News Broadcasting's response to the BBC new music radio stations: Public Interest Test consultation

Section 1: Executive summary

- **News Broadcasting strongly opposes the proposed launch of the BBC Radio 1 and Radio 2 extensions,** because the likely impact on fair and effective competition in the commercial music radio market would outweigh the minimal public value contribution of the proposed extensions. The Radio 1 and Radio 2 extensions would have a material impact on News Broadcasting's Virgin Radio network.

- **Eight in ten Virgin Radio network listeners said they would be likely to listen to the new extensions, and a third said they would listen to the Virgin Radio network less as a result of the new extensions launching.** As a commercial radio broadcaster, losing such a significant proportion of our listening hours would have a direct, negative impact on our revenues.

- **Given the marginal financial position of the Virgin Radio extension stations, this would have a material impact on the future of our music radio stations.** Combined with the proposed change to BBC Radio 5 Sports Extra, the proposed launch of new BBC music radio stations carries a significant risk to our whole radio business.

- **The BBC have failed to demonstrate that these extensions offer any additional public value or that they are distinctive**. These proposed stations merely replicate what the commercial radio sector already successfully offers audiences. Forty-five percent of Virgin Radio network listeners said the new stations sounded similar to what already exists in the radio market, rising to over half of 18-35s. These stations are not a good use of the BBC's resources, which could be redeployed on more distinctive projects which complement the commercial radio sector's provision.

- **While this consultation only relates to the launch of these extensions on DAB+, we note our opposition to the launch of these stations as online-only stations on BBC Sounds.** The online-only versions of these stations should be subject to a Public Interest Test process given how important online listening is to the radio sector - and increasingly so.

- **This proposal from the BBC is deeply flawed and it should not proceed.** Rather than replicating the success of the commercial market, the BBC should focus on what it is uniquely positioned to deliver. It should not proceed with the proposed launch of these new stations. Instead the BBC should go back to the drawing board to consider alternative ways it could better serve these audience groups with truly distinctive services and content which complement what is provided by the commercial sector, rather than seeking to replace it.

Section 2: Introduction

News Corp UK and Ireland ('***News UK***') is one of the leading media businesses in the UK and Ireland. Our news brands include *The Times*, *The Sunday Times*, *The Sun*, *The Sun on Sunday* and *The TLS*. Our national broadcasting brands include talkSPORT, Talk, Times Radio and Virgin Radio UK, and we have market-leading local stations across Ireland. Our world-famous brands provide news, analysis, opinion and entertainment to almost 40 million people each month. Spanning print and pixel, audio and video, events and experiences, our multi-format brands are home to a plurality of opinion, representing the diverse communities we serve. News UK is wholly owned by News Corp.

We welcome the opportunity to respond to the BBC's Public Interest Test (PIT) consultation on its proposed launch of four new music radio stations. Our response first discusses the regulatory process and the broader context in which these changes have been proposed. We then answer each of the BBC's consultation questions in turn.

We focus throughout on the proposed launch of the BBC Radio 1 extension (R1E) and the BBC Radio 2 extension (R2E), given those propositions are the ones most likely to impact our music radio stations. As a result, we have not examined the cumulative impact of the BBC launching four new music radio stations and extending an existing station on the wider commercial radio market.

To better understand the likely impact of the BBC's proposals and fill in gaps in the BBC's consultation, we commissioned a survey using a sample of 460 Virgin Radio network listeners. We have used these results throughout this response, alongside evidence from other sources such as RAJAR and our own internal music analysis.

The regulatory process

We are responding to this Public Interest Test consultation on the proposed launch of the DAB+ version of the stations because they are deemed to be new UK Public Services. But there is a parallel, lighter-touch regulatory process running for the online version of the services in the form of a materiality assessment.

The fact that the BBC is subject to two separate regulatory processes for launching the same product online and on DAB+ highlights the inadequacy of the regulatory process. To be clear, these stations would broadcast the exact same content and have the same branding online and on DAB+. To listeners, the DAB+ and online versions of the stations would be indistinguishable. While we note the outcome of Radiocentre's Judicial Review case in August 2023, to us the notion that the new radio stations are only considered a new Public Service when they launch on DAB+ - and not when they launch online on BBC Sounds - is antiquated. They are the same product.

Online listening is an increasingly important distribution channel for radio broadcasters; [REDACTED]. We have responded to changing listening habits by evolving our business, including by investing in building and monetising connected audiences and by launching

Octave, our online audio advertising joint venture with Bauer. The idea that the launch of these new BBC music stations will not have a material impact on the market when they launch online does not reflect the market reality.

Separately, we have been disappointed by the way the BBC has approached this PIT consultation on the DAB+ stations, particularly in the level of detail shared. As with the BBC's consultation on 5 Sports Extra, the BBC's decision to run all of its market research and economic analysis in parallel to the consultation window is unhelpful. This means that the BBC has been unable to share any of this analysis throughout the consultation window, including firmer estimates of the expected impact on commercial stations and evidence that the propositions appeal to the target audiences.

The BBC has provided very limited details on what these stations would look or sound like. It has provided scant details on the music it intends to play on the stations, providing a list of just nine indicative artists for R1E and fifteen indicative artists for R2E. It has not provided sample schedules and has shared the names of just six of the potential presenters across the stations. It is difficult to understand how the BBC has not set out names for the proposed stations - even on a provisional basis - given how crucial station names are for understanding the likely market position of the stations. These details are core to understanding the propositions.

In all, this has limited our ability to properly assess and understand the likely impact on our business. We do not consider this to be in the spirit of engagement outlined in Ofcom's guidance.[1] Our response to the questions below, and the modelling used to support that response, is based on the limited details provided by the BBC.

The market context

The logic for launching four new radio stations was made clear by BBC Director General Tim Davie at a recent Culture, Media and Sport Committee session when asked about the proposals.

> *"In that context, commercial radio has gained good share, and we have done a good job of maintaining our reach, to a degree. But there comes a point where you go, "How do I ensure that BBC radio"—it's not about growing share—"maintains its relevance to the number of people who come to it each week, so that we can justify a universal intervention?"*
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> *What I am saying is that when I looked at the analysis, which is very clear, there were two things. First, if you look at what is the right portfolio of radio streams and stations, whereas we have seen rapid expansion around us, it absolutely makes sense to have a slightly more extended portfolio. Secondly, the costs are pretty small. Finally, and critically, could I guarantee that they were utterly unique in terms of their playlists*

[1] Ofcom, 18 April 2023, Guidance for assessing the impact of proposed changes to the BBC's public service activities. Available at: https://www.ofcom.org.uk/__data/assets/pdf_file/0018/257202/annex-2-guidance-assessing-impact-of-changes-to-bbc-public-service-activities.pdf

> *and what we do? Again, the final thing is that Ofcom will look at the competitive market. Ofcom can look at this—we have shown our proposals—and get really tucked in on it."*[2]

While we can understand the BBC's motivation to maintain relevance, and maintain its position in the audio market, the proposal to expand its radio portfolio by launching R1E and R2E would have a significant impact on competition. The BBC's established market position and brands, its secure licence fee income, privileged spectrum access and unique ad-free offer to audiences give it an advantage that no other radio broadcaster has. Expanding the BBC's radio portfolio by replicating what the commercial music radio market already provides would inevitably increase the BBC's share of listening at a significant cost to the commercial radio sector. This cost would come without the BBC offering anything distinctive or "utterly unique" to audiences.

The BBC is right that the commercial radio sector has performed strongly in recent years. 39.1 million people now listen to commercial radio stations, 3.5 million more than 5 years ago, and the share of listening to commercial radio surpasses the BBC's share (54.8% to 42.3%).[3]

But looking at the commercial radio sector in aggregate risks telling a misleading story about the shape of the radio market. The BBC is still the most significant single player in the UK's audio market, and Radio 2 is still the biggest national radio station in the UK, with a listening share of 13.4%. The BBC notes this in its own recently published Annual Plan:

> *"In audio, in a UK market where commercial providers are flourishing, 31.7m adults listen to BBC Radio on average per week – more than any other broadcast radio company or on-demand player. BBC radio stations remain market leaders, with Radio 2 the UK's number one station overall, Radio 4 the number one speech station by some margin and 6 Music the biggest digital-only service."* [4]

No other single player comes close to the BBC's share. For context, the listening share for a single BBC station - Radio 2 - is more than triple the share for the whole of News Broadcasting's network of stations (4.4%).

We are concerned that the BBC's market analysis does not accurately reflect the potential cost to the music radio sector if these proposals went ahead. The BBC's market analysis only presents the commercial radio sector in aggregate; this does not paint an accurate picture of the market and the likely impact of the BBC's proposals. The BBC does not even split out the commercial music radio sector from the commercial speech radio sector in its impact analysis, even though these proposals only relate to music radio. Neither does it focus its analysis on the set of stations most likely to be most affected by the BBC's proposals (e.g. music radio stations playing music from the 2000-2010s and 1950-1970s).

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[2] House of Commons Culture, Media and Sport Committee, 20 March 2024, Oral evidence: The work of the BBC, Q85. Available at: https://committees.parliament.uk/oralevidence/14525/pdf/
[3] Radiocentre, 1 February 2024, Commercial radio gains 1m listeners year-on-year. Available at: https://www.radiocentre.org/commercial-radio-gains-1m-listeners-year-on-year/
[4] BBC, 28 March 2024, Annual Plan 2024/2025, p. 11. Available at: https://www.bbc.co.uk/aboutthebbc/documents/bbc-annual-plan-2024-2025.pdf

We are particularly concerned that the BBC's analysis does not focus on the smaller independent stations, digital-only stations and new entrants for whom the impact of this change would be most pronounced. For these smaller stations, profitability may be harder to come by and their long-term viability may be more precarious. This is a significant gap in the BBC's analysis.

Even where the BBC has taken a more detailed look at the market (e.g. in its analysis of the age and socio-economic profile of different music stations[5]), it misses these smaller stations which are likely to feel the impact of these proposed stations. While the BBC's demographic analysis does include Virgin Radio, it does not include Virgin Radio Chilled and Virgin Radio Anthems.

For context, Virgin Radio launched in 2016 with presenters including Edith Bowman, Jamie East and the comedian Matt Richards. The station had a strong new music presence, particularly in the breakfast slot, with an overall rock format. To try and establish its place in a competitive market, the station has continued to evolve its music policy and presenter line-up. The station is now an upbeat music station playing the best songs from the last four decades, with shows presented by Chris Evans, Jayne Middlemas and The Kaiser Chiefs' Ricky Wilson.

In 2018, we launched two station extensions, Virgin Radio Chilled and Virgin Radio Anthems.[6] Virgin Radio Chilled is designed to help listeners relax and unwind, with a significant proportion of the music played dating from the 2000s and 2010s. While Virgin Radio Anthems was originally launched as a classic rock station, it was re-positioned in May 2023 to focus on classic hits from the legends of the 1960s, 1970s and 1980s. [REDACTED].

As well as impacting the core Virgin Radio station, the BBC's proposals would have an impact on Virgin Radio Anthems and Virgin Radio Chilled. It is concerning that the BBC's market analysis lacks this level of detail.

[5] See Figure 5 in the BBC's PIT consultation document, p. 12.
[6] We also operate a third extension station, Virgin Radio 80s Plus, which we do not anticipate would be impacted by the BBC's proposals.

Section 3: Responses to consultation questions

Question 1: What do you think about the potential public value of our proposals for the launch of new music radio stations on DAB+, including the extent to which our proposal contributes to the BBC's mission to serve all audience through the provision of high quality and distinctive output and services which informs, educates and entertains?

The BBC's consultation fails to demonstrate that these new radio extensions offer additional net public value. As in the BBC's PIT consultation on 5 Sports Extra, the BBC has failed to provide quantitative evidence to support the value for money argument, and to provide quantitative and qualitative evidence that these stations will help it better reach its target audience.

These stations simply replicate what the commercial radio sector already provides. Launching these stations is not necessary for the effective fulfilment of the BBC's Mission and Public Purposes. It would have a disproportionate adverse impact on players in the music radio sector - including smaller stations like Virgin Radio, Virgin Radio Chilled and Virgin Radio Anthems - without providing any additional net public value.

Below, we respond to each of the points that make-up the BBC's public value hypothesis in turn.

1) ***"Improved value for all audiences (particularly those who currently get less value from BBC music radio) – the stations will be part of a crucial evolution of the Radio 1, Radio 2 and Radio 3 brands to improve audience value. The stations will target younger and C2DE audiences who currently get less value from the BBC, as well as better meeting the moods and need states of modern audiences. The new stations will also encourage the transition of listeners to BBC Sounds where they can enjoy a richer, more personalised experience, and discover the full range of the BBC's content offer"***

   The BBC has failed to illustrate how the proposed R1E and R2E would offer improved value to licence fee payers.

   The extensions do not offer additional public value for audiences because they are not distinctive

   The BBC's idea to focus on decades and music 'moods' is not a distinctive proposal. In recent decades, commercial radio groups have invested heavily in building new stations and brand extensions around specific decades and audience 'moods', such as Global's Smooth and Bauer's Mellow Magic. Beyond the big two commercial radio groups, there has also been new entry into the market from smaller players, independent groups, and digital-only music stations. This includes stations like Boom Radio, Nation Radio, as well as our own Virgin Radio extensions - Anthems and Chilled.

In part, this has been a reaction to the gap the BBC has left in the market as it evolved its core Radio 1 and Radio 2 stations. If the BBC now expands its radio footprint to chase after the audience it once had, it risks stifling diversity and plurality in the market, particularly among the smaller, digital-only music stations and recent new entrants.

Our market research (see Figure 1) found that the vast majority of respondents agreed that today's stations offer a wide variety of music genres and that their music tastes are well-catered for by existing stations. Notably, 45% of Virgin Radio network listeners said the proposed new stations sound similar to what already exists in the radio market. Among the 18-35s we asked specifically about the R1E extension, over half (53%) said that it sounded similar to what already exists in the market. This is not a market with a gap for the BBC to fill.

Figure 1: Audience satisfaction with existing radio station offering

To what extent do you agree with these statements?	Net agree
Radio stations cover a wide variety of music genres	85%
The music played on radio stations covers my tastes	86%
I like the variety of decade radio stations (e.g. 80s/90s/00s) available in the UK	83%

Source: ResearchBods survey for News Broadcasting. N = 406, UK sample of Virgin Radio network listeners.

There is little evidence provided that these stations will help the BBC to better reach younger and C2DE audiences

The BBC has provided minimal detail on how these stations would improve its reach to younger and C2DE audiences specifically, other than indicating that certain genres and decades of music over-index with the target audience. The BBC has not provided any quantitative or qualitative evidence on the likely appeal of these proposed stations to the target audience.

It would be helpful to understand what analysis the BBC has undertaken on ways it could amend its TV, radio and online services to better serve younger and C2DE audiences, and why it has decided that launching new music radio stations is likely to be the most effective strategy. Given prevailing trends in the audio market, we question why the BBC considers investing in new offline services will help it better reach younger audiences.

As an indicator of how effective the BBC's audio offer is in reaching younger, C2DE audiences, it would be useful to understand whether the BBC's online-only Radio 1 Dance stream - launched in October 2020 to better target younger audiences - has been successful in improving the BBC's relationship with younger, C2DE audiences.

The BBC has not provided data to that effect in this PIT consultation. That would surely provide an indication of how successful the BBC's radio extensions are likely to be in attracting their target audiences.

The BBC has not provided an estimate as to the proportion of younger and C2DE audiences it would intend to reach as a measure of the success of the stations. If it serious about serving younger C2DE audiences with these proposals, the BBC should be aiming to use these stations to increase their unique incremental C2DE and 18-34 reach, and should produce an estimate to that effect (i.e. excluding ABC1s and 35+s, and younger, C2DEs that they already serve via BBC Radio).

We are concerned that the proposed stations will not achieve the BBC's objective of narrowly targeting younger and C2DE audiences. Our market research indicates that rather than serving the target audiences, the BBC's proposed stations could end up superserving the BBC's older, ABC1 audiences. [REDACTED]. The fact that the BBC's proposals appeal so strongly to our listeners, with 82% of Virgin network listeners saying they would listen, indicates that R1E and R2E are unlikely to only narrowly target the audience specified by the BBC.

Investing in offline services is at odds with the BBC's digital-first strategy

The BBC recently announced its strategy "to create a digital-first BBC that can deliver all our purposes in a fast-changing media landscape by connecting everyone to unmissable content, making the BBC online the best place to watch, listen and use the BBC".[7] This proposal to launch multiple new DAB+ stations seems to be at odds with this strategy.

The BBC does not need to launch new DAB+ services to encourage audiences to BBC Sounds. BBC Sounds is not a minnow in the UK audio market; it is a very successful audio platform. Since its launch in 2018, it has become the number one platform for live radio listening in the UK.[8] This is all aided by the BBC's ability to promote BBC Sounds and the on-demand content available on Sounds across all of its services (e.g. TV, radio, online) on an unlimited basis.

More broadly, it is concerning from a competition perspective that the BBC has prioritised driving listeners from an open environment (e.g. analogue and digital radio), where audiences can easily switch between radio broadcasters, to a closed environment (e.g. BBC Sounds), where content from only one broadcaster is available.[9] The growth of BBC Sounds as a "walled garden" for BBC content will come at a cost to the rest of the UK's radio market. This would only be heightened if the BBC proceeds with its plans to carry advertising on its audio content on third-party platforms, pushing audiences to an ad-free BBC Sounds.[10]

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[7] BBC, 28 March 2023, Annual Plan 2024/2025, p. 13.
[8] Ofcom, 16 April 2024, Audio listening in the UK, p. 6. Available at: https://www.ofcom.org.uk/__data/assets/pdf_file/0036/282798/Ofcom-Audio-Report.pdf
[9] With the exception being that the BBC does carry a small number of podcasts from third-party providers on BBC Sounds, including The Times' podcast *The Story*.
[10] BBC, 28 March 2023, Annual Plan 2024/2025, p. 40.

The new stations would be a very poor use of the BBC's resources

Launching new DAB+ music radio stations is a poor use of the BBC's resources, both in terms of its licence fee revenue and spectrum capacity. As in the 5 Sports Extra consultation, it has failed to produce quantitative evidence that this station would offer improved value to licence fee payers.

While the BBC argues that its proposal is "cost efficient", these stations are only low cost in the context of the BBC's overall radio budget of £524 million.[11] For a commercial radio station, the £3.09 million the BBC proposes spending on launching its four new stations is a significant amount of money. We note that these proposals come shortly after the BBC has made "very significant reforms and cuts", including to its news and local radio provision.[12]

The BBC has excluded music rights costs from the budget, which could be significant, particularly for the period of time where the BBC may be operating the stations as online-only streams. For commercial radio stations, accessing viable licensing terms for online-only streams is very challenging. If these costs for the BBC are low, it suggests that the BBC may have leveraged its scale and buying power to secure terms that smaller commercial operators cannot benefit from. This is particularly the case for the smaller stations most likely to feel the brunt of the BBC's proposed new stations. The BBC should disclose its estimated music rights costs for these stations, given how important they are likely to be to the overall cost of the stations on DAB+ and BBC Sounds.

It is unclear whether the BBC has included other core costs in the budget for these stations. While the BBC set out a marketing budget for the relaunch of 5 Sports Extra, it has not done so for the launch of these four new radio stations. Neither does the budget make it clear whether the costs of using archive content are included. Perhaps most significantly, while the estimated budgets do include 'staff' costs, it is unclear whether that includes presenters' salaries. Fees to presenters like Tony Blackburn are likely to be significant, and should be reflected in the budgets for the stations if those budgets are to be accurate.

Considering the BBC's infrastructure resources, launching four new DAB+ stations is not an efficient use of the BBC's spectrum capacity. The BBC could be doing much more to partner with commercial stations and share capacity, which would aid the transition from analogue radio listening across the industry.

2) ***"Breadth and range of music - all of the new stations will feature high quality, talent-led music programming, playing a broader range of tracks and***

[11] BBC, 28 March 2023, Annual Plan 2024/2025, p. 45.
[12] Tim Davie, 26 March 2026, A BBC For The Future. Available at: https://www.bbc.co.uk/mediacentre/speeches/2024/a-bbc-for-the-future-tim-davie-director-general

composers than the market and bringing audiences deeper into genres and periods of music they love most"

The BBC's PIT consultation document and materiality assessment both heavily emphasise the range of tracks the new stations would play. We question how significant a measure of public value this is. In part, the BBC can play a wider range of tracks than commercial rivals because it does not carry ads and so has more slots available to fill.

We also question the BBC's analysis of the range of tracks it will play on R1E and R2E, and how this compares to the rest of the market. The BBC states that it would play 4,000 tracks on R1E and about 5,000 tracks on R2E, but it only seems to have done a very limited analysis of how this compares with competitors. Its analysis compares the proposed range of tracks on R1E to Kisstory and the range of tracks on R2E against "12 leading commercial stations".[13] But the BBC's analysis does not consider the smaller stations - such as the independent stations, digital-only stations and new entrants - who are more likely to play diverse playlists in order to find a gap in the market beyond the BBC, Bauer and Global's stations.

The music the BBC has proposed playing on R1E and R2E overlaps heavily with what is already provided by the rest of the market, including across the Virgin Radio network. Of course, our assessment can only be based on the very limited information the BBC has shared on the artists it may play on both stations (i.e. a list of nine and fifteen artists for R1E and R2E respectively). We also note that the BBC has not provided any indication of what type of music it will play across different dayparts (e.g. at peak times), and the split between music and speech across the stations.

The music proposition for R1E overlaps significantly with what is provided on Virgin Radio and Virgin Radio Chilled. Taking January 2024 as a sample month, a third of the songs (33%) played on Virgin Radio were from the 2000s and 2010s, as were 43% of songs played on Virgin Radio Chilled.[14]

The BBC has provided a list of nine artists as an indication of the kind of artists it plans to play on R1E. We struggle to see how the BBC considers artists like Rihanna are underrepresented on UK radio. The artists listed are all very mainstream acts commonly played across the market and do not demonstrate that the BBC would be providing "a broader range of tracks…than the market".[15] Looking at Virgin Radio alone, in January 2024, Virgin Radio repeatedly played Dua Lipa (132 times), The Killers (59 times) and Years & Years (25 times).

The crossover between the music proposed for R2E and Virgin Radio Anthems is even more significant. In January 2024, over three-quarters (78%) of all the tracks played on Virgin Radio Anthems were from the 1960s and 1970s.

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[13] BBC materiality assessment, slides 5 and 7.
[14] Virgin Radio internal analysis using G Selector.
[15] BBC, New music radio stations: Public Interest Test consultation, p. 3.

In its consultation document, the BBC states that: “Music from the 1960s in particular is less well-served in the current UK radio market, making up 26% of tracks on Boom, 7% of tracks on Smooth, 4% of Greatest Hits and 2% on Magic”. This omits the fact that Virgin Radio Anthems plays a significant proportion of music from the 1960s; 20% of the tracks played on the station in January 2024 were from the 1960s.

All of the artists the BBC lists as those likely to be played on R2E are very mainstream artists from the 1950s to 70s. They are all played across Virgin Radio Anthems, where key artists include The Beatles, Elton John, and The Rolling Stones. The short list of fifteen artists the BBC lists as its ‘core’ acts for R2X made up 11% of total plays on Virgin Radio in January 2024 alone.

Figure 2: Plays of artists listed by the BBC as ‘core acts’ for R2E on Virgin Radio Anthems, January 2024

R2E station ‘core’ acts	Plays in January 2024	% of January plays
Abba	9	0.1
The Beatles	178	1.8
Elvis Presley	34	0.3
Stevie Wonder	49	0.5
Dusty Springfield	44	0.5
Elton John	266	2.7
Bob Marley	178	1.8
Joni Mitchell	26	0.3
Kate Bush	32	0.3
Shirley Bassey	1	0
Bee Gees	88	0.9
Dolly Parton	8	0.1
George Benson	2	0
Petula Clarke	2	0
The Rolling Stones	161	1.7
Total % of January plays		**11%**

Source: Virgin Radio internal analysis using G Selector.

The BBC would not be providing something new and distinctive with its music offering on R1E and R2E. In addition, the nature of these offerings gives rise to concerns about what the BBC plans to do with the core Radio 1 and Radio 2 stations. A natural assumption given these proposals is that Radio 1 would play less dance music and less 2000s-2010s music, and Radio 2 would play less music from the 1950s-1970s, allowing both stations to focus more on contemporary music and new releases.

This potential repositioning of the core Radio 1 and Radio 2 stations could be much more damaging for the commercial music radio market than the launch of the new stations, given the scale and reach of these stations, and the inertia we see in audience behaviour in switching from the BBC's established stations. We would welcome the BBC providing clarification on what the proposed launch of the two extension stations would mean for the core Radio 1 and Radio 2 stations.

3) "New music – Radio 1 Dance will continue to support new artists and DJs and the latest releases in dance music, while the Radio 3 extension will include newly released pieces and performances of classic pieces as well as new compositions"

This point does not apply to R1E or R2E because as nostalgia stations, neither will be playing new artists or newly released music. This lessens the public value contribution of those two stations.

4) "British music and talent – the new stations will give focus to UK artists in terms of the proportion of tracks played. We will be commissioning new programmes for the new stations, and through the focus on Deep specialism, New and UK music, we will be raising the profile of artists and composers that are lesser known and have not received as much broadcast coverage"

The BBC has made a very limited commitment to play British music across the stations. While the BBC states that 40% of the music played on R2E would be from British artists, it gives a noticeably looser commitment in relation to R1E. It states that R1E "will play more tracks from British artists than comparable commercial stations, with British acts and artists expected to make up a third of tracks played".[16] The BBC has not committed to playing a specific proportion of British artists during peak times on either station.

Playing and promoting tracks from UK artists is not a role that only the BBC plays. We play a similar proportion of UK artists across the Virgin Radio network. Over the last month, 30% of the tracks played on Virgin Radio were from UK artists, as were 43% on Virgin Radio Anthems and 44% on Virgin Radio Chilled.[17] The BBC's aim of 40% on R2E and 30% on R1E clearly does not go above and beyond what the commercial market provides.

In considering its role showcasing British artists, the BBC states that R1E will allow it to "pick up on popular culture moments of today" and help audiences to discover older music, including playing music with renewed popularity like *Murder on the Dancefloor* as featured in Saltburn and *Running Up That Hill* as featured in Stranger Things. This is not a distinctive offering that is unique to the BBC. Keeping up with the tastes and interests of audiences is what all mainstream radio stations do. Between Saltburn's UK release in late November 2023 and the end of February

[16] BBC, New music radio stations: Public Interest Test consultation, p. 17.
[17] Virgin Radio internal analysis, April 2024.

2024, *Murder on the Dancefloor* was played 103 times across the Virgin Radio network.

5) "Speech – the stations will offer audiences context, curation and storytelling through music that only the BBC and its unique archive of clips, interviews and live performances can do"

6) "Live or specially recorded music – the new stations will also reflect the creative calendar across the year, covering the live events and unique performances in their genres, or making use of the BBC's unique archive of live and specially recorded music"

We have taken these two points together because the BBC has provided so little detail about the speech and specialist music programming it intends to offer on R1E and R2E that it is very difficult to provide a specific response to these points separately.

As a starting point, the BBC has not set out the split of speech versus music content it expects to broadcast across either R1E or R2E. The BBC has however made it clear that it has decided against offering any news content on the proposed new stations, despite the clear public value of making news content available on radio. Given this indication that the BBC expects these to be music-focused stations with minimal interruption, we would anticipate the proportion of speech content on the stations would be very low.

Looking at R1E in particular, the BBC has not made any commitments about the speech or specialist music programming it would broadcast on the station. The £120,000 budget suggests that there would be near minimal spend on any speech or specialist music programming.

This undermines the BBC's argument that R1E would offer opportunities to new on-air presenting talent. For example, the BBC states that R1E will "showcase new talent across this new station", that the station will be "one which embodies new talent, building fresh on and off-air talent to stimulate growth in the creative industries", and that it will "support Radio 1's growing emerging talent pool".[18]

If there is so little emphasis on the speech and specialist programming on the station, and a relatively small budget to support that programming, we question how R1E could really ever offer significant new opportunities for on-air talent development. It is unlikely R2E would offer any opportunities for new young on-air talent either, given the genres of music and proposed target audience.

Secondly, if the BBC does want to better utilise its archive content, it would likely be more effective for it to exploit the archive through the commercial market and through on-demand distribution, rather than through the launch of new extension stations. It is unclear whether the use of archive content on either of these stations would be

[18] BBC, New music radio stations: Public Interest Test consultation, p. 17.

charged to R1E and R2E. Given that the BBC commercialises its archive content under BBC Studios' Brands and Licensing team and third parties must pay to access BBC archive content, these new BBC stations should be subject to arms length terms and charges in accessing and using archive content.

Finally, we are puzzled by the emphasis the BBC puts throughout the consultation document on the 'human curation' the stations would offer. For example:

> *"[R1E] will provide a dedicated nostalgic station for young people through the voice of young talent – behind and in front of the mic –* ***developing curatorial skills which they are now using more and more in the digital space****."* (p. 16)

> *"[R1E will expand how youth audiences discover new music on the radio, going beyond algorithmically generated playlists* ***by offering authentic human curation****."* (p. 16)

> *"These BBC services will offer* ***distinctive human curation*** *and context, led by knowledgeable, passionate presenters, including some of the best loved voices of BBC music radio."* (p. 28)

'Human curation' is why audiences turn to radio rather than a music streaming service. This is what all radio stations do. It is not new, and it is not a distinctive BBC offering. It cannot be used to justify the launch of these new stations.

7) "Support for technical innovation in radio broadcasting - the BBC's involvement in DAB+ is likely to support the further development of digital radio in the UK"

We would welcome the BBC belatedly giving its support to DAB+. The UK's first national DAB+ services appeared with the launch of the second national commercial digital multiplex in 2016. While numerous commercial radio services (including one INR) have either launched in the DAB+ standard or converted from DAB to DAB+, not one national DAB+ service has been launched by the BBC service over the last eight years.

While DAB is the largest radio distribution platform in the UK, research published by Ofcom on the penetration and usage of DAB+ showed that only 15% of UK households had a DAB+ set at home, and over half of DAB listeners said they had never heard of DAB+.[19] Despite having access to the largest and most developed national DAB multiplex, the BBC's lack of innovation in the DAB+ space has led to the absence of any meaningful support for the DAB+ standard over the past decade, which is likely partly to blame for this low consumer awareness.

[19] Ofcom, 29 September 2023, Report: DAB+ radio. Available at: https://www.ofcom.org.uk/__data/assets/pdf_file/0033/268809/DAB-radio-report-2023.pdf

However, this proposal is not the way the BBC should act to support DAB+. Instead of launching these proposed new stations that create no net public value, the BBC should move some or all of its existing DAB radio services to DAB+, which would promote wider uptake of DAB+ and free up significant amounts of capacity which could then be offered to commercial broadcasters. The carriage fee revenue generated by such a move would be several millions of pounds per annum and of quantifiable net public value. That the BBC has chosen not to convert any of its existing services to DAB+ and sub-let the capacity freed-up is a missed opportunity. It suggests the BBC is engaged in ‘spectrum squatting’ while the commercial demand for national capacity outstrips supply.

Above, we have demonstrated that the BBC’s public value hypothesis is deeply flawed. Neither R1E nor R2E would offer additional net public value.

- **Value for money**: The BBC has provided no quantitative evidence that launching these new radio stations would offer improved value for money to licence fee payers. It has not provided quantitative or qualitative evidence that the stations would better serve younger and C2DE audiences. The stations replicate what the commercial market already provides, do not fit with the BBC’s digital-first strategy, and would be a poor use of the BBC’s resources.

- **Breadth and range of music:** The music offering on R1E and R2E would not be “utterly unique”. Based on the limited information provided by the BBC, there would be a significant overlap between the music offered on R1E and R2E and existing commercial stations.

- **British music**: The BBC’s aims are not ambitious and do not go beyond what the commercial market already provides.

- **Speech and live music:** The offering is very limited, with no speech radio and specialist music radio commitments for R1E. There would be very limited opportunities for new presenting talent. Use of the archive should not provide justification for the launch of new stations.

- **Supporting innovation:** There are alternative steps the BBC could take to better support DAB+ and technical innovation in radio broadcasting.

Question 2: What do you think about the benefit to audiences who will listen to the stations, as well as wider potential social and cultural impacts?

As we have set out in detail in response to Question 1, the proposed new stations do not offer additional audience benefit.

They are not distinctive new offerings, and overlap heavily with existing offers across the commercial music radio sector. There is no evidence that they would offer improved value for money for licence fee payers, nor that they would help the BBC better serve its target audience of younger and C2DE audiences.

The wider cultural and social impacts of the stations are likely to be minimal. The commitments around showcasing new and British music do not exceed what the commercial market already offers, and the commitments around speech and specialist music are limited.

The BBC's choice to spend millions of pounds on launching new music stations that replicate what the commercial music radio sector already provides is telling. It has chosen to try to maintain its significant position in the radio market over pursuing its Mission and Public Purposes. It could instead have proposed providing a truly distinctive service that commercial radio stations may struggle to provide and which may have wider social and cultural benefits, such as more local radio provision.

Question 3: What impact (positive or negative) do you think our proposal for new music radio stations on DAB+ might have on fair and effective competition on commercial radio stations providing music content on radio?

The launch of four new BBC music radio stations would be a major market intervention, which would have a deleterious effect on fair and effective competition on the UK's commercial music radio sector.

The launch of R1E and R2E would have a significant negative material impact on the Virgin Radio network, resulting in a loss of listening hours and a loss in revenue across the network. This could make it difficult to sustain the Virgin extension stations. Given our network operating model, these proposals risk having a significant impact on our whole radio business if combined with the proposed change to 5 Sports Extra.

The proposed new R1E and R2E appeal to Virgin network listeners, and would mean a significant proportion listen to the Virgin network less

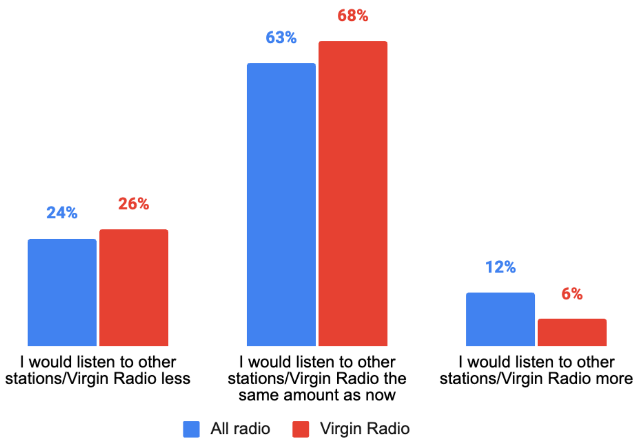
We surveyed Virgin Radio network listeners to better understand likely switching behaviour to the proposed new stations. Alarmingly, a third of Virgin network listeners said they would listen to Virgin stations less if the BBC launched R1E and R2E.

To test the specific appeal of R1E, we surveyed Virgin listeners in the target demographic. Nearly nine in ten (87%) Virgin Radio listeners aged 18 to 34 said they would be likely to listen to the proposed R1E station. Notably, those located outside of London and the South East (87%) and C2DE audiences (85%) were no more likely than average to say they would listen to the proposed station.

Over a quarter of 18-34s (26%) said they would listen to Virgin Radio network less as a result. Respondents cited practical reasons, as well the appeal of the BBC's brand and the proposed music offer.

"I only listen to one station on my commute"
"I would be using the BBC station more which means a reduction in time"
"Because I think I would prefer the new bbc radio 1 station"
'I find some of the bbc music more appealing, I like listening to Dua lipa, Rihanna and co"

Figure 3: Impact of listening to other stations and Virgin Radio network stations, 18-34 year old Virgin Radio listeners



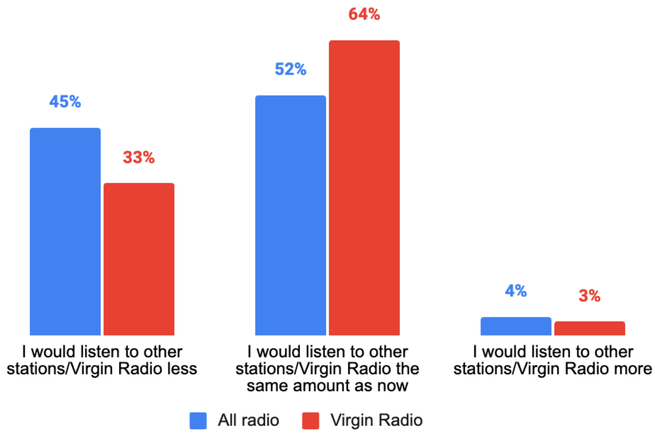
Source: ResearchBods survey for News Broadcasting. N = 197, UK sample of Virgin Radio network listeners aged 18-34.

We saw similar results when we tested the appeal of the proposed R2E among Virgin network listeners in the BBC's target demographic. Three-quarters of Virgin Radio network listeners aged 35 and over said they would be likely to listen to R2E. As a result, over a third of Virgin Radio network listeners aged 35+ said they would listen to Virgin Radio network less.

Key reasons given include the lack of time available to listen to both stations and that R2E sounded similar to Virgin Radio. Comments from respondents included:

"Only certain amount of hours in day to listen to radio so something must give"
"Covers similar sort of listening time to Virgin"
"BBC Radio has a good reputation"
"BBC stations don't have advertising"
"There are other stations like this, should the BBC be copying them?"

Figure 4: Impact of listening to other stations and Virgin Radio network stations, 35+ Virgin Radio listeners



Source: ResearchBods survey for News Broadcasting. N = 209, UK sample of Virgin Radio network listeners aged 35+.

R1E and R2E would have a material impact on the Virgin Radio network's listening hours and revenues

The music radio market is very competitive, and it is extremely unlikely that the launch of these new stations would grow the market for music radio listening in the UK. We would expect that listening to the new stations would come from music radio stations in the UK offering similar key artists and music genres, including Virgin Radio, Virgin Radio Chilled and Virgin Radio Anthems.

The BBC has not set out the extent to which it expects listening to come from cannibalisation of other BBC services versus diverted listening from commercial rivals. The BBC's consultation simply states: "We anticipate that a significant proportion of the listening to each station will be from cannibalisation / of other BBC services, e.g. that much of the listening to the Radio 2 extension will be diverted from listening to Radio 2, the parent station".[20]

In contrast, the BBC has provided estimates for the online-only versions of the stations in the materiality assessment. It estimates that 36% of the uplift to the stations would be diverted from other BBC online listening and 64% from commercial online radio listening.[21]

Our market research indicates that the propositions appeal strongly to our audience, and we know there is already a sizable overlap in listening to the Virgin network stations and BBC Radio 1 and Radio 2. [REDACTED]. It is very likely that we would lose a significant proportion of listening hours to R1E and R2E.

Without providing any detailed quantitative market research on which to base it on, the BBC estimates that its weekly audience for R1E would be 860,000, while R2E would reach 2.09

[20] BBC, New music radio stations: Public Interest Test consultation, p. 24.
[21] BBC materiality assessment, slide 18.

million listeners. The BBC expects that R1E's audience would listen for an average of 3.5 hours a week, delivering 3 million hours, and R2E's audience would listen for an average of 10 hours a week, delivering 21 million hours.

Even at a network level, the projected reach for R2E alone (21 million hours) dwarfs Virgin network's most recent listening hours (11 million hours). [REDACTED].

[REDACTED]. Combined with the potential impact of an extended 5 Sports Extra on the talkSPORT network, the BBC's new services could have a very significant impact across our whole radio business.

There are additional factors not reflected in any market research or modelling that would help R1E and R2E to build market share

The first is the BBC's ability to promote its new music radio stations across its existing radio, TV and online services. Unlike in its 5 Sports Extra PIT, the BBC has not disclosed whether it has a marketing budget set aside for these four new music stations. It may therefore rely heavily on its unrestricted, and very valuable, ability to promote these new music services on BBC platforms.

In 2018, Radiocentre calculated the value of the cross-promotion of BBC Sounds across the BBC's radio and TV services. At the time, it estimated the value of that campaign at £7.53 million in just one week, with most of that value being derived from cross-promotion on BBC Radio services (£6.35 million in that week).[22] While those figures are out of date, they provide an indication of the value of cross-promotion. There is nothing to stop the BBC applying the same approach to the four new music stations, and the value and impact of a promotional campaign across BBC platforms should not be underestimated.

Secondly, if the online-only versions of the stations are not subject to a PIT process, this gives the BBC an additional advantage. It can launch the stations on BBC Sounds while it awaits regulatory approval for the DAB+ versions of the stations. This means it can establish the brands with audiences, pilot and test schedules and shows, and build listening online before then launching on DAB+.

Finally, these stations will have prominence before all commercial stations on DAB+ dials and dashboards. This gives the BBC a privileged opportunity to increase discovery of the station and build listening share, without any significant cost.

[22] Radiocentre, November 2020, Submission to Ofcom's Call for Evidence on the Market Position of BBC Sounds, p. 21. Available at: https://www.ofcom.org.uk/__data/assets/pdf_file/0020/216371/radiocentre.pdf

Question 4: Are there any steps you think we could take to minimise any potential negative effects on fair and effective competition or to promote potential positive impacts?

Given the deeply flawed nature of these proposals - particularly the lack of distinctiveness at the core of both R1E and R2E - there are no mitigations that could be made to negate the significant negative impacts on fair and effective competition that these stations would have.

The stations would have a significant impact to the Virgin Radio network, to the point that running our extension stations could become unsustainable, but without providing any additional net public value.

The launch of these stations is not necessary for the BBC's fulfilment of its Mission and Public Purposes. They indicate that the BBC is chasing mass audience reach by replicating what the commercial radio market has successfully done, rather than focusing on what the BBC is uniquely positioned to deliver. The impact on the commercial radio sector would be completely disproportionate to any public value offered by R1E and R2E. The BBC should therefore completely reconsider its proposals to launch both of these stations.

There are alternatives available to the BBC. As we have set out in our response to the 5 Sports Extra consultation, the BBC could partner with commercial radio stations and carry independent, new entrant and digital-only radio stations on BBC Sounds. This would be convenient for audiences, benefit the wider radio sector and help the BBC to better reach its target audiences, who are already well served by the commercial sector.

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30 April 2024