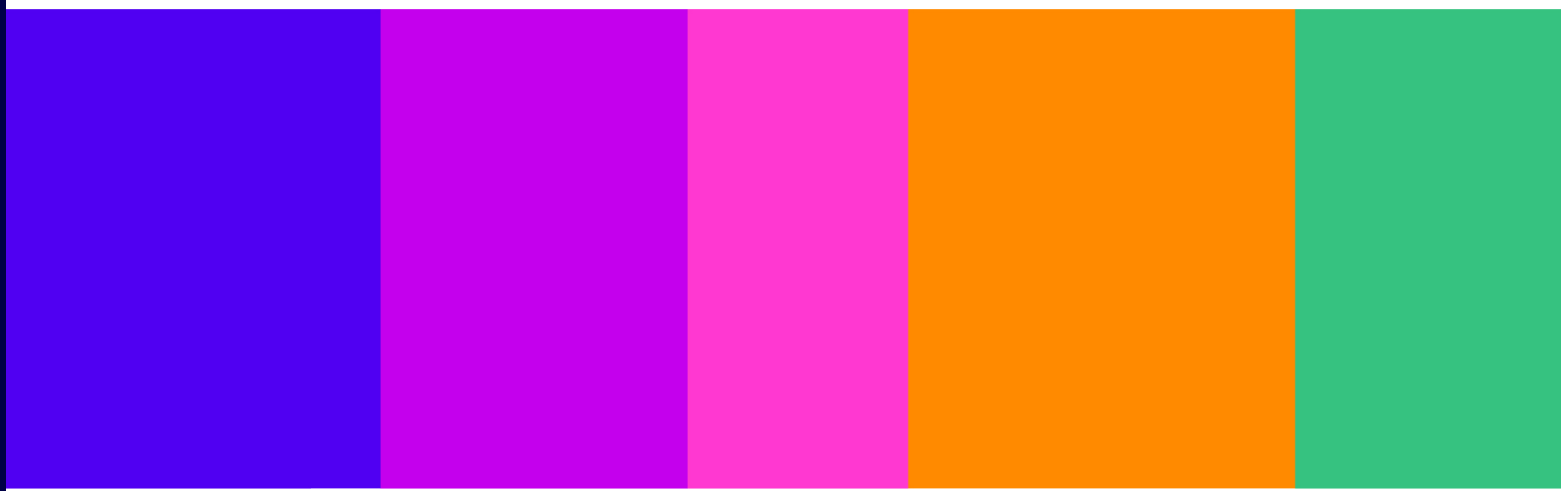


Review of the BBC's materiality assessment of proposed new streams on BBC Sounds

Published 16 July 2024



Contents

Section

1. Overview.....	3
2. Background.....	5
3. Our review and conclusions	8
4. The BBC’s proposed changes to Radio 1 Dance.....	14
5. Directions	15

Annex

A1. Annex 1: Our analytical approach	16
--	----

1. Overview

- 1.1 We have reviewed the materiality assessment provided to us by the BBC on 13 May 2024 in relation to its proposals to launch new music streams on BBC Sounds.

Summary of the BBC's proposals

- 1.2 The BBC is proposing to launch three new music streams on BBC Sounds between July and September 2024. These Sounds-only streams are extensions of three of its current music networks BBC Radio 1, BBC Radio 2 and BBC Radio 3. The proposed content of the new streams is (in summary):
- a) an additional Radio 1 extension, focussing on music supported by Radio 1 over the last two decades;
 - b) a Radio 2 extension, focussing on pop nostalgia; and
 - c) a Radio 3 extension, focussing on classical music.
- [X]
- 1.3 The BBC is also planning to commission some original programming for Radio 1 Dance, an existing stream on BBC Sounds.
- 1.4 The BBC has concluded that the three new music streams it is proposing to launch are not material changes. The BBC considers the change to the existing Radio 1 Dance stream to be an editorial/creative development of an existing stream that is also not a material change.

Summary of our decision

- 1.5 We have reviewed the BBC's assessment alongside other information supplied to us by the BBC and other stakeholders. We have also met with stakeholders during the course of our review. Our review of the BBC's materiality assessment for these new BBC Sounds-only streams is a distinct process from the BBC's Public Interest Test on four potential new DAB+ radio stations.
- 1.6 Following our review, we agree with the BBC that the proposals are not new UK Public Services, but constitute changes to BBC Online, an existing UK Public Service.
- 1.7 We do not consider the launch of the Radio 1 extension or Radio 3 extension, individually or cumulatively, are changes that may have a significant adverse impact on fair and effective competition. Accordingly, we do not consider these changes to be material and are therefore not requiring the BBC to carry out a Public Interest Test on these streams. We also agree that the changes to the Radio 1 Dance stream are not material.
- 1.8 We consider that the launch of the Radio 2 extension is a change that may have a significant adverse impact on fair and effective competition and therefore represents a material change. Given our materiality finding, we are directing the BBC to stop carrying out the proposed change in respect of the Radio 2 extension Sounds-only stream. Should the BBC

wish to continue to launch the Radio 2 extension Sounds-only stream, they would need to conduct a Public Interest Test on this proposal.¹

¹ A direction to conduct a Public Interest Test does not mean that the BBC will ultimately be prevented from making the change. It does mean that the BBC would need to consider the public value benefits and likely effect it may have on competition. If the change satisfies the BBC's Public Interest Test and Ofcom agrees (following a competition assessment), then the BBC can proceed.

2. Background

Regulatory framework

- 2.1 Under the Agreement, the BBC is responsible for assessing whether proposed changes to its Public Services are ‘material’ (which it often does through a materiality assessment, or ‘MA’). A change is material if the BBC is launching a new UK Public Service, or making a change to an existing service that may have a significant adverse impact on fair and effective competition.²
- 2.2 Where a change is material, the BBC conducts an assessment of whether competition impacts are justified by the public value (a public interest test, or ‘PIT’). Under the Agreement, Ofcom is required to review and approve all material changes to BBC services before they are implemented.³ While the Agreement does not set out a specific process for Ofcom to review the findings of materiality assessments where the BBC has found that a change is not material, in practice the BBC sends its materiality assessment to Ofcom for review. If after reviewing the BBC’s assessment we disagree with the BBC that the proposed change is not material, we have the power to step in and direct the BBC to conduct a PIT.⁴

Market context

- 2.3 There are a number of broadcast radio services within the UK, primarily operated by the BBC, commercial radio groups and some smaller independent providers. The BBC has ten UK-wide stations offering a mix of music and speech-based radio. Supplementing this are stations specific to each nation and local region across England, as well as online-only streams and the BBC World Service.
- 2.4 The two largest commercial radio groups are Global and Bauer Media. Global owns and operates brands including Capital, Heart, Smooth, LBC and Radio X, while Bauer owns and operates brands including Absolute Radio, KISS, Magic, Hits Radio and Greatest Hits Radio. Together Global and Bauer account for 45% of all radio listening time and 83% of all commercial radio listening.⁵
- 2.5 There are some smaller commercial groups operating across the UK, such as News Broadcasting (part of News UK) and Nation Broadcasting. There are also some smaller independent radio stations operating across the UK, including Boom Radio, Fun Kids and GB News. Boom Radio, established in February 2021, is prominent in considering the impact of the BBC’s planned Radio 2 extension.
- 2.6 All these radio services are available online via smart speakers, aggregator websites and apps such as Radioplayer, and proprietary websites and apps i.e. BBC Sounds (‘Sounds’), Global Player and Rayo for Bauer stations.

² [Clause 7\(7\) of the Agreement](#)

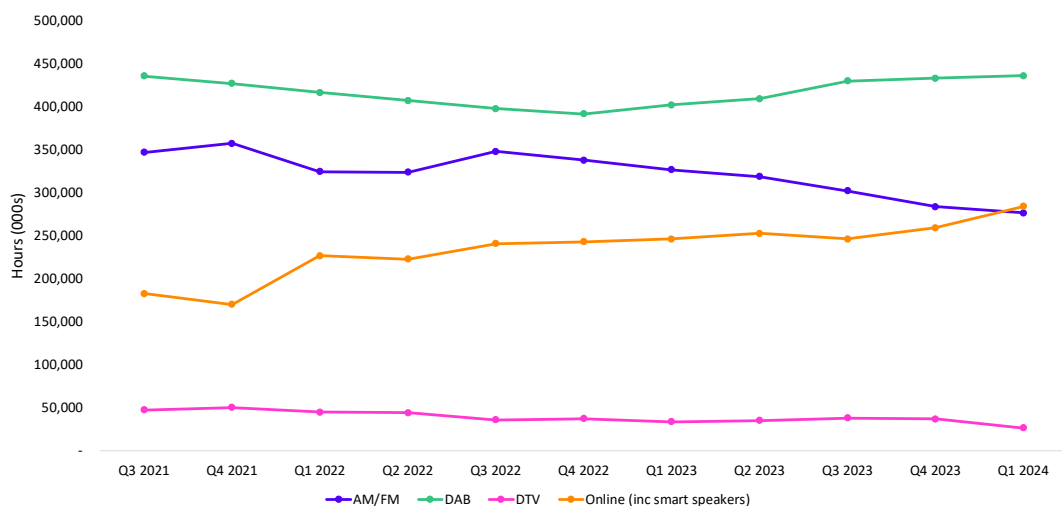
³ [Clause 9\(1\) of the Agreement](#)

⁴ [Clause 9\(6\) of the Agreement](#)

⁵ RAJAR Q1 2024

- 2.7 Our November 2021 statement [Market position of BBC Sounds](#) placed Sounds in the context of the wider audio market. Two key trends we highlighted in this market were the growth of global streaming platforms, which use advertising and subscription models to generate revenue, and the steady increase in online listening. Online radio listening was growing, but not at the same rate as other online audio activities.
- 2.8 The UK radio industry continues to face challenge from global online streaming services. Data collected as part of the IPA TouchPoints survey suggests that average time spent listening to audio each week decreased between 2018 and 2023. However, the proportion of that time that was spent listening to radio also decreased, as more time was spent with streaming services such as Spotify. In 2018, radio accounted for 72% of audio listening each week and in 2023 this was down to 64%, while the amount of time spent listening to music streaming services increased from 12% to 21%.
- 2.9 Radio listening behaviours have continued to evolve in recent years. Digital radio (DAB) still accounts for more listening than analogue radio (AM/FM) and online listening respectively. However, online listening has been steadily increasing over the last few years and in Q1 2024 it accounted for a greater proportion of listening hours than AM/FM for the first time.

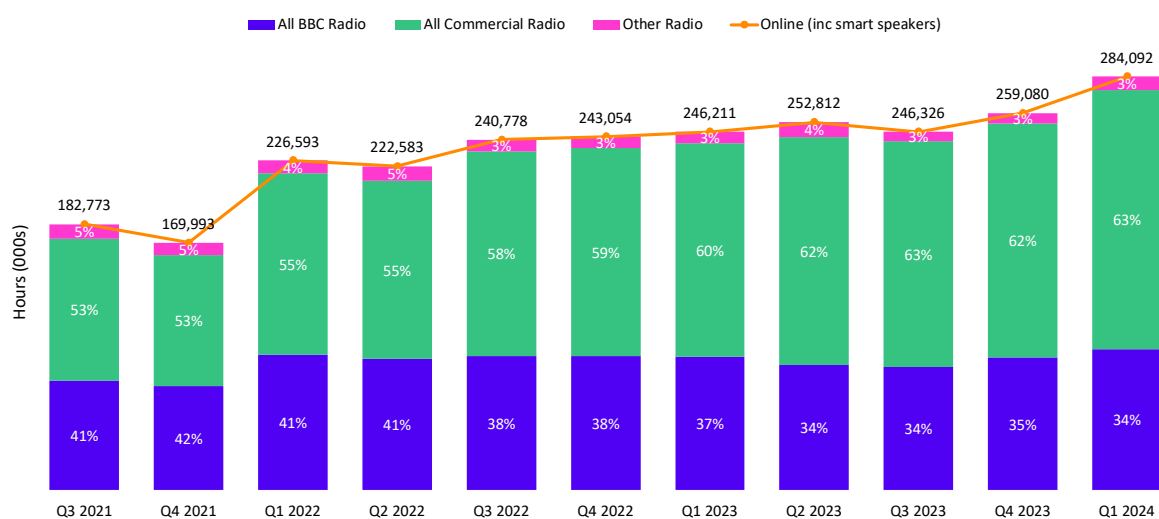
Figure 1: Radio listening by platform: Q3 2021 to Q1 2024



Source: RAJAR. DTV refers to listening through a digital television set.

- 2.10 The growth in online radio listening has been largely driven by commercial radio, which has grown its share of online listening from 53% in Q3 2021 to 63% in Q1 2024. Live listening to BBC radio online has also increased over this period, but not at the same rate as commercial radio, hence the drop in its share of online radio listening.

Figure 2: Online radio listening hours and share by sector: Q3 2021 to Q1 2024



Source: RAJAR

The BBC's proposals

Launch of new BBC Sounds streams

- 2.11 The BBC is planning to launch three new streams on Sounds:
- An additional Radio 1 extension, focussing on music supported by Radio 1 over the last two decades;
 - A Radio 2 extension, focussing on pop nostalgia; and
 - A Radio 3 extension, focussing on classical music.
- [X]
- 2.12 The BBC has assessed the materiality of these changes and it considers that these changes are not material.⁶

⁶ Given in our publication, [How Ofcom regulates the BBC's impact on competition – Changes to guidance and requirements](#), April 2023, and restated in our [Annual Report on the BBC 2022 – 23](#), November 2023.

3. Our review and conclusions

- 3.1 As discussed in the previous section, we have conducted our review into whether the proposed streams are material changes. We discuss below our views on (i) whether the streams are new UK Public Services; and (ii) whether the proposed streams may have a significant adverse impact on fair and effective competition.

Whether the streams are new UK Public Services

- 3.2 We agree with the BBC's conclusions that the three proposed streams on Sounds are not new UK Public Services. The Administrative Court judgment in *R (Radiocentre Ltd) v Ofcom and the BBC (as Interested Party)* confirmed that new streams on Sounds are changes to the existing BBC Online UK Public Service.⁷

Whether the streams may have a significant adverse impact on fair and effective competition

- 3.3 As a large publicly-funded organisation which operates across the television, radio and online sectors in the UK, changes made by the BBC to its audio services could have an impact on the degree of competition in the audio sector. This impact could be negative as the launch of the new streams could crowd out other commercial operators by reducing their ability to generate revenue and invest in their services (or launch new services), thereby reducing the overall choice, quality and range of content available for consumers.⁸
- 3.4 In April 2023 we published a statement providing a view on the BBC's position in the audio sector, and how we are likely to approach our consideration of the competition impacts. In that document, we said that "changes that are limited to Sounds are likely to pose a low risk of crowding out to domestic commercial providers."⁹ We restated this position in our Annual Report on the BBC last year.¹⁰
- 3.5 The BBC has conducted its own assessment of the potential impact of the proposals on fair and effective competition. Its approach was to first estimate the average listening hours per week for each of the proposed streams. The BBC then defined a list of competitor radio stations for each stream (based on its own research and engagement with stakeholders) and calculated the potential listening that would be diverted away from each commercial operator to the relevant stream. The BBC inferred from its analysis that the market impact of the proposed streams would be limited given the low proportion of listening hours each competitor would lose. As such, the BBC considers that the proposed streams would not have a significant impact on fair and effective competition.

⁷ [2023] EWHC 1977 (Admin).

⁸ In some extreme cases, this could also lead to commercial operators ceasing to provide services, thereby further undermining choice and plurality within the audio sector.

⁹ Ofcom, [How Ofcom regulates the BBC's impact on competition – Changes to guidance and requirements](#), April 2023, p. 54.

¹⁰ Ofcom, [Annual Report on the BBC 2022 – 23](#), November 2023, p. 58.

- 3.6 We have reviewed the BBC’s assessment and responses submitted by stakeholders (including confidential information on revenue / profitability that has not been shared with the BBC). As is appropriate at this stage, and in line with our role under the Charter and Agreement, we have conducted the review at a higher-level than would be the case in a BBC competition assessment (‘BCA’) – the latter requiring us to carry out our own detailed competition assessment, rather than reviewing the assessment provided to us by the BBC.
- 3.7 Given this, we have primarily relied on the BBC’s analysis as the starting point and made various adjustments to their model as necessary – see annex 1 for more information. Whilst we recognise that the potential impact of this proposal on listening habits is inherently difficult to assess, due to the uncertainties in predicting how listeners will react to the proposed streams, we have made a number of adjustments to BBC’s analysis in order to correct for inconsistencies and using more appropriate inputs in their model (such as an updated list of competitors) .
- 3.8 Below, we first present our views on the proposed Radio 1 and Radio 3 extension streams, where we agree with the BBC’s conclusions. We then set out our views on the proposed Radio 2 extension stream where we disagree with the BBC’s conclusions.

Our views on the proposed Radio 1 and Radio 3 extension streams

The Radio 1 extension stream

- 3.9 The BBC estimated that the Radio 1 extension stream will have weekly listening of 0.412 million hours and that this will likely have a very small impact on commercial operators.¹¹ Our adjustments to the BBC’s approach (set out in annex 1) result in higher estimated listening hours for the Radio 1 extension stream and therefore a marginally higher impact on listening across all relevant competitors (loss in online listening hours of 0.5% or less across relevant large commercial groups).
- 3.10 Overall, we consider that the impact on the affected commercial operators will likely be limited due to the following reasons.
- We consider that the likely affected stations are primarily those that belong to the two largest commercial groups and we understand that these groups primarily generate revenue based on the number of hours listened across their entire portfolios of stations. Our analysis indicates that the launch of the Radio 1 extension stream is likely to result in a low loss in listening across the entire portfolios of these commercial groups, thereby indicating a limited impact. Our analysis further indicates that the impact on the loss in listening for individual stations within these commercial groups is also likely to be limited.
 - The commercial radio sector as a whole generates proportionately less revenue from online listening than other platforms. This further suggests that the impact on these large commercial groups would likely be low.

¹¹ The BBC estimated a 0.8% loss in online listening hours across relevant commercial operators. The BBC estimated this is equivalent to a 0.2% loss in total listening hours across the competitors identified.

- We also note that listening to the previous streams launched by the BBC (e.g. Radio 1 Dance) has been low and do not appear to have led to any significant impact on those commercial operators with competitor stations to these streams.

3.11 In conclusion, on the basis of the evidence available to us, we consider that the launch of the Radio 1 extension stream is not a material change.

The Radio 3 extension stream

3.12 The BBC estimated that the Radio 3 extension stream will likely have weekly listening of 0.16 million hours, and this will likely have a very small impact on commercial operators.¹² Our adjustments to the BBC's approach lead to higher estimated listening hours for the Radio 3 extension stream and therefore a marginally higher impact across all relevant competitors (loss in online listening hours of 0.2% or less across relevant large commercial groups).

3.13 Overall, we consider that the impact on commercial operators will likely be limited due to the following reasons.

- We consider that the likely affected stations are those that belong to the two largest commercial groups and we understand that these groups primarily generate revenue based on the number of hours listened across their entire portfolios of stations. Our analysis indicates that the launch of the Radio 3 extension stream is likely to result in a low loss in listening across the entire portfolios of these commercial groups (reducing online listening by 0.2% or less), thereby indicating a limited impact.¹³ Our analysis also indicates that the impact on listening for individual stations within these commercial groups is also likely to be limited.
- The commercial radio sector as a whole also generates proportionately less revenue from online listening than other platforms, thereby further suggesting that the impact on these large commercial groups would likely be low.
- We also note that listening to the previous streams launched by the BBC (e.g. Radio 1 Relax) has been low and they do not appear to have led to any significant impact on those commercial operators with competitor stations to these streams.

3.14 In conclusion, on the basis of the evidence available to us, we consider that the Radio 3 extension stream is not a material change.

Conclusion on Radio 1 and 3 extension streams

3.15 Taken together, our analysis indicates that the loss in listening across the entire portfolios of the affected commercial groups is likely to be low due to the launch of these two extension streams – generally less than 1% individually and cumulatively – which implies that the proposed streams will have a limited impact on these operators. We also consider that the loss in listening for individual stations is likely to be limited. As such, it is our view that the Radio 1 and 3 extension streams together do not constitute a material change.

¹² The BBC estimated a 1.6% loss in online listening hours across relevant commercial operators. The BBC estimated this is equivalent to a 0.3% loss in total listening hours across the competitors identified.

¹³ This impact is likely to be even lower if we consider that some of the listening for the Radio 3 extension could come from non-audio sources (e.g. YouTube and mindful apps etc).

- 3.16 In addition, we note that [§<].
- 3.17 Stakeholders have submitted evidence to the BBC’s PIT consultation that concern online (and DAB+) listening to the BBC’s proposed stations. However, we did not consider this evidence to offer a better means for assessing materiality (compared to the evidence above) as the evidence submitted largely focused on the impact of the simultaneous launch of the DAB+ and online station rather than the launch of the Sounds-only streams.
- 3.18 If we observe or identify evidence emerging that the launch of these streams on Sounds is having an adverse impact on competition within this area, we have the regulatory tools to address this using a BBC competition review (‘BCR’).¹⁴

Our views on the proposed Radio 2 extension stream

- 3.19 The BBC reported that the Radio 2 extension stream is likely to have the biggest impact on competitor stations identified, with an estimated weekly listening of 2.9 million hours. The BBC’s view is that the 3.3% impact on online radio hours across the list of competitors they used is in line with previous decisions that a change was not material.¹⁵
- 3.20 Having assessed the BBC’s plans for this extension stream, we disagree with the BBC’s conclusions. Our adjustments to the BBC’s approach (summarised in annex 1) led to slightly higher estimated listening hours for the Radio 2 extension stream which, combined with other adjustments to the list of competitors and weighting, led to a larger impact on commercial operators. This impact differs based on whether the station is an independent station or belongs to a larger commercial group.
- 3.21 For the commercial groups that own a portfolio of stations, we consider that the Radio 2 extension stream will likely have a limited impact on their overall business model. This is because the Radio 2 extension stream will likely have a small impact on listening across their entire portfolios (less than 2% for online listening hours and less than 0.5% for total listening hours) and because they generate proportionately less revenue from online listening compared to other platforms.
- 3.22 We do, however, think that the Radio 2 extension stream, based on the evidence that is available at this stage, may have a significant impact on the independent radio station Boom Radio.
- Boom Radio is a music station that targets ‘baby boomers’. It focuses on providing “60s classics and 70s memories” (as well as some older and newer songs that may appeal to this demographic) which means that there is some overlap with the stated target demographic of the Radio 2 extension (i.e. listeners aged 55+ seeking a nostalgic experience).¹⁶ The BBC and commercial radio stakeholders consider that similarities in music are an important factor to determine which stations the Radio 2 extension stream will likely have a larger impact on. We have therefore used similarities in music (along with similarities in target audience) to determine the potential impact on

¹⁴ We may carry out a BCR if we have reasonable grounds for believing that the carrying out of a UK Public Service is having a significant adverse impact on fair and effective competition.

¹⁵ The BBC estimate a 5.8% loss in online listening hours for Boom Radio, and 3.1% overall impact on Boom Radio listening hours. Across the whole set of competitors in the BBC’s defined ‘oldies’ and ‘oldies adjacent’ list, the BBC estimate a 1% loss in total listening hours.

¹⁶ [Boom Radio welcome page](#), July 2024

commercial stakeholders. Our analysis indicates that Boom Radio could lose a higher percentage of its online listening than other commercial groups (c.9%) and c.5% of its total listening hours (i.e. online and via DAB) due to the launch of the Radio 2 extension stream.

- As noted in our [guidance](#),¹⁷ one factor we may consider is “whether there are competitors (or an individual competitor) that are likely to be significantly affected by [a proposed] change”. We note that Boom Radio is not part of a large commercial group, which means that it cannot rely on a wider portfolio of other stations to mitigate the potential impact of the Radio 2 extension stream. This means that the Radio 2 extension stream will likely have a larger impact on Boom Radio than on the large commercial groups.
- Boom Radio is also a relatively new business which started broadcasting in 2021 and new businesses tend to be more vulnerable to external changes in their initial years. This means that the loss in listening could create a significant risk to Boom Radio’s ability to generate revenue, reach profitability and invest in new services.
- Boom Radio also recently launched two online-only sister stations – Boom Light (2022) focusing on music from the 1950s and Boom Rock (2023) playing music such as album rock and hard rock music.¹⁸ There is a potential that the launch of the Radio 2 extension stream could further affect Boom Radio’s ability to operate these two sister stations as we understand that these two stations currently rely on Boom Radio’s main station for listeners / cross promotion.

3.23 In summary, Boom Radio occupies a relatively unique position within the radio sector given its status as an independent radio station focused on serving older listeners (baby boomers) with a mix of nostalgic and newer music.¹⁹ We understand from Boom Radio that it was established to cater for older listeners following scheduling changes on Radio 2.²⁰ This is reflected within its listener base, as it has a higher proportion of listeners aged 55+ compared to the other potential competitor stations to the Radio 2 extension stream.²¹ We also note that Boom Radio currently has an average weekly audience of 602k listeners, though this peaked at 662k in Q3 2023, and it has 7.1m hours of listening each week (55% or 3.9m of which are online).²² As such, the launch of the Radio 2 extension stream could have an adverse impact on competition by reducing listening and revenue to Boom Radio, thereby reducing its ability to invest in new content and serve these listeners.

3.24 In addition, given the discussion above, we consider there is a risk that the launch of the Radio 2 extension stream could potentially deter entry and reduce investment incentives

¹⁷ Ofcom, [Guidance for assessing the impact of proposed changes to the BBC’s public service activities](#), April 2023, p. 18.

¹⁸ As these stations are online-only, listening figures are not available on RAJAR and are not included in our analysis.

¹⁹ Other commercial stations targeting this audience are part of large commercial groups and typically have a narrower music library e.g. tracks from a specific decade. Our analysis of Radiomonitor data showed Boom Radio played a wider variety of music (i.e. a higher number of distinct tracks) than other potential competitor stations in the period 31 Dec 2023 – 17 May 2024.

²⁰ [Phil Riley & Boom Radio: Booming Success \(ceotodaymagazine.com\)](#)

²¹ According to Q1 2024 RAJAR figures, 75% of Boom’s total audience are aged 55+ and 81% of its online audience are aged 55+.

²² RAJAR Q1 2024

for independent radio stations. This is because independent stations 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 offer at a later point in time.

3.25 While there is no set numerical threshold to determine whether a change by the BBC is material, it is our view that the factors above are sufficient to conclude the Radio 2 extension stream may have a significant adverse impact on fair and effective competition. We recognise there are other factors that could mitigate the impact on competition, which were mentioned throughout the rest of the BBC's document. However, for the reasons set out below, these do not alter our conclusions.

- Our position on Sounds from our April 2023 statement was intended to provide guidance to the BBC on the potential starting point of our analysis. We said that this would not “predetermine or limit the outcome of any assessment”.²³ We also said that we would still expect the BBC (and Ofcom) to assess changes on a case-by-case basis, including on whether the changes could impact on very specific and limited set of competitors.²⁴
- We understand that BBC's proposed budget for Radio 2 extension stream is low as a proportion of BBC's existing budget for Radio 2 and this could indicate that the impact on stakeholders is low. We note in our [guidance](#) that we would be wary of relying on specific thresholds as this could still have a large impact on some commercial operators.²⁵ In any case, the BBC has estimated significantly higher listening to the Radio 2 extension stream compared to the other proposed extension streams. This indicates that the BBC also believes that the Radio 2 extension stream will have a larger impact irrespective of the level of the budget.

3.26 In conclusion, having taken account of the available evidence and the factors set out above, we consider that the proposed change is one that may have a significant adverse impact on fair and effective competition. We therefore consider that the launch of the Radio 2 extension constitutes a material change.

²³ Ofcom, [How Ofcom regulates the BBC's impact on competition – Changes to guidance and requirements](#), April 2023, p. 16.

²⁴ Ofcom, [How Ofcom regulates the BBC's impact on competition – Changes to guidance and requirements](#), April 2023, p. 10.

²⁵ Ofcom, [Guidance for assessing the impact of proposed changes to the BBC's public service activities](#), April 2023, p. 12.

4. The BBC's proposed changes to Radio 1 Dance

- 4.1 There are decisions that the BBC makes which are part of its day-to-day business, and not 'material' in the specific sense of the term set out in the Agreement. These include changes that leave the service's existing character and scale essentially unchanged.²⁶
- 4.2 The BBC is proposing to commission some original programming for Radio 1 Dance, which is an existing stream on Sounds. Since launch it has only included content already available on Sounds. Briefly, the BBC considers that the commissioning of a small number of original programmes for the existing Radio 1 Dance Stream is a "business as usual" change. The BBC says that the change is editorial / creative in nature and is a scheduling decision / change in genre mix or volume that does not materially or substantially alter the character of the stream. The BBC also notes that the change in budget does not substantially change the scale of the service relevant to the market. As such, the BBC has not carried out a full materiality assessment.
- 4.3 We have reviewed the BBC's file note on the proposals. We understand from the BBC that the Radio 1 Dance Stream has continued to perform significantly below the [X] weekly hours of listening estimated in the original materiality assessment and at a level consistent with its performance in the run-up to the judicial review (the conclusion of which was that the market impact was not material). We agree that the proposals are a change in scheduling / genre mix which leave the character or scale of the service essentially unchanged. Taking this into account, we do not consider that the changes to the existing Radio 1 Dance Stream are material.

²⁶ See BBC, [Policy on material changes to the BBC's public service activities and commercial activities](#), August 2017 and Ofcom, [Guidance for assessing the impact of proposed changes to the BBC's public service activities](#), April 2023, p. 13.

5. Directions

- 5.1 We have considered what directions it is appropriate to give to the BBC in accordance with clause 9(6) of the Agreement and the relevant Specified Requirements.^{27 28} In doing so we have considered Ofcom’s duties under section 3 of the Communications Act 2003 and Article 45(2) of the Charter.²⁹
- 5.2 As set out in section 3 we have concluded that the BBC’s proposed change in respect of the Radio 2 extension stream constitutes a material change in accordance with clause 7(7)(b) of the Agreement.

Directions

- 5.3 We therefore make the following directions in accordance with Clause 9(6) of the Agreement and the relevant Specified Requirements:
1. The BBC must stop carrying out the proposed change in respect of the Radio 2 extension Sounds-only stream.
- Should the BBC wish to continue to launch the Radio 2 extension Sounds-only stream:
2. The BBC shall conduct a PIT on the proposed change in respect of the Radio 2 extension Sounds-only stream in accordance with Clause 8 of the Agreement.

²⁷ [Agreement](#)

²⁸ The “specified requirements” as defined by clause 59(a) of the Agreement. The ‘relevant’ specified requirements are listed Ofcom, [Guidance for assessing the impact of proposed changes to the BBC’s public service activities](#), April 2023, pp. 26 – 27.

²⁹ [Charter](#)

A1. Annex 1: Our analytical approach

- A1.1 We have reviewed the BBC's analysis and made several adjustments to correct for inconsistencies in the BBC's calculations and to use more appropriate inputs where relevant.
- A1.2 We have made two adjustments to the BBC's methodology for calculating the likely listening to the new extension streams. Taking both together leads to a net increase in the estimated listening across all three extension streams. These adjustments are:
- The BBC informed us of an error in their listening estimates, which means that they consider their results to be an overestimate for the likely listening to the Radio 2 extension stream. We have included this correction within our analysis to ensure that the calculations are consistent across all three extensions.³⁰
 - Following stakeholder comments on its initial MA update, the BBC uplifted its estimates to account for differences in listening data reported by its internal systems (streaming content on Sounds) and listening data reported by RAJAR (online listening to live radio).³¹ The BBC calculated this uplift by dividing the online live radio listening to BBC stations reported by RAJAR by the Sounds streaming data.
 - > We agree an uplift is appropriate as there are inherent differences between listening measured on RAJAR and the streaming metrics used by the BBC. RAJAR data is based predominantly on diary data: respondents log what radio stations they listened to, where they listened (at home, in a car/van/lorry, at work/elsewhere) and how they listened (AM/FM, DAB, DTV, internet, smart speaker) in 15-minute increments throughout the day for a full week (Monday-Sunday). Our understanding of the streaming data used by the BBC is that it contains the number of user accounts that have played any content on Sounds and for how long, excluding streaming on most smart speakers. Together these differences mean that online listening data from RAJAR is likely to be higher than what is recorded in the Sounds streaming data and an uplift is therefore appropriate.
 - > We do however consider that a higher uplift factor should be applied, using the live listening figure from Sounds as opposed to total listening figure (which refers to both live and on-demand content), to better address these differences.
- A1.3 We have further adjusted two inputs to the BBC's methodology for calculating the likely impact on the relevant competitors for each extension, and taking both adjustments together leads to a higher impact on each competitor. These adjustments are:
- The BBC used audience research and engagement with stakeholders to define a list of competitors for each proposed extension stream (stakeholders had different views on the likely competitors for each extension stream). In general, the larger the list of

³⁰ We have made this correction for consistency purposes however we reserve the right to do further analysis on the estimates for DAB+ listening once the BBC has submitted its PIT.

³¹ Note that RAJAR data does not capture listening to BBC Sounds-only streams or online-only commercial stations.

competitors, the more spread out the impact will be, and the lower the likely impact on any particular commercial operator. We have conducted further analysis on the likely competitors for each extension stream, based on the music similarities between the proposed BBC extension streams and commercial operators.³² These adjustments have broadly led to a smaller list of competitors for the proposed Radio 1 and Radio 2 extension streams than those proposed by the BBC.

- For the Radio 2 extension stream, the BBC defined a list of competitor stations which they considered to be closer competitors than other stations. They then applied a weighting of 2 to these closer competitors and 1 to other competitors. In general, a larger weighting means a higher proportion of listening will be diverted from that particular station. We have used two other weights to estimate the likely listening that each station could likely lose to the Radio 2 extension stream as we believe that these weights could be more reflective of the similarities between competitor stations and the Radio 2 extension than BBC's approach. These weights are based on:
 - > The proportion of listeners of that station within the BBC's target audience age range (i.e. proportion of listeners aged 55+); and
 - > The percentage of music played by that station which the BBC indicated may be relevant to the proposed extension (i.e. the proportion of tracks played from the 50s, 60s and 70s).³³

³² We recognise there are other factors which are important in understanding the similarities between stations/streams, such as presenters and music policy, however these factors are difficult to quantify.

³³ According to data from Radiomonitor showing the top 5,000 tracks played on each competitor station in the period 31 Dec 2023 – 17 May 2024.