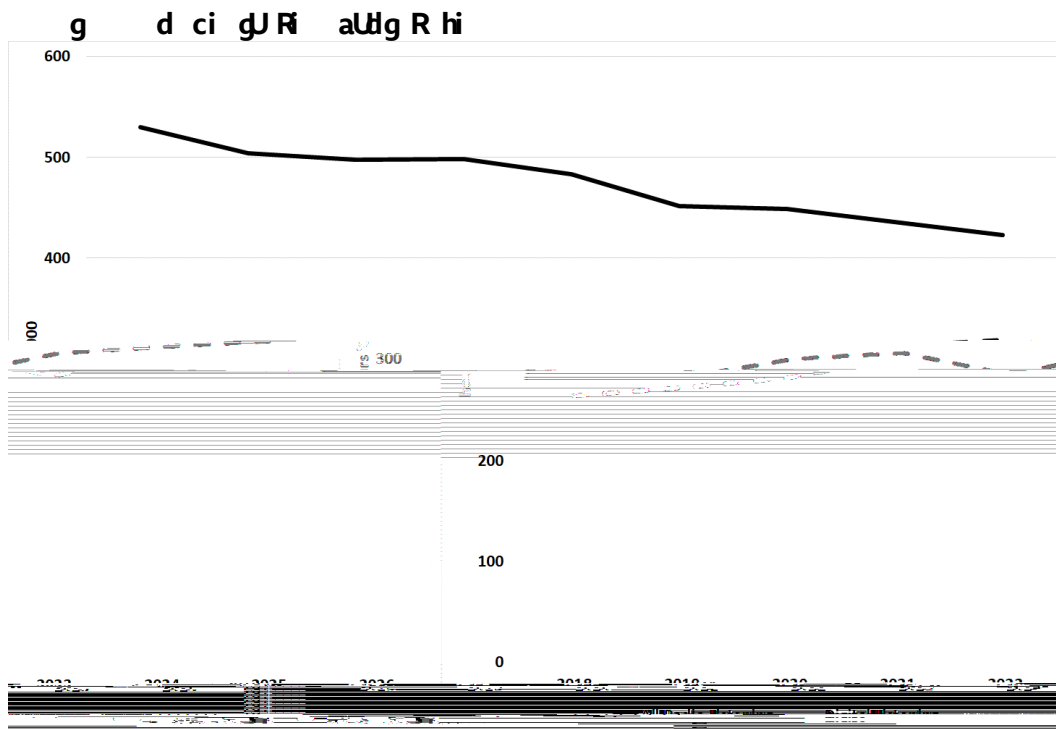


Our model is the RAJAR 3rd (July) digital data. (ms) on (date) (l)-3(i), 13(f) (ramethel)
Microsoft Excel.

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

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



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

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

A bottom-up approach to modelling the stations based on system data. We did not consider that these gave credible station size for potential BBC services on DAB+.

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

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

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

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

The most recent accounts for News Broadcasting³ the operating company for News Broadcasting's radio stations, shows growth in both revenue and profits. In 2023

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

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

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

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

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

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

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

Boom argued that the Public Interest Test consultation document did not supply sufficient information, that the programming proposals were vague and incomplete, with

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

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

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

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

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

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

They suggested that the BBC has provided little evidence to support the premise that the stations would help the BBC serve younger and C2DE audiences and were a poor use of the BBC's resources. They questioned why the BBC would consider investing in offline services to reach younger audiences. They also suggested

News Broadcasting stated

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

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

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

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

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

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

In terms of mitigations, they suggested that the BBC could achieve better public value,

Responded on all four propositions.

The respondent stated that only one of the proposed extensions – Radio 1 Dance

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

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

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

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

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

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

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

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

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

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

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

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