global and Bauer's recently launched stations, as these stations include similar content to the BBC's proposed stations (e.g. Capital Anthems, Classic FM Calm). However, we do not place weight on the impact on these new stations in our conclusions on dynamic impacts as (i) it is unclear how well these stations will perform over a longer period of time (the stations were launched in September 2024); and (ii) it is likely that some of these stations could be competitive

⁶⁵ In addition, specifically for Magic Classical (previously Scala), we note the station has recently been rebranded recently under the Magic brand, which may help it to mitigate the impact by benefitting from Magic's wider branding power / advertising opportunities.

reactions to the BBC proposals (i.e. they launched with similar proposals after the BBC announced these changes), hence indicating an increase in competition and consumer choice in the market following the BBC's proposals.

Radio 2 Extension

- A1.107 We consider that the launch of R2E would likely have a significant impact on commercial operators. We estimate that the loss of listening across Global, Bauer and Virgin Radio Network range from 1.5% to 3.3% and this therefore leads to a much larger impact on revenue and profitability, compared to the other proposed music stations. This is consistent with the BBC's conclusions which also indicated that R2E would have a larger impact than the other music stations combined. It may be possible for the larger commercial groups to mitigate some of the estimated impact by dynamically responding to R2E (for reasons similar to those outlined above for R1A, R1D and R3U) however we consider that Virgin Radio Network may be more limited in its ability to respond given it is not part of such a large group.
- A1.108 Our analysis indicates that Boom Radio would likely lose a significant amount of listening from its main station to R2E (14.0% to 21.1%), which we would expect to have a negative impact on its profitability and ability to invest / deliver services to consumers. This is because Boom Radio focuses on providing content that matches closely with R2E – for example, (i) Boom Radio's main audience is those aged 55+, which is the same target audience for R2E; and (ii) Boom Radio mostly play music from 1950s-1970s which the BBC have stated would be the main music played on R2E.
- A1.109 We also consider that it is unlikely that Boom Radio could dynamically respond to the launch of R2E in order to mitigate its potential impact. This is because (i) Boom Radio is an independent radio station, without a wider portfolio of stations to rely on for revenue; and (ii) we understand that Boom Radio is already pausing its plans to expand its services (e.g. Boom Light) due to the BBC's proposals and market uncertainty, rather than launching new services that could mitigate the impact of R2E.⁶⁶
- A1.110 We consider that the launch of R2E could have a significant impact on fair and effective competition. It would likely have an impact on commercial operators, particularly significant for the independent Boom Radio. It could also potentially deter entry and reduce investment incentives for commercial radio operators (especially for independent radio stations and those that intend to serve audiences that the BBC has moved away from, as Boom Radio have).⁶⁷ This is because these operators may be less inclined to invest and enter into a new area if they believe that they would be adversely affected by the BBC launching a similar radio station at a later point in time.

5 Sports Extra

- A1.111 We consider that the extension of 5SE broadcasting hours would likely have a significant impact on fair and effective competition as it would lead to a significant reduction in

⁶⁶ In response to our request for information Boom Radio told us that it has had to pause plans to expand its Boom Light service (Boom Radio, response to Ofcom information request dated 13 January 2025, question 8).

⁶⁷ Boom Radio is a relatively new station and has seen consistent increases in listening hours (and growth in associated revenue and profitability). This is supported by our formal information request which indicated that Boom Radio's revenue has more than tripled from 2022 to 2024 (Boom Radio, response to Ofcom information request dated 13 January 2025, Table 2.2).

listening to the only commercial sports radio provider (talkSPORT network). This is because:

- Given the focus on sports content, we expect that the additional listening to 5SE would be largely diverted from talkSPORT and talkSPORT 2; and
- Although the BBC intends for most of its additional content on 5SE to be podcasts that already exist on BBC Sounds, we understand that a lot of this content would be currently at the time of broadcast, which we consider could act as build-up to live sports events.⁶⁸ In other words, between 9am and 7pm, the BBC would be able to provide a continuous, predictable sports radio offering, which we consider could compete with a full-time sports radio station.

A1.112 This is supported by our analysis which estimates a loss of listening across the talkSPORT network, ranging from 4.6% to 5.3%, and this could lead to a significant negative impact on talkSPORT Network's revenue that ranges from 3.7% to 4.4%. Our assessment is also consistent with the BBC's analysis.⁶⁹

A1.113 We also consider that, while talkSPORT Network may seek to respond to 5SE by making some improvements to quality and innovating where possible, it is unlikely to be able to do so in such a way that would mitigate the impact of 5SE. This is because we consider the main dynamic response to increase the attractiveness of a sports radio station would be to enhance its live sports rights. We consider it unlikely that talkSPORT would be able to respond in this way, given that sports rights are expensive and are likely to already be locked into long term contracts. In addition, we note that talkSPORT has lost out to the BBC in bidding for particular sports rights, for example, talkSPORT no longer has rights to Premier League games kicking off at 3pm on Saturday (during the TV 'blackout' slot).⁷⁰ This indicates the difficulty in talkSPORT Network attempting to respond to a competitive threat by enhancing its live sports rights.

A1.114 talkSPORT / News Broadcasting may potentially respond by cutting costs, which could have a negative impact on listeners if it reduces overall choice and quality. We also note that the [S<], and further limit the ability of talkSPORT to mitigate the impact of 5SE.⁷¹

Local and community radio stations

A1.115 We have focused our assessment of the BBC's changes on the national commercial radio stations, but we consider it possible that some listening could be diverted from other local radio stations e.g. community radio and the long tail of independently owned commercial radio stations.⁷² However, we consider that the new BBC stations would likely have a limited impact on these stations due to the following reasons.

- a) Their programming is distinctive from BBC's proposed music stations, such as their focus on local news and information.

⁶⁸ BBC, response to our informal information request sent on 13 January 2025, question 20.

⁶⁹ While the BBC estimate impacts of a smaller magnitude, it states that its "...analysis of likely market impact demonstrates a potential significant adverse impact on the single sports radio broadcaster in the market".

⁷⁰ News Broadcasting, response to Ofcom information request dated 13 January 2025, question 9.

⁷¹ [S<] response to Ofcom information request dated 13 January 2025, question 3.

⁷² We consider 'independently owned' as those not owned by big media groups, such as, Bauer and Global. Examples include but not limited to, London Music Radio, KMFM, Central FM.

b) Any loss in listening hours may not translate into significant loss in revenue, as it is our understanding that many such stations sell advertisement on a spot basis, which is not directly linked to listening hours. When radio advertising is sold on a spot basis, advertisers purchase specific commercial slots (or 'spots') at a set price, rather than paying based on the number of listeners or impressions. This implies that a small decline in listening hours may not impact a local radio station's revenue, as certain key time slots, such as morning or evening drive, will remain valuable to advertisers. The pool of advertisers may also be drawn from local businesses who are likely to place importance on the local radio station's reach, rather than listening hours.

A1.116 We have received a response from a local radio station (London Music Radio, LMR) to our Initial Assessment. LMR is concerned that R1D could take listeners away from stations like theirs. However, we do not consider that the BBC stations would be likely to have a significant impact on this local radio station due to the factors mentioned above.⁷³ In addition, although both LMR and the proposed R1D play 'dance' music, we note that the majority of LMR's music has strong soul and funk influences from the 70s, 80s and 90s, whereas R1D mainly focuses on modern electronic dance music.⁷⁴ Additionally, the proposed R1D has a target audience of 15-34, which may be slightly younger than LMR's appeal where LMR plays music with influences from the 70s.

A1.117 We also consider that the new BBC stations would be unlikely to affect community radio stations. This is because (i) their content is tailored to the community that is likely to be underserved; and (ii) the station aims to provide social gain and community benefits where music requirements are not central to the character of a community radio service, with flexibility to adapt its music output to changing audience needs.⁷⁵ As such, we consider that they provide a service distinct from the BBC's proposed music stations, and to a targeted community.

A1.118 We have received several responses from community radio stations – Radio Lear, Soar Sound, Winchester Radio – to our Initial Assessment.⁷⁶ We do not consider that the BBC stations would be likely to have a significant impact on these stations due to the factors mentioned above. In addition, we note Radio Lear's concern about increased competition for the same audience base from R3U. However, Radio Lear's focus on the promotion of emergent arts and playing introspective relaxing music appears to be broader than R3U's focus on classical music, and we do not consider it would be likely for R3U to crowd out listeners from Radio Lear. We agree that Winchester Radio's music offering has an overlap with BBC R2E to potentially face risks of crowding out of listeners, but consider these impacts to be limited since Winchester Radio provides broader and distinctive community

⁷³ London Music Radio, [response to our Initial Assessment invitation to comment](#), p.2.

⁷⁴ London Music Radio states it covers "all dance music...from old and Modern Soul, Funk, R&B, Balearic, Classic Disco, Boogie, Jazz Funk, Rare Groove, Hip Hop, Ska, Rock Steady, Lovers Rock, Reggae, Nu Disco, House Music, all things Soulful" ([About – London Music Radio](#)). Whereas, based on the programme information available on BBC Sounds, we infer that R1D focuses more on modern electronic dance music ([BBC Sounds - Radio 1 Dance - Schedules](#)).

⁷⁵ Ofcom, [Community Radio: future approach to Key Commitments](#), p.5.

⁷⁶ Radio Lear, [response to our Initial Assessment invitation to comment](#), pp. 11-13; Soar Sound, [response to our Initial Assessment invitation to comment](#), p.4; Winchester Radio, [response to our Initial Assessment invitation to comment](#), pp. 3-4.

benefits in its speech led programming that aims to promote health, wellbeing and positive ageing in the community.⁷⁷

Wider Impacts

A1.119 We consider the extent to which the BBC's proposals could have wider impacts on the commercial sector. In particular, we consider whether the BBC's proposals may impact on competition in other areas of the supply chain, including their subsequent impacts on the BBC's radio competitors. This is because the BBC accounts for a significant proportion of the UK media sector, and how it procures inputs or distributes content may impact other areas of the supply chain. We note that section 4 sets out where we expect the BBC's proposals to deliver industry value, which differs to our focus here on the potential wider impacts on competition.

1.2 We have considered the potential impacts associated with:

- a) presenter costs;
- b) music royalties and sports rights;
- c) small scale DAB multiplexes; and
- d) listening to the BBC Sounds.

Presenters

A1.120 For the music extensions, we recognise that in theory there could be some upward pressure on the cost of talent for commercial stations resulting from higher industry demand for presenters/DJs. Theoretically, the impact of each of the BBC's proposed stations would depend on the extent to which its target talent pool overlaps with commercial stations' talent pool. The impact of R1A could be more limited given that R1A intends to focus on new talent, with the BBC expecting the majority of presenters to be "in their first professional role behind the mic on Radio".⁷⁸ We also note that the amount of simulcast / sound mixes in the proposed schedule for each music station could also limit the amount of any new presenter related shows, and therefore limit the impact on presenter costs. For instance, R3U's sample schedule indicates that 41% of the hours are likely to be existing Sounds Mixes.⁷⁹

A1.121 For 5SE, we expect a limited impact on the cost of sports radio presenters given that the BBC are not proposing to commission any new programmes. We note that the additional exposure to programming on 5SE could potentially raise the profile of the sports and presenters associated with the content, but we consider that any impact on presenter costs would likely be small.

A1.122 Overall, we consider that the proposed stations would likely have a limited impact on presenter costs.

Music royalties and sports rights

⁷⁷ <https://winchester.radio/charity/>

⁷⁸ BBC, *New music radio stations: Public Interest Test*, p. 70.

⁷⁹ We have calculated the proportion of programming hours that will be existing Sounds Mix within BBC's indicative schedule for R3U. BBC, *New music radio stations: Public Interest Test*, p. 47.

- A1.123 We understand that some stakeholders have expressed a concern that the loss in listening to their stations would have a negative impact on the music sector as it would reduce their royalty payments to artists and music right holders.⁸⁰
- A1.124 We do not consider that the new music stations would have a significant impact on royalty payments to the music industry due to the following reasons.
- We generally estimate a low loss of listening to commercial stations (with the exception of R2E) which means that any loss in royalty payments would likely be low.
 - In any case, we note the BBC is also planning on commissioning additional content and the associated increase in spend on music could potentially offset any negative impact due to the loss in listening from commercial radio. This is supported by Boom Radio’s submission which stated that rights holders would seek to recoup the shortfall from the BBC.⁸¹ On balance, we do not consider these effects to significantly negatively impact other areas of the supply chain.⁸²
- A1.125 For 5SE, we do not expect the BBC’s proposal to have a material impact on the cost and availability of sports rights, given that it does not involve an increase to its audio sports rights budget or hours of live sports coverage.
- A1.126 Overall, we consider that the BBC’s proposals would likely have a limited impact on music industry and sports rights.

Small scale DAB multiplexes

- A1.127 We examine the extent to which the BBC’s proposals may affect small-scale DAB (SSDAB) multiplexes that rely on the sale of their carriage capacity to local and community radio operators. While some carriage capacity is ringfenced for community radio, the bulk of the carriage capacity is rented out to independent local radio stations.⁸³ It is possible that SSDAB multiplexes may be impacted if they face a lack of demand for their carriage capacity due to reduced numbers of community and local radio stations. This was also highlighted in the combined response from Manchester DAB CIC, City West Digital CIC and South of the River Digital Radio Ltd.⁸⁴ However, as discussed above, we do not expect SSDAB operators to be significantly impacted since we expect limited impact on local and community radio, given that these services offer distinctive programming.
- A1.128 In any case, we also note that SSDAB multiplexes typically serve a number of different local and community radio stations. This means that any negative impact would be further limited as it is likely that only a small subset of their stations would be impacted by the BBC’s proposals.

Impact on listening to BBC Sounds

⁸⁰ Radiocentre, response to our Initial Assessment invitation to comment, pp. 11-12; Boom Radio, response to the [BBC’s New music radio stations: Public Interest Test consultation](#), paragraph 118.

⁸¹ Boom Radio, [response to the BBC’s New music radio stations: Public Interest Test consultation](#), paragraph 118.

⁸² BBC, [New music radio stations: Public Interest Test](#), p. 102.

⁸³ There are exceptions. For example, some SSDAB carry BBC local services (e.g., Salisbury, King’s Lynn).

⁸⁴ Manchester DAB CIC, City West Digital CIC and South of the River Digital Radio Ltd, [response to our Initial Assessment invitation to comment](#), p. 6

- A1.129 We also examine the extent to which the BBC’s music and 5SE proposals could bring additional listening to BBC Sounds, beyond the additional Sounds listening estimated above (as part of our cross-platform listening estimates for R2E and 5SE), and potential impacts of this on BBC’s radio competitors and the podcast market.
- A1.130 The BBC’s proposed changes could potentially increase listening to BBC Sounds as a result of the following.⁸⁵
- **Shop window effect:** 5SE could potentially act as a ‘shop window’ for podcast content on BBC Sounds, given that the BBC propose to fill most of 5SE’s extended hours with sports podcasts from BBC Sounds.
 - **Cross-promotion of BBC services:** The BBC intends to cross-promote BBC Sounds on 5SE and the new music stations, which could increase listening to BBC Sounds. The BBC confirmed that it would apply its existing cross-promotion practices to the new extensions, for example, playing some of a particular set on the station and telling listeners that the full set can be found on Sounds.⁸⁶
- A1.131 We consider that increased listening to BBC Sounds could, in theory, lead to some additional diversion of listening from commercial stations. However, we consider there to be some uncertainties about how effective this shop-window effect would be in practice in terms of driving additional listening to BBC Sounds. We have not modelled this directly due to data limitations but we note that in the BBC Three PIT, the BBC applied a “subjective” 5% shop window uplift to BBC Three iPlayer viewing.⁸⁷ We consider that applying a similar uplift in our analysis would not alter our conclusions on the impact on commercial radio operators, particularly since we would expect any additional listening to BBC Sounds to be diverted from a range of sources (including commercial radio stations and global streamers).
- A1.132 We further note News Broadcasting’s concern that increased listening to BBC Sounds would result in the BBC seeking to retain listeners in this ‘walled garden’ for BBC content, which would negatively impact the sports podcast market.⁸⁸ We have not seen any strong evidence to suggest that the proposed changes on 5SE would significantly and negatively affect the sports podcast market. In any case, we consider it possible that some of the increased BBC Sounds listening could be from those who had not previously listened to sports podcasts, which could grow the overall sports podcast market rather than simply displacing non-BBC podcast listening.
- A1.133 Overall, we consider that the impact of the BBC’s proposals on listening to Sounds would likely have a limited impact on its radio competitors and the podcast market.

⁸⁵ We note in section 4 that although the BBC has highlighted 5SE would aid discoverability of on-demand sports content on BBC Sounds through prominence on network radio, we are unsure how much the proposals would actually increase listening on BBC Sounds. In this section, we consider the potential competition impact if the BBC’s proposals were to drive listeners away from commercial operators onto BBC Sounds via the shop window effect and cross-promotion.

⁸⁶ BBC response to informal information request dated 13 January 2025, question 2.

⁸⁷ In any case, we understand from our engagement with the BBC and previous PITs that the BBC does not consider there is reliable data on which to derive a shop window effect for radio services. Ofcom, [BBC Three BCA consultation, annex 1: Assessment of market impacts](#), p. 20.

⁸⁸ News Broadcasting, [response to the BBC’s Radio 5 Sports Extra: Public Interest Test consultation](#), p. 11.