

# BBC Trust assessment of proposed changes to BBC Radio 5 live Sports Extra

## Executive Summary and decision

### Background

1. In April 2015 the BBC brought a proposal to the BBC Trust to extend the remit of 5 live Sports Extra to allow it to broadcast some new magazine content, and to rebroadcast some existing BBC content in addition to its existing programmes.
2. 5 live Sports Extra is currently an 'overspill' station, providing live coverage of sports rights already owned by the BBC on a part time basis. This proposal would create a regular schedule for Sports Extra – it would broadcast from 9am to 7pm each day, as well as offering any live commentary that fell outside of this time. The addition of new programming could increase the total broadcast hours of Sports Extra by 76% across the year.
3. This change would require amendments to the key characteristics of the Sports Extra service licence. As set out in the Agreement, this raises the presumption of a public value test (PVT) being required. The Trust has therefore considered this proposal in order to ascertain whether the proposal could constitute a significant change to the BBC's UK public services, which would require the Trust to undertake a PVT or whether it can rebut this presumption and approve the change.

### Significance test

4. In assessing significance, the Trust considered the proposal against the four criteria set out the Agreement: the likely impact of the proposal on users of the services and on others, the financial impact, the novelty of the proposal and their proposed duration.
  - *Impact on users.* The Trust has concluded that the proposed change is likely to have a modest positive impact on reach and a more sizeable impact on hours of listening of Sports Extra. The BBC's own projections show that the increase in reach would be small, as all additional listeners would already listen to 5 live. However we think there is some scope to attract additional new listeners if the station were to become a listening destination in its own right, although this is uncertain. The BBC has projected that hours of listening would increase on average by between 22% and 43% (with a much greater increase in winter due largely to a greater increase in hours broadcast). We believe that there is potential for this increase to be higher.
  - *Impact on others.* The Trust has concluded that the proposed change has the potential to have a material impact on others and on one commercial radio broadcaster in particular. The BBC's own projections show a small impact on others, but we think it has the potential to be higher. We cannot be certain that the expansion would not have a material impact on others due to uncertainty over listening behaviour and the potential similarities with the proposed commercial station talkSPORT 2, due to launch at a similar time.

- *Financial implications.* The projected additional cost of the proposal is small at around [redacted] per annum which would be taken from Radio 5 live's budget.
- *Novelty.* The proposed change does not take the BBC into new or novel areas of operation.
- *Duration.* The proposed change would be permanent.

In summary, while the BBC's own projections have shown a small impact on audiences and on others, we have concluded that the impact may be larger than the BBC expects, although we cannot be certain by how much. We therefore conclude that the proposal may constitute a significant change to the BBC's UK public services.

5. We set out the Trust's reasoning for its decision in each of the above areas in more detail later in this document.

### **Trust decision on proposal**

6. Given its decision that the proposal may constitute a significant change to the BBC's UK public services, the Trust has considered whether it should ask the BBC to apply for a public value test.
7. The Trust recognises that the BBC has a duty to get best value from the sports rights it owns, and to promote sports which may not be possible for commercial stations to cover such as minority sports. Sports Extra is already effective in providing increased value to licence fee payers, as an outlet for live sports where the rights are already owned by the BBC.
8. Listening to Sports Extra has increased in the last five years, and audience perceptions of the service are high.<sup>1</sup> The BBC states that the proposed changes would make it more distinctive. It states that the primary aim of the proposed changes is to give increased airtime, exposure and prominence to a wide range of sports that do not currently receive significant coverage on UK radio. The primary aim for re-broadcasting programming already made by the BBC is to increase the profile and broadcast window of content that existing 5 live listeners would appreciate.
9. The BBC also states that in the past three years there has been a decline in listening to Radio 5 live sport programming and that this reflects a broader market trend for sports radio. It states that audience research shows that part of the decline in listening to sports radio is due to the rapid growth in online sports information – people who used to tune into sports radio for results and information now access this online. The BBC states that the proposed change would allow Sports Extra to maintain total listening to BBC sports radio.
10. The Trust recognises that the BBC has a large share of the radio market and it has a large share of radio sports rights, so any expansion of any BBC radio service must be considered carefully. Mindful of this and, in order to provide clarity to stakeholders, we asked the BBC to publish some details of this proposal in April 2015<sup>2</sup>.
11. While our assessment process does not include a public consultation, a number of sports bodies have indicated they are positive about the proposed changes, while UTV Media, owner of

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<sup>1</sup> In 2014-15 an average 1.03 million people listened each week, up from 691,000 in 2010-11. (Source – RAJAR). An average 72% of listeners are 'high approvers' of the service. (Source – BBC Accountability and Reputation Tracker, 2014-15).

<sup>2</sup> See: <http://www.bbc.co.uk/blogs/aboutthebbc/entries/6d8f4ec9-f431-4e1a-a5f5-4ab6defe331d>

talkSPORT, wrote to the BBC and the BBC Trust raising substantive concerns that the proposal would put talkSPORT 2 in direct competition with the BBC in seeking to procure sports rights and programming relationships with sports governing bodies, and that any expansion of Sports Extra's remit would place commercial viability of its plans for talkSPORT 2 in question.

12. We believe that the effect of the proposal would be to change the nature of Sports Extra from a part time, irregular service to one with consistent hours of broadcast. It would therefore no longer act purely as an 'overspill' service and may become a listening destination in its own right.
13. Our assessment shows that the proposal may have benefits for audiences and other stakeholders, such as sports governing bodies. However the BBC's own projections are that these benefits would be small: for instance it states that any increase in reach of the service would be small, and that all new Sports Extra listeners would come from 5 live.
14. Our conclusion is that the proposal may have a material impact on other broadcasters. However, the size of impact is uncertain due to the planned the launch of talkSPORT 2 at a similar time.
15. On this basis, the Trust concludes that the proposal may constitute a significant change to the BBC's UK public services so the BBC must apply for a public value test (PVT) if it wishes to seek approval of the proposal. This would enable the Trust to assess the proposal on the basis of fresh evidence and an independent market impact assessment.

## Significance assessment

The remainder of this document sets out the Trust's reasoning for its decision on the significance of the proposed change to 5 live Sports Extra.

## Background

### Testing the BBC's proposals for their significance

16. The Trust's approval is required for any change to a BBC service which takes it beyond the terms of its published service licence. In addition, under the terms of the BBC's Framework Agreement, the Trust is required to assess certain proposals in order to determine whether a Public Value Test (PVT) is needed. The PVT is a regulatory process, including public consultation, in which the Trust assesses the public value of the proposed change, Ofcom assesses market impact and the Trust's decision is based on both sets of findings.
17. In deciding whether a proposal constitutes a significant change to the UK Public Services and so requires a PVT, the Trust must have regard to the four considerations set out in clause 25(2) of the Framework Agreement; that is, the impact, financial implications, novelty and duration of the proposed change.
18. This assessment covers a proposal to amend 5 live Sports Extra's service licence in order to allow it to broadcast some new magazine programming and to repeat existing BBC content, alongside the live sport it currently offers. The proposal would require changes to the key characteristics of the Sports Extra service licence and, according to the Framework Agreement, this raises the presumption that the Trust should carry out a PVT, unless the Trust can justify departing from the presumption.

### Current position of 5 live Sports Extra and sports radio

19. 5 live Sports Extra is a national digital radio station (available on DAB digital radio, digital television platforms and online) which has been broadcasting since 2002. It operates on a part time basis, as an 'overspill' service, providing coverage of live sports already owned by the BBC.
20. The service licence remit of 5 live Sports Extra is to "*bring a greater choice of live action to sports fans by offering a part-time extension of BBC Radio 5 live. The service should aim to provide increased value for licence fee payers from the portfolio of sports rights already owned by the BBC by offering alternative coverage to that provided on other UK-wide BBC services. All output on 5 live Sports Extra should be live sports coverage.*"
21. In 2014, Sports Extra was on air for an average of 6.5 hours per day, with the remaining hours of airtime filled with a short 'sustaining loop'. The station's output is seasonal, with more content broadcast in the summer and at weekends and its output is heavily skewed by its cricket coverage; excluding cricket, the station was on air for an average of 2.8 hours per day.
22. In addition to Sports Extra, there are currently only two national radio stations which specialise in sports output: BBC Radio 5 live, which has a remit to provide live news and sports coverage, and talkSPORT, a 24-hour speech service featuring primarily sports-related programming, owned

by UTV Media GB. A number of local radio stations (including BBC Local Radio and the BBC's national radio stations) also offer some sports output, and national commercial station Absolute also carries some sports coverage.

23. In March 2015 Ofcom awarded a new national digital radio multiplex licence to Sound Digital, a consortium of Arqiva, Bauer and UTV Media GB. This is expected to launch in March 2016 with a number of new national digital radio stations, including a new sports radio offer, talkSPORT 2. The proposed description of talkSPORT 2 states that it will be "a speech service providing coverage of a broad range of live sporting action from the UK and around the world along with complementary sports talk programming".

## The BBC's proposal

24. The BBC has proposed to amend the remit of 5 live Sports Extra to allow it to broadcast some new sports magazine programming, and some existing BBC sports journalism programming, in addition to the live sport already broadcast on the station. The new programming would not include any live sport.
25. The new programming would make the Sports Extra schedule more consistent, broadcasting for 10 hours per day from 9 am to 7 pm, alongside any live sport commentary that falls outside of this time as per the current remit. New content would include:
  - a maximum of 10 hours per week of new magazine programming per week on the station, which would be broadcast a maximum of three times per week,
  - a maximum of 10 hours per week of existing programming already broadcast by the BBC.
26. In making these changes, the BBC would commit to broadcasting coverage of at least 30 sports per year on Sports Extra. The BBC states that in order to maximise distinctiveness, the new magazine content would not include Premier League or international football; international cricket or international rugby union. Sports Extra would offer more sports journalism including content from 5 live as well as other BBC stations including BBC World Service, BBC Scotland, BBC Wales, BBC Northern Ireland and BBC local radio and international partners.
27. In the first year, the BBC expects new content of Sports Extra to include:
  - a new weekly Olympic and Paralympic magazine show in the build up to the Rio Olympics
  - a new weekly cycling magazine show featuring both elite sport and participation
  - a new weekly netball magazine show during the domestic league season
  - a new weekly women's football magazine during the domestic season
28. If the change went ahead, the BBC has committed that the output of Radio 5 live would not change and that its commitment to a wide range of at least 20 sports, including live commentary, would remain.
29. The cost of making these changes would be approximately [redacted] per year which would be redistributed from the 5 live budget, so that the combined budget of the two stations would remain unchanged. It would aim to implement the changes from January 2016.

## Assessment of significance

30. In reaching a decision on significance, the Trust must consider the likely impact of the proposal on users of the services and on others, the financial impact, the novelty of the proposal and their proposed duration. We set out our assessment of the proposal against each criterion below:

### Impact

31. The Trust has looked at the potential impact of the proposal on users and others.

### Impact on Users

32. Drawing on primary data and supporting analysis provided to us by the BBC we have considered the extent to which the proposal is likely to change audience consumption patterns.

### *BBC assessment*

33. The BBC has undertaken analysis on the likely impact of the proposed changes on users. It has calculated the likely uptake of the new service in terms of reach (i.e. the number of people who would listen to the station each week) and hours of listening.
34. The BBC's analysis is based on existing audience data for two quarters (Q1 2014 and Q3 2014), using two mock up schedules for new content on 5 live Sports Extra, in order to take into account seasonal variations in the sporting calendar. The mock up schedules show that in addition to the live commentary included in the current schedule:
- the summer schedule includes 12 additional hours of programming each week (1.7 hours per day) concentrated around mid-morning (9-11am).
  - the winter schedule includes 57 additional hours of programming per week (8.1 hours per day) spread out between 9am-7pm during the week and 9am-4pm at weekends.

The modelling assumes that each schedule would be broadcast for six months of the year. Across the year, the additional programming would equate to an additional 34.5 hours of content on Sports Extra each week (or 4.9 hours per day) (or an increase of 76%).<sup>3</sup>

35. The BBC found that:
- The reach of the 5 live portfolio (5 live and Sports Extra) would not increase. It states that an extended Sports Extra schedule would help maintain existing sport reach, not attract audiences who have already migrated to new platforms or other stations;
  - The reach of an expanded Sports Extra would increase by between 12% and 25%, from an average 1.02 million adults per week to between 1.14 and 1.27 million adults per week (and the increase would be higher in winter, by between 18% and 37%, compared with between 9% and 17% in summer);

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<sup>3</sup> The BBC's original assessment of impact was based on mock up schedules which, in error, included some new programming outside of 9am to 7pm (which are the parameters for the new programming, as set out in its proposal). It subsequently corrected this, so our final assessment is on this revised basis. Ofcom considered the proposal based on the BBC's original assessment, so some data it used will not match some other data in this report.

- Its listener hours would increase by between 22% and 43%, from 3.7 million hours per week, to between 4.4m and 5.2m hours per week (and the increase would be highest in winter, by between 62% and 124%, compared with between 6% and 11% in summer).

### ***Trust assessment***

36. We have reviewed the BBC's assessment of impact, and broadly agree with the methodology it has used. However, there are a number of areas where we think there is potential for the impact on audiences to be greater than the BBC projects. Our assessment is set out below.

### *Reach and hours of listening*

37. The BBC calculated a total 'potential audience' for the new Sports Extra content. It assumed that this would be limited to:
- Audiences who already listen to digital radio;
  - Existing listeners to sports content on national radio stations (i.e. sport on 5 live or talkSPORT);
  - Existing listeners of 5 live (i.e. there would be no new listening to the new Sports Extra content from talkSPORT listeners who do not already listen to 5 live);
  - Listeners who already listen to other radio stations at the time when the extended Sports Extra content would be broadcast (i.e. there would be no creation of new radio listening 'occasions').
38. Based on these assumptions, the BBC's modelling shows the total average 'potential audience' of Sports Extra would be 2.54 million. It then calculated the most likely increase from the potential audience based on existing reach levels and concluded that 5-10% of the 'potential audience' would listen, so that reach would increase, on average, by between 127k and 254k to between 1.14m and 1.27m (with a greater increase in its winter schedule).
39. In calculating the increase in hours of listening, the BBC has made the following assumptions:
- During the extended schedule, the potential audience would be derived from the same assumptions used for the reach calculations (as shown in paragraph 37);
  - When there is no new programming, the listening levels to Sports Extra would remain the same as in 2014;
  - New listening to Sports Extra's new programming would exclusively replace existing listening to other radio stations – i.e. there would be no new listening from people who do not already listen to the radio at the these times.
40. As with reach, the BBC calculated the total potential increase in hours of listening, and then the most likely level of listening. It expects the new Sports Extra programming would have a smaller audience than existing programming, so the most likely increase would be between 2.5% and 5% of available listening from the total potential audience. This would result in an average weekly increase in listening hours of between 0.8 million and 1.6 million hours per week, giving a total of between 4.4 and 5.2 million hours per week and equating to an increase of between 22% and 43%.
41. The BBC expects the increase in hours to be much higher in winter, largely due to a much greater increase in broadcast hours. In winter, listening hours would increase by between 62%

and 124% (albeit from a lower base, of 2.08 million listening hours per week), while in summer, it projects listening hours to increase by between 6% and 11%.

**Figure 1: BBC analysis of projected hours of listening to proposed 5 live Sports Extra**

'Acquisition' level:	2.5%	5%
<b>Summer:</b>		
... current listening hours (000s)	5,232	5,232
... increase in hours (000s)	298	595
... <b>increase %</b>	<b>6%</b>	<b>11%</b>
... <b>total projected hours (000s)</b>	<b>5,530</b>	<b>5,827</b>
<b>Winter:</b>		
... current listening hours (000s)	2,079	2,079
... increase in hours (000s)	1,285	2,570
... <b>increase %</b>	<b>62%</b>	<b>124%</b>
... <b>total projected hours (000s)</b>	<b>3,364</b>	<b>4,649</b>
<b>Average:</b>		
... current listening hours (000s)	3,656	3,656
... increase in hours (000s)	791	1,583
... <b>increase %</b>	<b>22%</b>	<b>43%</b>
... <b>total projected hours (000s)</b>	<b>4,447</b>	<b>5,238</b>

Source: BBC analysis, current hours are based on RAJAR data from Q1 2014 for winter and Q3 2014 for summer

42. We believe that the increase in both reach and hours of listening to the new content may be higher than the BBC projects for the following reasons:
43. Firstly, the BBC has based its analysis on existing audience data for Q1 and Q3 2014 and has projected increases in reach and listening hours on 2014 levels. However, we note that the annual average of reach and listening hours for Sports Extra have been rising in recent years: reach has increased from 691,000 in 2010-11 to 1.0 million in 2014-15, an increase of 49% and hours of listening have increased by 93%<sup>4</sup>. We think it is reasonable to assume that growth in listening to Sports Extra may continue in future years and so give a higher 'base level' for projecting increased reach and listening hours for the expanded service.
44. Secondly, the BBC assumes that the reach of the proposal would be limited to those already listening to digital radio. We broadly agree with this assumption but note that reach of digital radio is increasing<sup>5</sup>. Assuming that digital listening is likely to increase at a broadly similar rate in the next few years would mean that the potential audience would be slightly higher.
45. The BBC also assumes that reach would be limited to existing listeners of 5 live and those who already listen to sports content on 5 live or talkSPORT. However, we think that some new listeners from outside the 5 live portfolio may be attracted by the expanded content. Sports Extra is currently an 'overspill' station for 5 live, and the majority (77%) of its audience also listen to 5 live<sup>6</sup>. However, the expansion would create a full daily schedule with consistent hours of broadcast which could have the potential to become a listening destination in its own right

<sup>4</sup> Source: RAJAR, all adults 15+, 2010-11 and 2014-15

<sup>5</sup> Reach of digital radio reach has increased from 43.1% of all UK adults in Q1 2011 to 53.5% in Q1 2015. Source: RAJAR

<sup>6</sup> Source: RAJAR 2014-15

with appeal to a wider audience. The BBC's ability to cross-promote Sports Extra from other services (beyond 5 live) increase this potential. Ofcom also takes this view in its assessment of impact on others.

46. The BBC assumes that the expanded service would not create new 'radio occasions', i.e. new listeners to Sports Extra would be limited to those who already listen to the radio at the new times of broadcast, and it assumes that its listening hours would be entirely substitutional (i.e. replacing existing radio listening), rather than additional. We think there is some potential for additional radio listening 'occasions' and hours to take place if, for instance, there are specific sports or types of output that listeners are sufficiently interested in to seek the station out at times they wouldn't have necessarily been listening to the radio.
47. We also note that the BBC's modelling assumes consistent appeal across all output, and does not take into account the variation in output of the proposed content, i.e. it assumes the same level of appeal for content regardless of the sport it covers, and whether it is new magazine programming or repeats of existing BBC content. The BBC states this is due to a lack of primary audience research, and to avoid spurious precision within the calculations.
48. We agree that it is difficult to project the likely listening by different sport type, but note there may be some potential for some coverage to have greater appeal. It may be the case that, for instance, repeats of football discussion programmes from 5 live may appeal to a larger audience than a magazine programme on a minority sport. However, without additional consumer research, we are unable to confirm this.

#### *Podcast and online listening*

49. The BBC states the new magazine content would also be delivered on digital platforms – specifically by podcast and via prominent links from the relevant BBC Sport website home pages. While difficult to project the likely take up, we note that there may be some further audience benefit from content being delivered in these ways.

#### ***Conclusion – impact on audiences***

50. Our assessment is that the proposal may have a modest positive impact on audiences in terms of both reach and a more sizeable impact on listening hours, and that the growth may be higher than the BBC's projections.

#### **Impact on others**

##### ***BBC assessment***

51. The BBC's analysis of the impact of the proposal on others focuses on the impact on talkSPORT and the planned new station talkSPORT 2.
52. The BBC's analysis shows that approximately 70% of listening by the 'potential' audience of the new Sports Extra schedule comes from BBC radio stations, while 30% comes from commercial stations. It assumes that any decline in listening to other stations attributable to the expanded Sports Extra would be proportional to this.
53. The BBC considers the impact on talkSPORT listening hours under different scenarios: in the most likely scenario, each commercial station's loss in listening hours would be proportional to its

current share of listening among the potential audience and in the worst case scenario, 100% of the lost commercial listening hours would come from talkSPORT.

54. Based on the assumption that Sports Extra would acquire between 2.5% and 5% of listening hours from its total potential audience, the BBC has projected that in the most likely scenario the proposal would result in talkSPORT losing no more than 0.4% of its listening hours. In the worst case scenario (if 100% of the loss in commercial listening hours came from talkSPORT), it projects that talkSPORT would lose between 1.1% and 2.2% of its listening hours.
55. To estimate the impact that the expanded Sports Extra would have on talkSPORT2, the BBC has followed a two-step procedure: firstly it created a baseline estimate of talkSPORT 2 listening (in which it assumes that the ratio of listening between talkSPORT and talkSPORT 2 would mirror that of 5 live and Sports Extra), and in the second step it determined how much of that listening would be affected by the proposal. It then used the current ratio of listening between talkSPORT and 5 live or 5 live Sports Extra to estimate the proportion of talkSPORT 2's listening that could move to Sports Extra.
56. In its most likely scenario, the loss in listening to talkSPORT 2 would be proportional to the 'current' share of listening hours of the potential audience and in its worst case scenario, 100% of projected talkSPORT 2 listeners who also listen to 5 live or Sports Extra would migrate to the new Sports Extra content.
57. Based on the assumptions above on listening hours for the expanded Sports Extra, it estimates that the most likely scenario would be that talkSPORT 2's listening hours would fall by no more than 0.6%, while its worst case scenario would be an average weekly loss of 12% of listening hours.

### ***Ofcom assessment***

58. Ofcom has assessed the likely impact of the proposal on others. Its full response is published alongside this document.
59. Ofcom reviewed the proposal and its supporting information, and some further information provided by the BBC at their request. Ofcom has not commissioned any additional market research, obtained any new information or data specifically for this work, or consulted with stakeholders.
60. Ofcom highlights that the proposal would result in an increase of almost 85% of broadcasting hours of 5 live Sports Extra<sup>7</sup>, and that it would change the service from one with sporadic output, to one with consistent hours of broadcast and a regular schedule. It therefore states that this would result in a potential change in identity of the radio station, as it would cease to be an "overflow" station from 5 live and would be more likely to become a listening destination in its own right. Ofcom argues that this degree of change inherently carries a greater potential of impact on others, and rival radio stations in particular. It considers five categories of providers that could be affected by the proposals:

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<sup>7</sup> As noted in footnote 3, the BBC's original assessment of impact was in error based on mock up schedules which included some new programming outside of 9am to 7pm. It subsequently corrected this, but as Ofcom considered the proposal based on the BBC's original assessment, some data used by Ofcom in its assessment of the proposal does not match some other data in this report. The BBC's updated analysis for instance shows that hours will increase by 76% rather than almost 85%.

- a. Existing commercial radio stations
- b. Proposed commercial radio stations
- c. Sports websites and podcasts
- d. Independent producers
- e. The sports content rights market

61. With regard to **existing commercial radio stations**, Ofcom considers the most direct impact would be likely to be felt by the station's closest competitor, talkSPORT. It states that while the BBC assumes there would be no new listeners to the 5 live portfolio as a result of the proposed changes, it considers that new listeners might be attracted by the expanded content, including new minority sports content. Ofcom concludes that while the additional hours would be for magazine show content rather than live sports commentary, it does not think that the proposal is incapable of affecting radio stations which provide live sports commentary (such as talkSPORT), given that Sport Extra is proposed to become more of a destination station for sports listeners in its own right.
62. Ofcom considers that other commercial radio stations which offer some sports coverage could be affected, although the impact is likely to be less than for talkSPORT. While Ofcom recognises that the proposals could potentially have an effect on other general commercial stations, it also expects that the proposals would not have a large impact on other commercial radio stations, particularly given 5 live Sports Extra is a digital-only station.
63. Ofcom believes that the proposals could have a material impact on UTV Media's **proposed service** talkSPORT 2. It states that there are a number of similarities between the two stations, and that the proposals mean that Sports Extra would have a potential audience that overlaps with talkSPORT 2's. However Ofcom also notes the potential for the proposals to expand the market for minority sports coverage, if they attract a new audience to radio coverage of the sports. It states that this could have a positive impact on commercial radio stations covering minority sports, including talkSPORT 2.
64. Ofcom notes that the proposals could have a positive effect on **independent radio producers**, by increasing the opportunity for gaining commissions from the BBC. It also considers that there could be positive or negative effects on **sports websites and podcasts**, however it is difficult to identify the likely impact.
65. Finally, Ofcom notes that while the BBC suggests that it will not be bidding for any new sport rights, that it also suggests there will be a positive effect on **sports rights markets** and listening (through greater exposure leading to increasing popularity). Ofcom states that this suggests the potential for the prices of rights to increase in the future and that an increment in price would benefit rights holders, but may have mixed effects for broadcasters and consumers.
66. Ofcom concludes that there is a risk that the proposals may have a material impact on talkSPORT and a potentially greater impact on talkSPORT 2. Ofcom also notes that it is difficult to conclude with any certainty that the proposals would not have a material impact on talkSPORT stations since further analysis would be required to have confidence about the scope and scale of the potential impacts on others, both positive and negative, resulting from these proposals.

### ***Trust consideration***

67. We have reviewed the BBC and Ofcom's assessments of impact on others and agree with Ofcom's assessment of the potential impact on the sport content rights market, independent radio producers and sports websites and podcasts. With regard to the impact on commercial radio stations (both current and proposed services) we agree with the BBC and Ofcom that the providers that would be most likely to be affected are talkSPORT and talkSPORT 2.
68. With regard to talkSPORT, the BBC has concluded that proposal would have a small impact (of around 0.4% of listening hours). We believe that the proposal has the potential to have a larger impact than this, for instance if the increase in Sport Extra's hours of listening were higher (as discussed in the impact on users section) or if the overlap in listening between talkSPORT and the new Sports Extra content was greater than the BBC projects. While this may be unlikely, we think that further evidence is required to conclude with certainty that the proposal would only have a negligible impact on talkSPORT.
69. On the other hand, while we agree with Ofcom that the proposal could make Sports Extra a destination station, rather than an "overflow" station, we believe that the offer of talkSPORT and Sports Extra would still be distinct and likely to attract different listeners. On balance, we believe that it is likely that the proposal may not have a material impact on talkSPORT, but that further evidence would be needed to be certain about this.
70. With regard to talkSPORT 2 we recognise that there are potential similarities between the new Sports Extra proposition and talkSPORT 2, so that the potential audience overlap could be more pronounced than it currently is between talkSPORT and the BBC sport offer. We therefore think that there is potential for the proposal to have a greater effect on talkSPORT 2 than the BBC has projected. Moreover, the uncertainty about talkSPORT 2 programming and its audience composition and behaviour make it impossible to assess the impact that the proposal would have on the station. Another cause of concern relates to the close launches of the extended Sports Extra and the new talkSPORT 2 radio station. The fact that Sports Extra is already operating could give it an advantage over talkSPORT 2 which has yet to launch and establish its position in the market.

### ***Conclusion – impact on others***

71. Projecting the effect of a proposed change is intrinsically uncertain, however in this case, the changes taking place in the sports radio market make it particularly difficult. For this reason we have concluded that the proposed change has the potential to have a material impact on others and on one proposed commercial radio broadcaster in particular, talkSPORT 2. We have also concluded that while the proposal is unlikely to have a material impact on talkSPORT, that further evidence would be needed to be certain of this.

### **Financial implications**

72. The projected additional cost of the proposal is small as it entails the redistribution of around [redacted] per annum from 5 live's budget to 5 live Sports Extra's. This would result in a

[redacted] increase in Sports Extra's budget (of £2.5m) and a [redacted] reduction in 5 live's current service licence budget of (£45.3m).<sup>8</sup>

73. [Redacted] as the combined service licence budget of 5 live and Sports Extra would remain stable, we do not consider the change to be a material one. This proposal would not materially affect the BBC's activities in other areas.

### **Novelty**

74. The changes to the service do not take the BBC into new or novel areas of operation, and for this reason we do not consider this to be a material factor in our assessment of significance.

### **Duration**

75. The proposed change would require a permanent change to the 5 live Sports Extra service licence.

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<sup>8</sup> Based on 5 live and 5 live Sports Extra's current budgets (for 2015-16), as published in their service licences, which can be found here: [http://www.bbc.co.uk/bbctrust/our\\_work/services/radio/service\\_licences.html](http://www.bbc.co.uk/bbctrust/our_work/services/radio/service_licences.html)