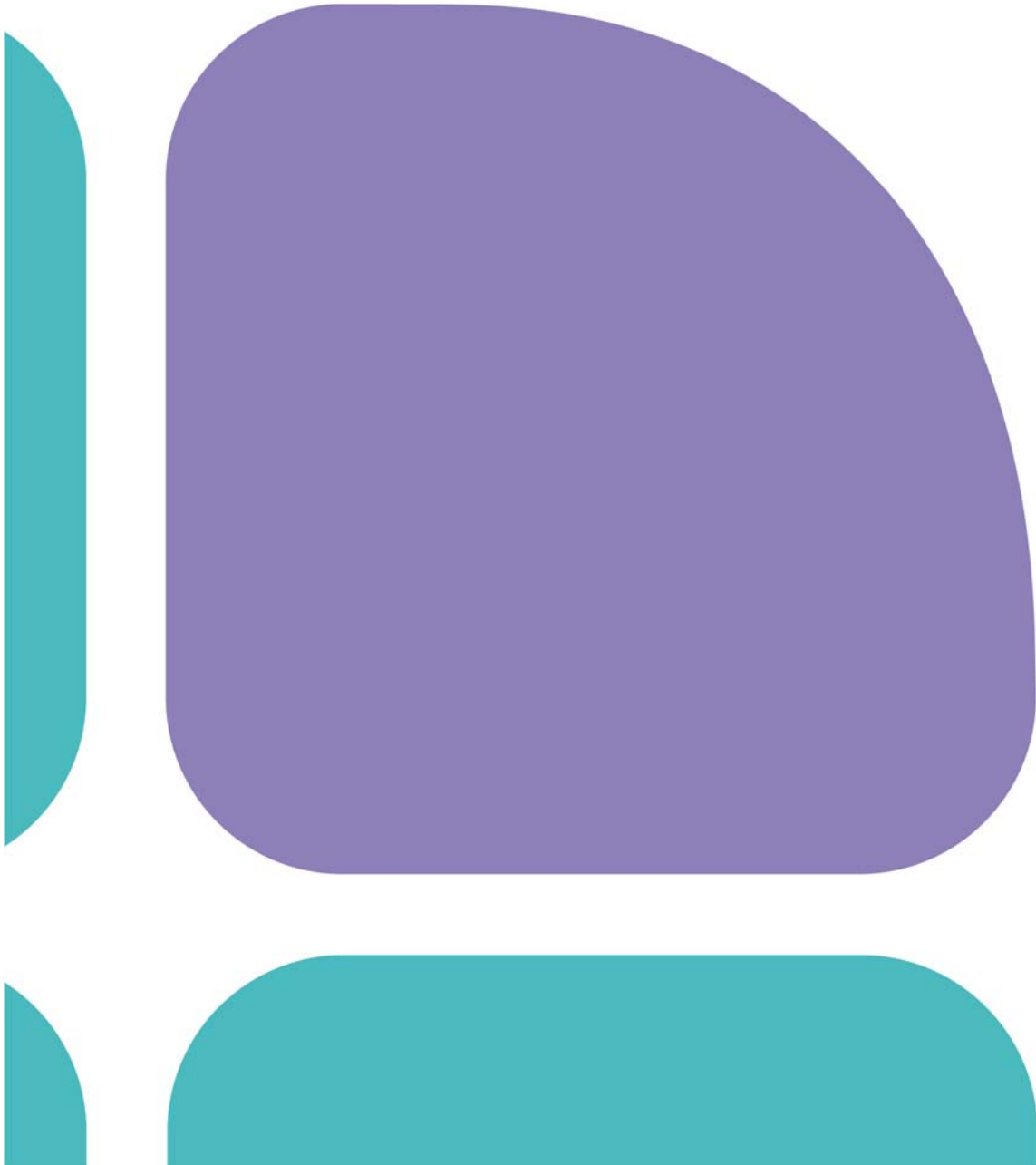




An Application for the FM Independent Local
Radio Licence for North East England



GENERAL INFORMATION

(a) Name of Applicant, Address, Telephone and Fax Nos., E-mail address

Name: Touch FM
Telephone (daytime): 020 7845 6801
Fax: 020 7836 1117
Address: 39 Long Acre
London
WC2E 9LG
E-mail address: touchfm@celador.co.uk

(b) Main Contact (For Public Purposes)

Name: Yvette Dore
Telephone (daytime): 020 7845 6836
Address: 39 Long Acre
London
WC2E 9LG
E-mail address: ydore@celador.co.uk

(c) Proposed Station Name (if decided)

TOUCH FM

(d) Brief Description of Programme Service

An 'Adult Variety' music and quality news service targeted at those aged 45 and above in North East England; with a commitment to intelligent speech and offering the widest selection of 'easy listening' music across all usual genres and extending into light classical, songs from the shows and original film sound tracks.

(e) Main Contact (For Ofcom Purposes)

Please see Confidential Appendix

Executive Summary

Ability to Maintain the Proposed Service:

- Touch FM has unrivalled collective understanding of the North East, its culture, its radio market and the business environment coupled with knowledge and experience in creating successful radio targeted at the older age groups.
- Touch FM is backed by Celador, one of the most successful independent media companies in the UK, with a unparalleled record of producing top quality, highly popular and engaging programmes in both the television and radio sectors.
- Touch FM fits into Celador's long-term strategy of becoming a force in the commercial radio sector by establishing local commercial radio stations custom built to cater for an underserved local audience. This service is not only distinctive within the local analogue market but also among the digital services available to that audience.
- Touch FM delivers an audience currently unavailable via commercial radio in the region. A compelling proposition for advertisers.

Catering for Tastes and Interests

- Touch FM programming has been developed to provide the disenfranchised 45 plus audience with a real commercial alternative to BBC listening in this region.
- The Touch FM Adult Variety music mix gives this audience what they want to hear - 'Variety'. Touch FM is a station that defines its music output not by age or by position in any sales chart but by the strength of its place in the culture of the target audience.
- Touch FM's music will be carefully selected from all genres over the past six decades within the broadest parameters of adult listening.
- Over one third of Touch FM's output will be speech, providing the target audience with what it wants - a comprehensive local information service and platform for conversation and debate.
- Touch FM's high editorial values ensure that speech content is intelligent, considered, informed and certainly never dull.
- Touch FM brings an alternative and dynamic approach to the provision of quality local news through an exclusive partnership with ITV Tyne Tees.

Broadening Choice

- Touch FM provides a distinctive and different programme service from that on offer from the local commercial sector, analogue or DAB.
- Touch FM caters for the 45 plus listener. Over half the population are in this age bracket. A significant majority currently listen to the BBC. (BBC has a 63.4% share of listening in this age group).
- With a catalogue of over 3500 tracks on limited rotation, Touch FM will play a far greater variety of music than currently available in the North East.
- 60% of Touch FM's music output is not currently featured on existing services. Touch FM will include album tracks that were not released as singles and music from film and musical theatre as well as light classical repertoire.
- All Touch FM's output will be locally produced. Touch FM will broadcast 'live' programming 24 hours a day, every weekday and every weekend.
- Touch FM will provides 100 minutes a day of live and 'tailor made' locally produced news over each 24 hour period, with north/south regional split bulletins at peak times.

Evidence of Demand and Support

- Commercial radio's share of this audience continues to decline among the 45 plus age group. They are simply not listening to local commercial radio anymore. This is through lack of satisfactory alternatives, as they are well disposed to local programming.
- BBC Radio 2 has increased its share of listening by 100% (8.7% to 17.4% share over six years).
- Our research shows demand for a local station among the 45 plus age group that offers a variety of music currently only available to them on BBC Radio 2. 64% of all 45 plus audience say they are likely to listen to Touch FM.
- Research shows an unfulfilled demand among the 45 plus age group for a comprehensive local news and information service. The region is vibrant and rapidly changing. There is a demand for a truly local station that reflects these changes.

**SECTION 105 (A):
Ability to Maintain Proposed Service**



ONLY ONE STATION
TOUCHES BOTH OF THESE



touch 

1. Ownership and control of company which will operate the licence

(a) Board of Directors

(i) Provide the name, occupation, other directorships, other media interests, background and relevant media experience of each director (executive and non-executive), including the proposed chairperson.

NON-EXECUTIVE CHAIRMAN

Name: Alastair Balls CB

Occupation: Director, International Centre for Life Limited

Other Directorships:

Northumbrian Water Limited

NStar Limited

CELS Limited

Other Interests:

Chairman, Newcastle Gateshead Initiative

Member, Newcastle University Court

Background and Media Experience:

No one individual has a better understanding of the culture, aspirations and issues that characterise the North East. Alastair was a board member of the Independent Television Commission for seven years until the organisation was absorbed into Ofcom in 2004. During this period he had board oversight of issues concerning the northern English regional television broadcasters. He took a special interest in the conditions of independent producers and chaired the Commission committee on compliance failures and breaches in the regulations.

He came to the North East in 1983 as the Regional Director of the Transport and Environment departments, responsible, inter alia, for the regional regeneration programmes. In 1986 he became the chief executive of the Tyne and Wear Development Corporation, which was responsible for replacing the redundant shipyards and coalmines with business parks, leisure parks, riverside villages, university campuses and the set-piece redevelopment of Newcastle Quayside. He now chairs the Newcastle Gateshead Initiative, which is a partnership of the local authorities and the private sector with responsibility for a multi-million pound, ten-year culture programme on both sides of the river. The Initiative encompassed the recent opening of the Sage Gateshead Concert Hall, the Baltic Contemporary Art Gallery, and the 2005 Tall Ships Race. He has lectured extensively on urban regeneration in the UK and elsewhere.

Alastair changed direction in 1997 to raise capital to set up an independent experimental science village - The Centre for Life - to enable the best of local scientists, educationalists, ethicists and NHS health workers to work together to explore and exploit discoveries in the fledgling field of genetics and life sciences. The Centre was the first in the UK to derive embryonic human stem cells and recently completed the first UK human embryonic nuclear transfer within the complex UK regulatory system, which brought Newcastle science a national and international profile. The Centre provides working labs for school children and family parties to enable them to meet scientists, experience hands-on science and to encourage curiosity. It seeks to carry all this out in an open, public environment to enable scientists to engage with the public in this controversial area of work.

Alastair was educated at Hamilton Academy, St Andrews University and Manchester University. He worked first for the Government of Tanzania as an economist and subsequently for the UK government, in Treasury as a senior economic adviser and the Departments of Environment and Transport, reaching the rank of undersecretary.

He was appointed a Companion of the Order of the Bath (CB) in the Queen's New Year Honours 1994 for services to the region and urban regeneration.

NON-EXECUTIVE DIRECTOR

Name: Tim Blackmore

Occupation: Consultant Editorial Director of UBC Media Group

Other Directorships:

UBC Media Group plc	The Unique Broadcasting Company Limited
Oneword Radio Limited	Classic Gold Digital Limited
Smooth Operations Limited	Celador Radio Broadcasting Ltd
The Radio Academy (Limited by Guarantee)	Ensemble 2000 Limited
Gilmour Broadcasting Limited	

Other Media Interests:

As above

Background and Media Experience:

Tim is widely recognised as one of the doyens of radio having enjoyed a hugely successful career, both with the BBC and the commercial sector. He was raised in Blyth in Northumberland and occupied his formative years with a season ticket for Newcastle United and membership of what must have been the best Youth Club in the UK. There he learned how to use a tape recorder, won a Northumberland County public speaking competition and even got a good review for his acting with Blyth Grammar School's Dramatic Society. He credits Blyth as having given him his grounding in the life skills that have served him so well and cherishes Northumberland as his spiritual home.

Tim began his radio production career in 1967 when the BBC's Gramophone Department hired four young men to help launch Radio One. His programming of the Tony Blackburn Breakfast Show lasted three years until he was asked to launch the radio career of Noel Edmonds whose Sunday Morning Show was the first to concentrate on album tracks rather than singles. In 1973 he was commissioned to write and produce the first ever serious attempt to tell the story of the first twenty years of Rock 'n' Roll's birth and subsequent development. 'The Story of Pop' narrated by Alan Freeman was eventually broadcast in more than seventy territories and spawned one of the most successful part works ever.

In 1977 Tim accepted an invitation from London's Capital Radio to become its Head of Music rising eventually to join the executive board as Head of Programmes. At the end of 1982 he left Capital, taking on personal management of both Alan Freeman and Richard Allinson. As a freelance producer he worked on the 1987 and 1988 BRITS Awards shows for the BPI and in 1987 took over responsibility for the annual Ivor Novello Awards producing a total of 21 consecutive shows. In 1984 Tim launched the now annual Music Radio Conference under the auspices of the newly emergent Radio Academy and was later appointed as the Academy's first Director. Tim has continued to serve as an Executive Board member of the Radio Academy and since 1999 has been Chairman of the Sony Radio Academy Awards.

In 1986 he met Simon Cole and worked with him as Consultant Programme Director of PPM Radiowaves, probably the very first independent production company to emerge since the arrival of UK commercial radio. In 1989 they left PPM and together launched the Unique Broadcasting Company, which in 2000 was floated on the AIM market as the UBC Media Group PLC.

Tim was made a Fellow of the Radio Academy in 1994 and received an MBE for services to Independent radio production in 1999.

NON-EXECUTIVE DIRECTOR

Name: Steve Cochrane

Occupation: Managing Director Psyche Department Store

Other Directorships:

Middlesbrough Town Centre Company

Other Media Interests:

None

Background and Media Experience:

Steve is one of the region's leading entrepreneurs. He embodies the growing sense of enterprise in the region and has a strong commitment to the on-going regeneration of the North East. Steve's greatest passion is for everything Middlesbrough and he is a Director of Middlesbrough Town Centre Company.

His other passion is fashion. Dreams of making Middlesbrough the Mecca for retail chic in the North East is at the heart of Steve's driving ambition. As the owner of award-winning designer store Psyche, dubbed the "Harvey Nichols of the North East", Steve has seen his vision of opening a luxury department store in the city centre become a recent reality.

Steve's dreams started to become a reality more than twenty years ago when he spent six months working as a mechanical engineer on oilrigs to raise the cash to open his first fashion shop, Sliced Tomatoes, in Redcar. In 1982 Steve opened the first Psyche fashion store on Linthorpe Road in Middlesbrough. Two years later, he went on to expand Psyche into two shops for both men's and women's fashions. At the 1995 FHM Menswear awards Psyche scooped the much-coveted Designer Retailer of the Year. In 1998 at the Tees Valley Business Awards, Psyche won the New Product trophy while Steve scooped the Business Executive of the Year.

In 2002 he announced his plan to buy Middlesbrough's Uptons store and invest £2.5million into making it a designer fashion fan's dream. He raised enough money for the initial investment into the grand old building. Today it is a 36,000 sq ft retail space with 150 exclusive clothing and sportswear brands, a florist, oyster bar, chocolatier, jeweller's, hair salon, nail bar, optician and beauty facility that offers cosmetic dentistry, botox and reflexology.

The success of the new store has confirmed the status of Psyche in the industry. The Teeside store beat competition from Harvey Nichols and Selfridges to win the Drapers Award for Best New Store 2004 and Retailer of the Year Award. In 2005 Psyche was awarded the FHM magazine Retailer of The Year.

Nevertheless, this is only the beginning. Steve has started to transform a stretch of adjacent Garnet Street into an open café area with quality shops, bars and hairdressing salons that will bring European café culture to the city. In January 2006 work starts on building a giant glass elevator next to his Psyche store that will lead to a new rooftop restaurant capable of seating more than 400 diners and a twenty-four-room 'boutique' style hotel.

NON-EXECUTIVE DIRECTOR

Name: James Moir CBE LVO

Occupation: Television and Radio Broadcasting Consultant

Other Directorships:

Celador Radio Broadcasting Limited

Other Media Interests:

Trustee of Symphony Hall Birmingham Limited

Member of the University of Salford's International Media Centre

Background and Media Experience:

Responsible for the successful revamp of Radio 2, making it the most listened to station in the country, James brings a unique insight to the demands of our target audience. His experience and creativity has enormous value in both guiding the direction of Touch FM and challenging BBC Radio's dominance in the North East.

James retired from the post of Controller of BBC Radio 2 in December 2003 after eight years. He was previously the BBC's Deputy Director of Corporate Affairs and prior to that spent thirty years in BBC Television's Light Entertainment Group in a number of roles ranging from Producer and Director to Head of Variety. For six years was Head of Light Entertainment Group. From 1991 to his retirement, he was the BBC's Royal Liaison, dealing with the Corporation's relationship with the Royal Household.

In his time at Radio 2, he successfully implemented a strategy to attract a new audience, while still providing programmes that appealed to the existing audience. Under his stewardship the audience grew, with a 13.1 million reach and a 16% market share at James's departure (Rajar December 2004). Radio 2 was named Station of the Year at the Sony Radio Academy Awards in 1999, 2001 and 2002.

James was educated at Gunnersbury Catholic Grammar School in London and the University of Nottingham where he read History. His early formation in entertainment and drama took place at the University where he became President of ENSOC and appeared in numerous University drama productions. He joined BBC Television's Light Entertainment department in December 1963, as a production trainee. By 1970 he was a producer, working with Bruce Forsyth, Ken Dodd, Cilla Black, Rolf Harris and many others. In 1987 he was appointed Head of Light Entertainment Group, overseeing both the comedy and variety departments. In this role, he was responsible for programmes including "Only Fools & Horses", "Last of the Summer Wine" and "Absolutely Fabulous" as well as six Royal Variety Performances. Between 1990 and 1992 he was President of the EBU working party on Entertainment, which involved supervision of the Eurovision Song Contest. He has been a Fellow of The Royal Television Society since 1990 and in December 1998 was elected a Fellow of The Radio Academy.

In 1993 he received the Gold Badge of Merit of the British Academy of Songwriters, Authors and Composers. He was the recipient of the Radio Academy's Outstanding Contribution to Music Radio Award in 2001. In 2002, The Broadcasting Press Guild acknowledged his work in both television and radio with its Harvey Lee Award for Outstanding Contribution to Broadcasting.

In November 2002 he received The Sandford St Martin Trust Award for services to Religious Broadcasting. He was awarded the degree of Doctor of Letters 'honoris causa' by the University of Nottingham in July 2003. He was appointed a Lieutenant of the Royal Victorian Order (LVO) in The Queen's Birthday Honours 2002 and was appointed a Commander of the British Empire (CBE) in The Queen's Birthday Honours 2003.

NON-EXECUTIVE DIRECTOR

Name: Paul Smith

Occupation: Chairman of Complete Communications Corporation Limited

Other Directorships:

Complete Communications Corporation Limited

Celador Radio Broadcasting Limited

Celador International Limited

Lusam Music Limited

Celador Productions Limited

Celador Films

Cat & Mouse Limited

Other Media Interests:

None

Background and Media Experience:

Paul's life long enthusiasm for radio saw the company first involved in licence applications over fifteen years ago in the first round of second wave FM licences for London. As Chairman of Complete Communications Corporation, Paul heads one of the most successful independent media companies in the UK. Celador Radio Broadcasting has been specifically created to bid for new UK radio licences.

After being at the helm of Celador for twenty years, Paul has significantly reduced his day-to-day involvement in all established sectors of the Group. This gives Paul the time he desires to focus on the new divisions, particularly Celador Radio Broadcasting and its long-term radio interests.

Paul's career began in February 1966 when he joined BBC Television in London as a trainee projectionist. Over the next seven years he progressed to become a director for children's and light entertainment programmes. In 1973 he turned freelance, working for many network and regional ITV companies.

Paul has brought many talents, including Jasper Carrott, to British television screens. He created "It'll Be Alright on The Night" - ITV's longest-running entertainment programme - that earned Paul a British Academy Award nomination in 1980 and the coveted Silver Rose of Montreux.

In 1981 Paul established Complete Video, which rapidly became the UK's leading television commercial facilities company, creating new standards in post-production.

Celador Productions was formed in 1983, making it one of the country's earliest independent light entertainment production companies. Achievements to date include "Winning Lines" (BBC1), "Britain's Brainiest" (ITV1), "The Detectives" (BBC1), "It's Been A Bad Week" (BBC Radio 2), "Where In the World" (BBC Radio 4), "One Flew Over the Cuckoo's Nest" (BBC Radio 2), the multi award-winning "Who Wants To Be A Millionaire?" (ITV1) and "You Are What You Eat" (Channel 4).

In 1999, "Who Wants To Be A Millionaire?" won Paul a British Academy Award for Best Light Entertainment Programme or Series and in 2000 and 2001 two Emmy Awards for the US version. In 2001, Paul added another arm to Complete Communications by creating Celador Films. To date Celador Films have financed, produced and released three films. "Dirty Pretty Things" directed by Stephen Frears, "Separate Lies", the directorial debut of Oscar winner Julian Fellowes and horror film "The Descent" which picked up two awards, including Best Director for Neil Marshall, at the recent 2005 British Independent Film Awards.

NON-EXECUTIVE DIRECTOR

Name: Giles Squire

Occupation: Radio Consultant

Other Directorships:
None

Other Media Interests:
None

Background and Media Experience:

Giles Squire's name is synonymous with commercial radio in the North East of England.

He started his broadcasting career as Britain's youngest radio DJ at just sixteen with the industrial radio station UBN. In 1974 he joined and helped launch Newcastle's Metro Radio. Over the next two decades Giles progressed from Senior Presenter to Programme Controller before eventually becoming Metro's Group Programme Director.

Giles and the team took Metro from being a poor second to BBC Radio 1 to a station that had more than three times the audience of any other broadcaster in the region. As well as Metro Radio, Giles had responsibility for Teesside's TFM and Great North Radio, both of which grew to their strongest ever audiences under his leadership.

In January 1997, Giles joined other ex-directors of the Metro Radio Group, all of whom had left after the EMAP acquisition, to become Group Programme Director of The Radio Partnership. In this role Giles had responsibility for eight radio stations including the Signal Radio Group and The Pulse. During this time Giles also helped win the new regional radio licence for the south coast and was heavily involved in its launch as Wave 105.2 FM. The Radio Partnership grew both in audience and profits. In 1999 it was acquired by the Wireless Group.

Early in 2000, Giles once again re-joined his former Metro Radio colleagues to form Forever Broadcasting and acquired the under performing Liverpool station Crash FM. Under Giles' leadership Crash FM was re-launched as Juice and more than tripled its audience within a year. Giles and the team also went on to acquire and re-launch Brighton's local station Surf under its new name, Juice.

In the summer of 2001, Giles was approached by Capital Radio Group and asked to take on Group Programming responsibility for the Century brand. During the next four years the brand was completely over-hauled and revitalised and had huge growth both in audience and profits. Each station is now enjoying the commercial number one position in its own market.

Early in 2005, Giles decided not to be part of the merger between Capital and GWR and has since set up his own radio consultancy working with both commercial groups and BBC Radio.

(ii) If there are firm plans to appoint any further directors, provide information (with details of any specific individuals in mind). This information may be submitted in confidence.

The Station Director of Touch FM will take a seat on the board. They will have a strong commercial background, including sales and marketing. We have already identified a number of individuals with experience of the North East radio market, who would welcome the opportunities that Touch FM can offer them. However, we have not made any formal commitments at this stage.

Touch FM's directors all have individual roles to play in the development of the station. Giles Squire will take responsibility for overseeing its set up and launch. His unparalleled understanding of radio in the North East makes him the only person to position a fledgling station in the market ready for a robust future.

(b) Proposed Investors and Shareholding Structure

(i) Names and addresses of all existing or proposed share holders

Shareholders' addresses are submitted in confidence

(ii) Total Number, class/classes of shares and issue price of shares

(iii) All voting shareholders and holders of 5% or more of non-voting shares and loan stock should be named. State the number, class/classes and price of shares to be issued to each investor.

	Ordinary voting shares of £1.00 each	Non-voting shares of £1.00 each	% of voting shares	Investment (£)	% Total funding
Celador Radio Broadcasting Limited	950	4,249,000	95	4,249,950	100
Alastair Balls	30	-	3	30	-
Stephen Cochrane	20	-	2	20	-
	1,000	4,249,000	100	4,250,000	100

Non-Voting Shares

The non-voting shares will be redeemable preference shares, which will have the following rights:

- Shareholders will be notified of all meetings of the company. However, the shareholders will have no voting rights at such meetings, save where a resolution proposes to amend the existing rights of the preference shareholders. The shares will have a zero interest coupon.
- The shares will be preferential in repayment at par over the ordinary shares in the event of liquidation/winding up of the company.
- No dividends will be payable to the ordinary shareholders until preference shares have been repaid in full.

(iv) Outline any shareholders' agreements or arrangements that exist

A Heads of Agreement regarding a formal shareholders' agreement has been approved amongst shareholders, which will include pre-emption rights common to medium sized companies.

(v) Where corporate body other than a current Ofcom licensee will be providing 30% or more of the required funding, details should be given of its directors and main shareholders, and of its activities

Celador Radio Broadcasting Limited

Celador Radio Broadcasting Limited (CRBL) was established in May 2004. Its board includes some of the radio industry's most respected and experienced practitioners. CRBL is a joint venture between Complete Communications Corporation Limited and UBC Media Group plc. The company is an 85% subsidiary of Complete Communications Corporation Limited. The CRBL directors are:

- Paul Smith - Chairman, Complete Communications - Director of Touch FM
- Tim Blackmore - Consultant Editorial Director of UBC Media Group - Director of Touch FM
- Simon Cole - Chief Executive, UBC Media Group
- James Moir - Broadcast Consultant - Director of Touch FM
- Chris Tarrant - Broadcaster and Producer

CRBL was formed to apply for and establish a number of UK analogue radio licences, principally designed to cater for the largely underserved older audience. Analogue applications are made for all new major metropolitan and regional FM licences advertised by Ofcom. CRBL considers the regional FM licences, while significant opportunities in their own right, to be a vital stepping stone to the digital future in which the company intends to play a major role.

CRBL has already applied for the Edinburgh, Belfast, Manchester and The Solent FM licences and proposes to make applications for other licences in due course.

Complete Communications Corporation Limited

Complete Communication Corporation Limited (CCCL) is the parent company of Celador Productions and its associated divisions.

CCCL formed London Rock Radio in 1989. It was among the applicants with ambitions to pioneer innovative new radio formats during the bidding for the second wave of London-wide FM licences. After four attempts to offer a rock service to London and finally being beaten by Virgin FM, the company decided to concentrate on the emerging market for radio and television independent production. Through Celador Productions Limited, it produces independent commissions for BBC Radio 2 and BBC Radio 4 and has seven radio series currently in production.

CCCL's origins date back to 1981 and now, through the Celador brand, it is one of the UK's most successful independent media and entertainment companies. Its interests cover television, radio and film production, digital interactive entertainment, licensing, television programme and format distribution, music publishing and television production facilities. Radio broadcasting has always been seen as a natural expansion.

The Directors of Complete Communications Corporation are as follows:

Stephen Dover
Richard Murray Obodynski
Cameron Maxwell
Paul Smith

The Shareholders are as follows:

Robert Davis (aka Jasper Carrott) and Hazel Davis	14.5 %
InvestinMedia plc	49.0 %
Sarah King	18.2 %
Paul Smith	18.3 %

(iv) Ofcom may request additional information regarding the shareholders, or any other providers of finance, listed in the application

Touch FM will be happy to supply any additional information at Ofcom's request.

(c) Involvement of the Applicant in Specified Activities

a) Advertising agencies

None

b) Newspapers

None

c) Other broadcasting interests:

Celador Radio Broadcasting has no other broadcasting interests

UBC Media Group has the following interests:

Oneword Radio Limited - 49%

The Digizone Limited - 50%

Digital News Network Limited - 21.95%

Classic Gold Digital Limited - 80%

Classic Gold 1152 AM (Plymouth)

Classic Gold 1260 AM (Bristol & Bath)

Classic Gold 1332 AM (Peterborough)

Classic Gold 1359 AM (Coventry)

Classic Gold 1431/1485 AM (Reading, Basingstoke & Andover)

Classic Gold 1521 AM (Reigate & Crawley)

Classic Gold 1557 AM (Northampton)

Classic Gold 666/954 AM (Exeter/Torbay)

Classic Gold 774 AM (Gloucester/Cheltenham)

Classic Gold 792/828 AM (Luton/Bedford)

Classic Gold 828 AM (Bournemouth)

Classic Gold 936/1161 AM (Swindon)

Classic Gold Amber (Norwich)

Classic Gold Amber Suffolk (Ipswich & Bury St. Edmunds)

Classic Gold Breeze (Southend & Chelmsford)

Classic Gold Gem (Nottingham & Derby)

Classic Gold WABC (Wolverhampton, Shrewsbury & Telford)

Classic Gold Marcher 1260 AM (Wrexham & Chester)

MXR Holdings Limited - 7.5%

Which holds regional multiplexes for:

North East England

North West England

West Midlands

South Wales & Severn Estuary

Yorkshire

d) Bodies whose objects are wholly or mainly of a religious nature

None

e) Bodies whose objects are wholly or mainly of a political nature

None

f) Local authorities

None

g) Other publicly-funded bodies

None

2. Financial and business plan

(a) Overall Financial Strategy

Provide a concise summary of how the applicant considers it is able to establish and maintain, throughout the licence period, its proposed service, and how this licence fits in with the investors' strategy.

Maintaining Touch FM Service

- Touch FM's board boasts some of the most highly experienced and respected individuals in radio.
- Touch FM delivers an audience currently unavailable via commercial radio in the region - a strong proposition for advertisers.
- The shareholders of Touch FM have committed funding of £4.25 million that will provide sufficient working capital to take the business to break-even in year three and profitability thereafter.

As an 85% subsidiary of Complete Communications Corporation Limited, Celador Radio Broadcasting Limited and therefore the directors and shareholders of Touch FM have the support of one of the UK's most dynamic and successful independent media and entertainment groups. CCCL has expanded through organic growth rather than acquisition. It has consistently traded profitably with a turnover of £33 million and profits before tax in the financial year up to September 2004 of over £5 million. CCCL's most recent audited accounts showed the group had no borrowings, cash reserves of over £12 million and net assets of over £8 million.

UBC Media Group plc's Simon Cole and Tim Blackmore are among the most respected practitioners in commercial radio. Both have enjoyed hugely successful careers in the BBC and commercial sectors. In partnership they founded Unique Broadcasting in 1989, best known for some of its pioneering programming for commercial radio. Today, UBC Media is a flourishing AIM listed company that is at the forefront of digital development within the broadcasting industry. With a market value of over £42 million, the company consistently performs above its financial projections.

The directors and shareholders, with their ability to harness and maximise the expertise and resources available to them, are confident they will successfully maintain the station throughout the licence period.

Investor Strategy

Touch FM fits into Celador's long-term strategy of becoming a force in the commercial radio sector by the provision of services for the older radio audience via analogue and future digital opportunities.

Celador Radio Broadcasting Limited was formed with the specific purpose of creating high quality UK radio services, principally designed to cater for the older audience. Initially, this is to be achieved through analogue opportunities. Ultimately the provision will be via digital platforms that until recently seemed limited. CRBL is committed to being part of the digital future and welcomes Ofcom's October 2005 announcement regarding the introduction of more local and national multiplex licences.

The strategy is to establish local commercial radio stations that have been custom built to cater for an underserved local audience. These services are not only to be distinctive within the local analogue market but also among the digital services available to that audience. In each area a consortium is formed comprising CRBL directors and like-minded local individuals who represent different and relevant sections of the community. Each local operation will be self-sufficient. However the resource, experience and expertise of the CRBL partners, Celador and UBC Media, will be available whenever required.

Touch FM meets all of these objectives. Our shareholders expect to develop a successful business by attracting significant audiences back to commercial radio and providing new opportunities for local and national advertisers.

(b) Funding

Detail the sources of finance that will be used to fund the licence, under the following headings:

	Ordinary voting shares of £1.00 each	Non-voting shares of £1.00 each	% Total funding
(i) Share Capital	1,000	4,249,000	100
(ii) Loan stock	-	-	-
(iii) Leasing/HP facilities	-	-	-
(iv) Bank overdraft	-	-	-
(v) Grants and donations	-	-	-
(vi) Other	-	-	-
	1,000	4,249,000	100

Where relevant, provide information on:

(i) Loan Terms

The non-voting shares will be redeemable preference shares, the rights of which are set out on Page 10.

(ii) Assets Leased

There will be no other forms of finance in respect of the venture, with motor vehicles being provided by way of contract hire.

All of the funding identified above should be confirmed to the applicant. Explanation should be provided if this is not the case.

Confirmation has been received.

(c) Financial Projections

The purpose of this question is to allow the applicant to demonstrate its understanding of the market. The forecasts should be based on reasonable assumptions that are logically applied and justifiable.

Background to The Marketplace

Touch FM has an unrivalled understanding of the North East, its culture, its radio market and its business environment coupled with knowledge and experience in creating successful radio.

Below we set out the results of our desktop study into the region. These comprise:

- The Population Profile
- Characteristics of the Area
- The 45 plus Audience in Detail
- The Existing Analogue and Digital Radio Services
- The North East Audiences and their Listening Habits
- The Current Radio Advertising Market

The Population Profile

The North East has a 45 plus population of 52%. This is higher than the national average of 50%. In fact the average age of the population is 45.2 years old. As with other areas in the country, life expectancy is growing and the birth rate is falling. This, coupled in this instance with the concern about migration of the younger sections, means the average age of the population will increase significantly. The region also has fewer ABC1's than the national average with the lower socio-economic groups making up 55% of the population.

Estimate Population Profile	The Area: 100-102 Century FM TSA (000)	National (000)
All Adults 15+	2,124 (100%)	49,377 (100%)
15-24	347(16%)	7,772 (16%)
25-34	297(14 %)	7,642 (15%)
35-44	380 (18%)	9271 (19%)
45-54	354 (17%)	7,682 (16%)
55-64	321 (15%)	7,197 (15%)
65+	425 (20%)	9,812 (20%)
Male	1,023 (48%)	23,937 (48.5%)
Female	1,101 (52%)	25,440 (51.5%)
ABC1	951 (45%)	25,983 (52.6%)
C2DE	1,173 (55%)	23,394 (47.4%)

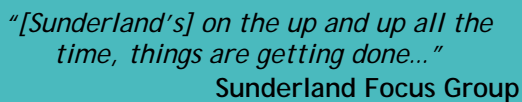
(Source: Rajar September 2005)

The Characteristics of the Area

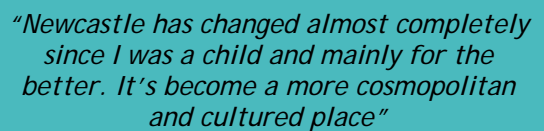
The changing face of life in the 21st Century is reflected throughout the North East. Traditionally characterised by its three rivers (The Tees, The Tyne and The Wear), rolling countryside, and its past of mining and heavy industry, the region is now well on the way to becoming modern and rejuvenated. Heavy industries have given way to high tech companies. The increase in leisure time has led to investment in more and better facilities throughout the area. Employment is still very much based around the traditional trades of manufacturing, construction and wholesale along with 30% in the public sector. Retraining, encouraging entrepreneurs and changing the 'workless' attitudes in some pockets of the region are all priorities. Indeed there is strong evidence of a growing sense of entrepreneurialism in the region with organisations such as One North East, The North East Publicity Association and the Entrepreneurs Forum focused on encouraging and helping individuals set up and grow their own companies.

The sense of belonging and pride in their roots is palpable among the population as a whole. 'Passionate Place and Passionate People' is the slogan adopted by One North East, the Regional Development Agency (RDA) covering Northumberland, Tyne & Wear, County Durham and Tees Valley. The agency's work involves the promotion of a 'vision for a vibrant, self reliant, ambitious and outward looking North East together with the benefits of living, working and doing business in the region'. Newcastle Gateshead Initiative is another agency established to take what they described as a region 'at the edge' fifteen years ago, into the 21st century.

Major initiatives are taking place throughout the area.



"[Sunderland's] on the up and up all the time, things are getting done..."
Sunderland Focus Group



"Newcastle has changed almost completely since I was a child and mainly for the better. It's become a more cosmopolitan and cultured place"

Newcastle Focus Group

The region is vast; from the tip of Northumberland to the borders of South Yorkshire is over 100 miles. Most cities are separated by large swathes of countryside, making each city independent of the others and manifesting particular characteristics. While the improved infrastructure makes the region very accessible and tourism is becoming increasingly important, those living within its cities still indulge in a considerable rivalry. The North versus South intercommunity competitiveness nowadays focuses around the three Premier football clubs. However, these tensions date back centuries to feuds between supporters of the Scottish and English crowns and are not to be taken lightly.



"I'd never live in Newcastle, it's a football thing."

Middlesbrough Focus Group

While begrudged by some, Newcastle is the main city for business and commerce and therefore is a focal point for the region. Its reputation as 'the 8th best party city of the world' is legendary and a reputation it is keen to uphold. Newcastle was voted by Conde' Nast Traveller magazine in 1999 as the best English city in which to live and work.

Its close neighbour, Gateshead has in the past been considered as being the 'wrong side of the River Tyne'. However, various initiatives have created a significant turn around in its fortunes. For example all the modern day icons of the North East usually associated with Newcastle are in fact in Gateshead. The Angel of the North, the brand new Sage Arena, the Baltic, The Millennium Bridge and the Newcastle/Gateshead Hilton are all recent testimony to the emerging not so 'poor relation'.

For centuries the powerful Bishops of Durham ruled as a virtually independent state, with their own army, courts, nobility and coinage. At the time of the first census in 1801 Durham had a population of about 7,500. Today the population of Durham City is approximately 27,000 and the district, 81,000. It is now an international centre for learning and the home one of Britain's leading universities.

Sunderland is the region's largest city and the biggest between Edinburgh and Leeds. In 1992 it was made a city in recognition of the way Sunderland dealt with its industrial decline. In 1988 Sunderland witnessed the closure of its last shipyard. At the same time, the establishment of Nissan in the area provided a catalyst for new jobs both within Nissan and local suppliers. The closure of the City's last coalmine, Wearmouth in 1994 brought an end to traditional industries on which Sunderland had long relied. More recently the city has seen significant development in the service sector, particularly with the introduction of new technologies, including electronic engineering, mechanical engineering, textiles and papermaking.

The Tees Valley urban conurbation lies to the south of the region and includes a number of key towns such as Middlesbrough, Darlington, Stockton-on-Tees, Guisborough, Hartlepool and Redcar. While there is still some chemical, fertiliser, iron and steel production in the area, it has mainly moved on from its heavy industrial heritage with many new hi-tech companies and other modern industries taking root in the area. It is also undergoing major regeneration.

"The steel, chemical and shipbuilding industries made people tough and gritty and caring for each other"

Middlesbrough Focus Group

"People use to come from all over for it (the market) and it use to stretch all the way down the high street, now there's hardly any stalls"

Stockton On Tees Focus Group

The Middlesbrough Stockton Initiative is linking the key hub town, Middlesbrough, with neighbouring Stockton-on-Tees to form a cityscape aimed at further boosting the economic prospects of the area. The Tees Valley Regeneration has also started work on reclaiming Middlesbrough Docklands with the £500 million scheme to bring new business and homes to a 250 acre site. The town's centre has also been undergoing a modern makeover in recent years. The cultural renaissance of the North East is also very much underway in the Tees Valley area. Middlesbrough hosts an annual Art Week event where artists from the North of England exhibit their work in offices and retail premises throughout the last week of October. The Middlesbrough Institute of Modern Art, a new £20 million gallery featuring international exhibitions will also open in the town centre next year.

The North East is undergoing a massive sea change. It's a region of disparage, but what is common to the well-off and the not-so-well-off is a readiness to apply any discretionary income to leisure activities and other forms of personal consumption. There is a growing sense of entrepreneurialism and business confidence, resulting in an ever-increasing middle class with broadening interests. These aspirational people are less and less willing to accept the status quo in their choice of radio station as well as many other aspects of their lives.

Andrew Dixon, Chief Executive NewcastleGateshead Initiative:

"There is a huge interest in the North East from all parts of the UK and beyond at present. There has been a massive growth in the number of visitors at local gardens, museums and other cultural venues. There is an excellent opportunity for a new radio service to provide a focus for this and explore some of the great places and activities that are on our doorstep."

The 45 Plus Audience In Detail

Analysis of standard employment based socio-economic classifications does not give a full insight into the population as consumers. Using a specially commissioned marketing study as part of our desktop research, we looked in detail at the Touch FM target audience. The population as a whole is split in to 'the haves' and the 'have-nots'. We know that the region has a high proportion of C2DE's, and the highest personal debt in the country. Nevertheless, its residents like the good life even if on borrowed money. While average salaries are much lower than the national by around 12%, so is the cost of living. Average house prices being £130,000, £50,000 less than the national average. Analysis of the lifestyle and consumer patterns of the 52% that are aged 45 and over, shows well over half to be affluent, active consumers, and therefore highly attractive to radio advertisers, *yet they currently listen to BBC stations!*

Profile Snapshot for the Region	% of Population	Description
High Tech Affluent Families	8.0%	They are aged 40 plus and earn between £30,000 and £40,000 per annum. They have high disposable income and own properties of around £275,000. There is a high concentration of successful self-employed business people, directors and entrepreneurs. They spend their money on luxuries, cars and holidays.
Comfortable Established Families	12.0%	They are aged 30 - 50 and earn between £25,000 and £30,000 per annum. They own properties of around £175,000. They are mainly employed in middle management and have higher than average disposable income and are active consumers.
Independent Elders	7.0%	They are aged 55 plus with income of £45,000 plus and own properties valued at around £200,000. They have a high net worth and disposable income. They are professional or retired and enjoy eating out and the finer things in life.
Simply Suburbia	11.0%	They are aged over 45 and represent the middle class. They earn between £20,000 and £30,000 per annum and have higher than average disposable income. They own properties valued around £130,000. Mostly employed in the services sector, they are financially astute and pursue a wide variety of home-based pursuits.
Traditional Old Labour	13.7%	They are 45 plus with an income of between £10,000 and £15,000 and either are tenants or own homes with a value of around £60,000 - £70,000. They break down into two distinct groups, those that spend and those that don't. The spenders tend to do so on borrowed money.
Purse String Pensioners	8.4%	They are 65 plus retired traditional labour force. They live on state pension and have very little disposable income. They tend not to own their own property.

(Source: Farmer Associates 2005)

Existing Analogue and Digital Radio Services

Touch FM is a radio station building for beyond a twelve-year licence period and the analogue radio switch off. Consequently, in order to develop a proposition that will truly broaden listener choice now and in the longer term, we have taken account of all available radio services in the region, be it local, national, analogue or digital.

Local Stations

Station	Share (%)	Greatest appeal	Format	
100-102 Century FM	9.4	25-44	Adult Contemporary music service	Analogue Radio Stations
Galaxy	10.3	15-24	Rhythmic led music service	
Big City Stations	12.2	15-34	Contemporary and chart music.	
Magic Stations	5.3	30 plus	Soft Classic Hits music led service.	
BBC Newcastle	6.1	45 plus	Local mixed music and speech - locally orientated	
BBC Cleveland	2.8	45 plus	Local mixed music and speech - locally orientated	
Sun FM	*	25-44	Classic Hits and information for Sunderland Area	
Alpha	*	25-54	Classic Hits and information for the Darlington Area	
Classic Gold	0.1	45 plus	Classic Hits	
Heat	*	15-34	Modern and Classic Pop	DAB Radio Stations
Kerrang!	0.2	15-34	Modern Rock	
Kiss 100	0.5	15-24	Urban: Rhythmic led music service	
Smash Hits	0.4	15-24	Young Pop	
3C	N/A	35-54	Country Music	
XFM	0.1	15-34	Modern Rock	
The Arrow	0.1	35 plus	Classic Rock	
Capital Disney	0.2	15-24	Young Pop	
Choice FM	N/A	15-34	Urban: R'n'B and Hip Hop	
DNN	N/A	-	Rolling News, Travel and Weather	
Heart Digital	0.1	35-44	Adult Contemporary	
Real Radio Digital	N/A	35-44	Adult Contemporary and news mix	
102.2 Smooth FM	0.1	35-54	Smooth Soul and Jazz	

National Stations

BBC Radio 1	8.0	15-24	Contemporary chart music plus specialist music	Analogue Radio Stations
BBC Radio 2	17.4	35 plus	Broad music choice from last 50 years, specialist music, speech, and comedy	
BBC Radio 3	0.7	45 plus	Classical Music and Culture	
BBC Radio 4	7.7	35 plus	Broad based, news heavy speech service - comedy, drama, and news	
BBC Radio Five Live	5.7	30 plus	Broad based, all speech service focusing on news and sport	
BBC World Service	0.4	35 plus	Broad Based news heavy speech service with a worldwide focus	
Classic FM	2.9	35 plus	Classical music	
TalkSport	2.1	35-54	Speech Station, heavy on sport	
Virgin Radio	1.5	15-44	Mainstream Rock and Classic Hits	
Planet Rock	0.2	35 plus	Classic Rock	DAB Radio Stations
Core	*	15-24	Brand New Music, Pop, Rock and R'n'B	
Capital Life	-	35-54	Adult Contemporary	
PrimeTime	*	45 plus	Nostalgic Music	
OneWord	*	35 plus	Books, drama, comedy & discussion	
BBC Five Live Extra	0.1	30 plus	Bespoke station for sporting events	
BBC 1Xtra	*	15-24	Urban Music plus specialist music	
BBC Asian Network	*	15-34	Broad based, heavy speech service for Asian community in the UK	
BBC 7	0.2	0-65	Children's programmes and archive Comedy, drama	
BBC 6Music	*	25-54	Alternative music including archive BBC sessions	

(100-102 Century FM TSA)

(Source: Rajar September 2005)

There are a total of forty-three services available. As the table clearly shows the number of services that commercial radio offers to the over 45's are severely limited.

The North East Audiences and their Listening Habits

The North East has always been a commercial radio stronghold. Traditionally, it has commanded a stronger share of the market than all BBC Radio. In 1999 local commercial radio had a 50.2% share, a 10.6% lead on all BBC Radio. However, in the last six years the BBC has slowly chiseled away at commercial radio generally and particularly the local services. Local commercial radio's share in this region has now dropped to 40.7%. (Rajar September 2005). This represents a loss of almost a fifth of the audience, despite the launch of a new service in this period.

100-102 Century FM TSA	Q3 1999	Q3 2005	Differ'	Growth	National Radio	Q3 1999	Q3 2005	Differ'	Growth
Any Commercial	59.7%	49.8%	-9.9%	-16.5%	Any Commercial	47.8%	43.5%	-4.3%	-9.0
All ILR (Analogue)	50.2%	40.7%	-9.5	-19.0%	All ILR (Analogue)	39.2%	33%	-6.2%	-15.8
Any BBC	39.6%	49.2%	+9.6%	+24.2%	Any BBC	50.3%	54.6%	+4.3%	+9.0

(Source: Rajar Year-on-Year September 1999-2005)

The table below shows how individual stations' share has changed year-on-year.

Share (%)	Q3 1999	Q3 2000	Q3 2001	Q3 2002	Q3 2003	Q3 2004	Q3 2005	Differ'	Growth
100-102 Century FM	10.9	9.0	10.2	9.8	9.7	10.0	9.4	-1.5	-13.8
Big City North East	24.5	20.7	15.8	16.4	15.4	12.6	12.2	-12.3	-50.2
Magic North East	6.2	5.9	7.4	6.7	5.4	4.2	5.3	-0.9	-14.5
Galaxy North East	-	10.7	11.6	10.9	11.4	10.5	10.3	-0.4	-3.7
BBC Local Radio	7.6	7.4	8.9	10.2	9.5	9.1	8.9	+1.3	+17.1
BBC Radio 1	10.1	10.0	7.5	6.8	5.8	6.8	8.0	-2.1	-20.8
BBC Radio 2	8.7	10.0	21.5	13.4	15.3	12.2	17.4	+8.7	+100.0
BBC Radio 4	7.3	7.3	7.5	6.6	7.1	9.1	7.7	+0.4	+5.5
BBC Radio 5 LIVE	4.2	3.7	4.5	5.0	4.6	5.7	5.7	+1.5	+35.7

(Source: Rajar Year-on-Year September 1999-2005)

The problem largely lies in the fact that, despite the aging population, commercial radio in the North East is focused on attracting the younger listener. As the table below shows, listening to local commercial radio in the area significantly drops off among men and women at the age of 45. There is an even more dramatic fall at the age of 55, highlighting an obvious gap in provision by the local commercial radio sector. Conversely, local commercial radio's share of listening among the under 25's is impressive. Share of listening among the male 15-24 age group is considerably higher than the national average and any other region, confirming that this section of the audience is more than adequately catered for.

Male Share	All ILR UK (%)	All ILR North East (%)	Female Share	All ILR UK (%)	All ILR North East (%)
All 15+	30.4	37.8	All 15+	36.8	44.1
15-24	39.1	59.5	15-24	55.7	62.5
25-34	38.6	43.5	25-34	51.3	66.7
35-44	38.7	50.6	35-44	50.7	57.5
45-54	29.6	40.7	45-54	36.9	48.2
55-64	24.2	16.9	55-64	27.3	27.9
65+	14.2	10.4	65+	14.6	15.4

(Source: Rajar September 2005)

Commercial Radio Internal Battles

The most significant change to the North East radio landscape was the launch of Galaxy in June 1999. In its first Rajar in September 1999 it gained an impressive 9.0% share. After Galaxy's continued growth in its first two years, Emap's Big City Network (Metro Radio and TFM combined) took the decision to chase the younger market alongside Galaxy. This ultimately led to Big City alienating its older audience.

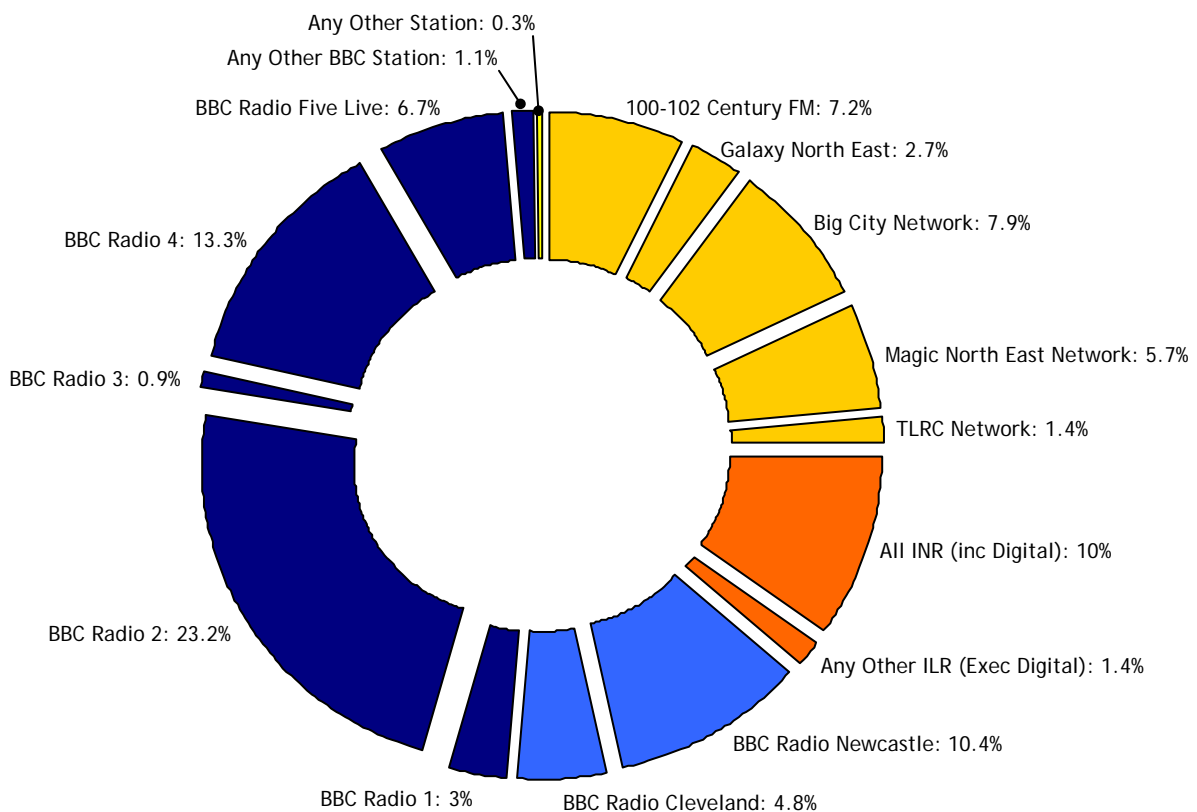
- The Emap Big City Network has lost the largest share. A drop of 50.2% (from 24.5% to 12.2%) since September 1999.
- 100-102 Century FM has remained relatively stable. Its most significant development being a format change in March 2003 when its speech content was dropped from a half to a one-third.
- Since its launch in 1999 Galaxy and has successfully won the North East 15-25 year old audience gaining from Big City and to some extent BBC Radio 1.

Mature Audience Flock to the BBC

Where the young have stayed with commercial radio, the older audience has moved to the BBC.

- BBC Radio 2 saw its audience increase by 100.0% (8.7% to 17.4% share) over this period. Far beyond its national increase of 28.0%. The most significant growth was in the 35 plus audience. This success was due in the most part by changes inspired by Touch FM board member James Moir.
- BBC Local Radio (BBC Radio Newcastle and BBC Cleveland) saw a 17.1% growth in share from 7.6% to 8.9%. This has been most significant in the 65 plus age group.

The following chart shows the current listening patterns for 45 years old plus age group. The dominance of the BBC local and national services is unquestionable. Any BBC radio takes a 63.4% share with 15.2% local and 47.1% National. Any commercial radio only takes a 36.3% share - 26.3% local (36.7% in September 1999) and 10.0% share national.



(Source: Rajar September 2005 100-102 Century FM TSA)

This imbalance must be redressed. Touch FM is the way to restore commercial radio's market share in the North East.

The Current Radio Advertising Market

Historically, the regional advertising market in the North East has lacked the profile and reputation of other UK regions such as Manchester, Leeds and Edinburgh. This is despite a number of longstanding successful agencies such as Cravens, Robson Brown and Martin Tait Redheads in the region. However, thanks to the success of Metro radio sales team of the 80's and 90's, advertising on radio is a priority for local businesses. Radio and press dominate the local media scene. Radio is at the top of local marketing plans. Retail, public sector, motor and leisure are all strong sectors.

The list below details the radio advertising spend by the Top 200 radio advertisers for the period June 2004 - May 2005.

Total amount spent: circa £ 27.1 million

Individual Stations

100-102 Century FM (Tyne & Wear)	2,821,220
Galaxy 105-106 FM (North East)	5,156,435
Magic 1152 AM (Tyne & Wear)	1,425,851
Magic 1170 AM (Teesside)	1,746,135
Metro FM (Tyne & Wear)	4,324,338
TFM Radio (Cleveland)	1,861,505
Sun FM 103.4 (Sunderland)	458,020
Emap Big City Network North East	6,185,843
Magic Network North East	3,171,986

(Source: Neilson)

As in most parts of the country, COI are the top spenders. However local advertisers Reg Vardy PLC and Budget Windows Stockton are also in the top three big radio users with a combined annual spend of around one million pounds. Recently, in line with the wider regional business and cultural renaissance, the advertising community in the North East has raised its profile considerably and are increasingly able to attract national advertisers to the region. There has been little innovation in the regional media scene since the launch of Galaxy in 1999. However, the recent appointment of Viacom to handle the selling of outdoor opportunities on the Tyne and Wear Metro is likely to see greater investment in this region. In delivering the 45 plus audience currently unavailable to them, Touch FM is confident it will quickly establish itself as a 'must have' on both local, regional and national advertisers schedules.

Chris Hill, Chairman and Managing Director, Cravens Advertising:

"The 45 plus audience is what I would describe as the 'Golden Demographic' and one that is extremely attractive to a number of clients, especially those in the retail sector. The Touch FM proposal seems to have the right approach in terms of targeting this marketplace through a strong focus on sponsorship and promotions activity along with more traditional spot advertising. The means whereby Touch FM is looking to create a strong community relationship here in the North East is also critical to delivering good figures and ultimately high revenues. Overall I think the name is excellent and the proposition is unique and through a strong marketing campaign, Touch has great potential to attract a high volume of both listeners and advertisers."

Alan Brown, Managing Director, Robson Brown Advertising:

"I am impressed by Celador's thorough approach in this licence application and I believe they are well-placed to succeed. With Touch, they are proposing to create a radio service that will reach out to a mature audience that is not well-served by the existing radio market. A high profile launch and a strong focus on building brand awareness are vital for success as the new station will need to make a major impact in the marketplace quickly. However, if it can get this right, I believe that the Touch proposition can be a success and attract a substantial revenue stream, nationally and locally."

Ian Humpish, Managing Director of The Roundhouse Advertising Agency:

"We believe that Touch FM, aiming at the over 45s with its Adult Variety music mix and a unique partnership with ITV Tyne Tees for speech, reflecting the aspirations and cultural ambitions of the region would be attractive to the North East community and also potential advertisers".

The applicant should provide financial projections on an annual basis for the licence. The projections must include:

- (i) Profit and loss accounts
- (ii) Balance sheets
- (iii) Cash-flow forecasts

Detailed financial projections and assumptions together with the Ofcom Financial Template are submitted in confidence. These cover a nine-month pre-operational period and five year trading and reflect the directors' and shareholders' confidence in the success and long-term profitability of the business.

The key points are as follows:

Investment:	£4,250,000
Capital Expenditure:	£541,300
Projected Results:	

	Net Broadcasting Revenue (£)	Profit/(Loss) (£)
Pre-Operational	0	(486,715)
Year 1	1,132,832	(1,972,003)
Year 2	2,397,547	(566,5198)
Year 3	3,512,426	328,624

Key Assumptions:

- TSA: All adults 15+ will remain at 2,000,000 on the first five years
- Weekly reach: 11% in Year One
- Average Hours: 7.6 in Year One
- Minutage: Touch FM will accommodate a maximum of nine minutes advertising per hour between the hours of 0600 and 0000. Our assumptions are based on only 50% of available slots being sold in year one, representing an average of 4.5 minutes per hour.
- Staffing: Touch FM will have a full-time complement of thirty-two. In addition, we have made a year on year provision to enable the programming and production staff to resource adhoc special local initiatives and the resulting programming. Touch FM will be an equal opportunities employer and will provide stakeholder pension facilities with a company pension to all full-time staff. Assistance, in respect of Human Resources, accounting and office computer support will be provided by Celador Radio Broadcasting, particularly during the pre-operational period.
- News: Touch FM has entered into an exclusive arrangement with ITV Tyne Tees Television (TTTTV). Touch FM journalists will be co-sited with the TTTV news team. News staff will be on the Touch FM payroll and an additional facility fee paid to TTTV for access to all their news gathering resources.
- Main premises: 4,000 square feet for studios and office space plus a second contribution facility. Tyne Tees Television has recently moved to new premises in Gateshead's Watermark business park. There is adequate space in this building and being co-located brings a number of potential operational benefits.
- Marketing and Promotion: Touch FM has allocated £1,000,000 for marketing the station to listeners in its first year, and then £500,000 a year thereafter adjusted for inflation.

Touch FM Sales Team

Our Sales Director will be responsible for all Touch FM revenue sectors and will be supported by a team comprising of:

- 4 Local Sales Executives
- 1 Regional Sales Executive
- 1 National Sales Executive
- 1 Sponsorship and Promotional Manager
- 1 Sales Support and Telesales Executive

Two local executives will cover the Tees Valley in the south and two the north of the region in and around Tyne and Wear. Regional sales out of the North West will also be important to the station and will fall within the remit of the regional sales executive.

Preliminary discussions have taken place with existing sales agencies in relation to national sales house representation. Although no decisions have been made at this stage, we are confident that Touch FM will provide a valuable addition to any sales house portfolio. Our national agency executive will be London based and sited at the premises of UBC Media.

A sales incentive plan will be established based on a 25% bonus in the event of targets being fully achieved.

We anticipate that current changes in the industry structure will enable us to recruit highly experienced sales staff that will report directly to the station's own Sales Director. Budgets have been set accordingly.

Sponsorship and Promotions

Touch FM will engage a dedicated Sponsorship and Promotions Manager who will also report to the Sales Director. Their sole duty will be to develop links with sponsors. Sponsorship will be an important element of Touch FM's commercial strategy. While our intensive research in the region shows our audience is not adverse to advertising, longer term we would look to de-clutter the output as much as possible and give sponsorship greater emphasis.

Creative Production

Creative production values are as important to our audience in advertisements as they are anywhere else in the output. Our production team will work closely with the local sales teams to aid in the sales process and ensure locally produced advertisements meet Touch FM's high quality standards.

Marketing Plan

We do not anticipate any marketing activity in the pre-launch period. However, once launched, we plan a heavyweight campaign using TV, print, buses, taxis and exclusive concerts as part of our £1million year one marketing spend.

Digital Transmission

Digital radio carriage is of the utmost importance to Touch FM, especially with the Digital Radio Development Bureau forecasting of 40% penetration of DAB by 2009 in its DAB Digital Radio five-year plan released in September 2005. We have investigated securing carriage on the existing multiplexes that serve The North East of England. The regional multiplex, owned by MXR Digital, and the two local multiplexes for Tyne and Wear and Teeside, owned by Emap, are currently full to capacity. While this situation may change, we welcome Ofcom's proposal to expand DAB multiplex capacity over the next few years. In anticipation of opportunities becoming available, DAB carriage with effect from Mid-2007 has been included within the business plan. In addition we have made provision for carriage on Sky Digital.

(d) Audience Projections

The applicant should provide the following information:

(i) The projected adult (aged 15+) population of the Total Survey Area (TSA) within which it is intended to measure the listenership of the service;

Using the transmission maps provided by Arqiva we expect a Measured Coverage Area (MCA) that includes 2,000,000 residents aged 15 and over. These projections are used as the basis of our business plan.

(ii) Projections for listenership ratings (e.g. weekly reach, average weekly hours of listening) over the first three years of the service, with detailed demographic breakdowns as appropriate;

Adult 15+	Year 1	Year 2	Year 3
Weekly Reach ('000s)	220	240	260
Weekly Reach (%)	11	12	13
Average Hours	7.6	9	9.8
Total Hours ('000s)	1,672	2,160	2,548
Market Share (%)	4.2	5.4	6.2

TOTAL TSA 2 Million

(Source: Basis July 2005)

Audience Profile - Reach and Average Hours Year 1 (based on music proposition)

Age Profile	Population Century TSA-Rajar (%)	Touch FM Audience Profile (%)	Reach (%)	Average hours per week
Under 25	16	11	6.9	13.3
25-34	14	13	9.6	11.2
35-44	18	14	8.1	14.8
45-54	17	18	11.1	12.0
55-64	15	17	11.7	12.3
65 plus	20	27	14.0	12.2
Male	48	43.0	9.3	13.2
Female	52	57.0	11.4	11.9
ABC1	45	38.0	8.8	10.3
C2DE	55	62.0	12.4	13.7

(Source: Basis July 2005)
(Base: those that preferred Concept b. and are likely to listen)

(iii) The expected impact of the proposed service on existing services, in listenership terms.

Touch FM is expected to make a significant impact on the listenership to BBC services. Of the Touch FM's predicted audience:

- 62% regularly listen to a BBC station
- 49% regard a BBC station as their favourite station
- 50% regularly listen to a local commercial station
- 33% regularly listen to BBC Radio 2
- 40% regard a local commercial station as their favourite station
- 25% regularly listen to BBC Local Radio

42% of Touch FM's potential audience say they will stop listening or will listen less to an existing service. The table below shows which stations were mentioned when respondents were asked which stations were most likely to be affected by the change in their listening habits.

Switching by Likely Listeners:

Station Name	Stop Listening or Listen Less Total population (%)	Stop Listening or Listen Less Likely Listeners (%)
BBC Local Radio	4	34
BBC Radio 1	3	3
BBC Radio 2	5	41
BBC Radio 4	1	10
Any BBC Station	12	53
100-102 Century FM	4	40
Magic	3	24
Galaxy FM	3	27
Big City Network Station	4	36
Any Local Commercial Station	12	53

NB It should be noted that some listeners claim that their listening to more than one station will be affected. These figures therefore should not be added together to create a 'total switch' %

(Source: Basis 2005)

(iv) The basis on which the estimates above have been calculated, and any assumptions taken into account.

Our independent research, conducted by Basis Research, established that 52% of the population said they were likely to listen to Touch FM. The 'Adult Variety' concept tested, had wide appeal particularly among the target audience and current listeners to BBC services. Reach figures below are achieved by assuming a one third conversion of those who said they were very likely to listen (27%) and one quarter conversion of those who said they were quite likely to listen (25%). This produces a potential weekly reach of around 15% which we expect to achieve around year five of operation. However a successful launch may well see this achieved earlier.

Market share is based on current total listening hours of 39,705,000 (Rajar September 2005) in the predicted TSA of two million adults. However 29% of Touch FM's potential audience expects to listen longer to radio, thereby adding more total hours listened in the area. Touch FM will, as demonstrated, also add significantly to the hours listened to commercial radio overall by attracting large sections of the BBC radio audiences.

Our survey also asked likely listeners who said that the Touch FM music concept was their preferred option, how many days a week and for how long each day they thought they would listen. The results showed potential average hours of 12.5, which we expect to accomplish after five years on-air. (See Basis Research Summary Report that accompanies this document)

Comparing reach figures for similarly targeted stations elsewhere in the country, outlined below, we believe our Year One reach projection of 11% weekly reach and average hours of 7.6 are realistic, if not a little conservative.

Station	Survey Date	Reach (%)	Av Hours	On-air Date
Real Radio (Wales)	2001 March	19	12	03/10/2000
Real Radio (Scotland)	2002 March	19	8.6	08/01/2002
Real Radio (Wales)	2002 March	22	10.9	03/10/2000
Real Radio (Yorkshire)	2003 March	13	10.4	25/03/2002
105.7 Saga West Midlands	2002 March	9	9.6	16/10/2001
106.6 Saga East Midlands	2004 March	11	11.8	11/02/2003
105.2 Saga Glasgow	2004 March	10	10.9	2004
Average	-	14.7	10.6	-

(Source: Rajar)

3. Transmission proposals

(i) Provide details of the transmission site, or sites, you propose to use, under the following headings:

Coverage Planning Considerations

Touch FM proposes Burnhope, using 97.5MHz, for the main transmitter covering the north of the region. This is the site suggested by Ofcom and using it avoids the adjacent channel issue with Metro Radio on 97.1MHz. There is an antenna at Burnhope that is used by the existing regional services, Century and Galaxy. The antenna system was originally designed with a restriction towards the south to meet Radio Authority requirements. The new licence has a lesser restriction. However, Arqiva has advised that a bespoke antenna would need to be lower on the mast and the coverage to the north would therefore suffer. For this reason we have chosen to share the existing antenna.

We propose Easton Nab as the main transmitter covering the south of the region using a 2nd frequency to be advised. The existing services use Bilsdale. However, the power allocated to the new licence (500W VP + 500W Hp) is much less than the other regional services. In Arqiva's opinion, Bilsdale will not provide adequate coverage of Middlesbrough. Arqiva have therefore chosen Easton Nab as the transmitter site with a directional pattern that provides better coverage into the Middlesbrough area. Ofcom have indicated that an Omni-directional clearance might be possible but, due to the site chosen by Arqiva, this is not actually required. We would therefore wish to request that a 3dB power increase be considered by Ofcom to further improve the coverage into Middlesbrough.

Additional Relay Transmitters

Ofcom have also indicated that a third frequency can be made available. Arqiva suggest that this is used at Fenham to boost coverage in Newcastle (as with all existing local services) and additionally at Beaumont Hill in order to serve Darlington and the surrounding area that would otherwise not be served. It is understood that the third frequency is likely to be interference limited and we, together with Arqiva, would be pleased to work with Ofcom in order to minimize the interference effects. We believe that coverage of Darlington is important to this licence area. Darlington coverage will help the new service with areas currently served by the existing regional stations. The second frequency used at Easton Nab can be reused at Newton to serve Hexham and the commuting route into Newcastle. It could also be used further north at Alnwick, although this is not currently included in the Arqiva proposal.

(a) Name and National Grid Reference of site;

Burnhope: NGR NZ184474
Easton Nab: NGR NZ569183
Beaumont Hill: NGR NZ 284187
Fenham: NGR NZ216648
Newton: NGR NZ036653

(b) Height of site above Ordnance datum (in metres);

Burnhope: 240 metres
Easton Nab: 241 metres
Beaumont Hill: 92 metres
Fenham: 120 metres
Newton: 165 metres

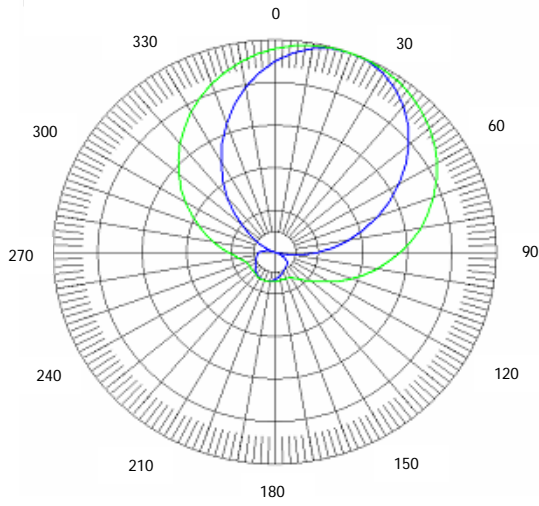
(c) Height of transmitting aerial above ground level (in metres);

Burnhope: 205 metres above ground level (an existing antenna system)
Easton Nab: 32.5 metres
Beaumont Hill: 38 metres above ground level (an existing antenna system)
Fenham: 42 metres
Newton: 26.5 metres

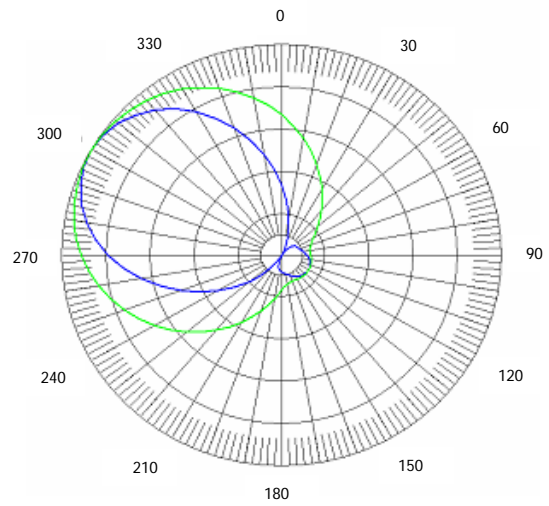
(d) Radiated power in either or both planes of polarisation, and aerial radiation pattern (if no aerial radiation pattern is submitted, it will be assumed without exception to be omni directional).

Vertical Pattern - Green Horizontal Pattern - Blue

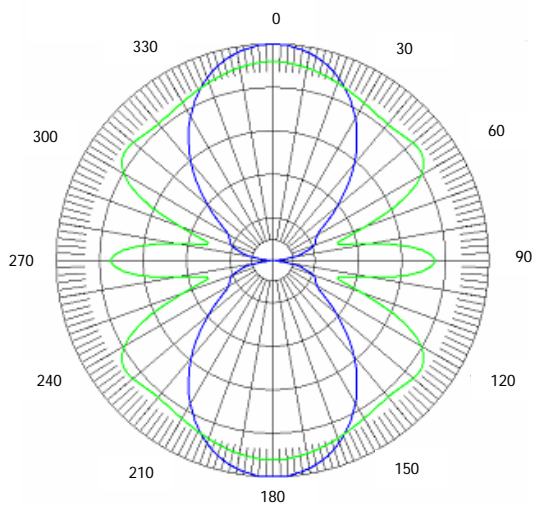
Burnhope
5 kW Vertical + 5 kW Horizontal



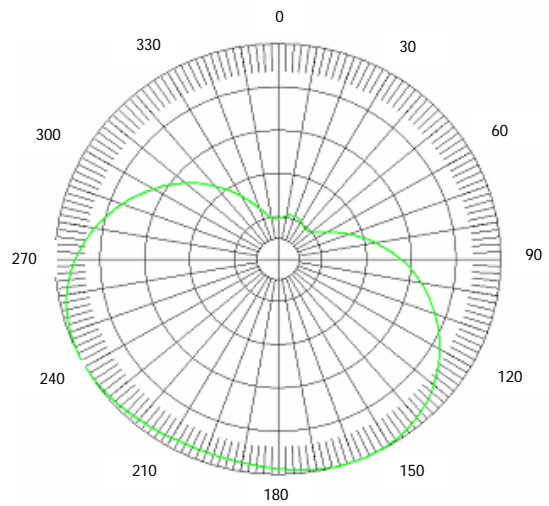
Eston Nab
500 W Vertical + 500 W Horizontal



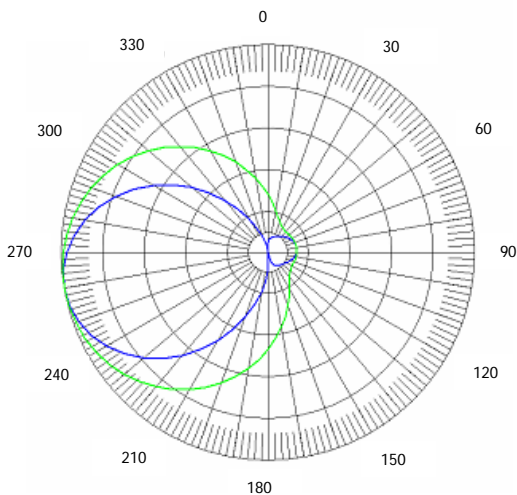
Beaumont Hill
100 W Vertical + 100 W Horizontal



Fenham
50 W Vertical



Newton
75 W Vertical = 75 W Horizontal



The applicant should confirm whether he believes that his intended mast aperture will be available, and whether, where required, planning permission can be obtained. Where appropriate, evidence to support this belief should be provided. Details of any negotiations that have been entered into with the site owner(s) should also be provided.

Burnhope, Beaumont Hill, Fenham and Newton Sites

Arqiva confirm that the existing antenna system is capable of being shared. Planning permission will not be required, as no external changes will be made to the existing system. Arqiva have offered Touch FM site-sharing facilities and will be pleased to confirm this to Ofcom if required.

Eston Nab Site

Arqiva have proposed a new antenna for this service and have reserved aperture on the structure. Planning permission will be required for a five-metre extension of the structure but Arqiva do not believe there will be any planning issues as this will relate to an established structure. Arqiva have offered Touch FM site-sharing facilities and will be pleased to confirm this to Ofcom if required.

The information provided must take into account any requirements set out in Section 2 of this notice. In the event of minor non-compliance, Ofcom may revisit an applicant's proposals with a view to modest adjustment following award and closer scrutiny. Significant non-compliance may render the application liable to disqualification.

Arqiva have noted the requirements set out in Section 2 of the notice and confirm that, in their opinion, the existing antenna system that we propose to share meets the Ofcom requirements.

(ii) Please provide a detailed computer predicted map (in colour) of the coverage anticipated using the transmission site(s) and parameters described above.

Please see full page colour map on following page.

(iii) Describe proposed arrangements for transmission provision (installation, maintenance and repair).

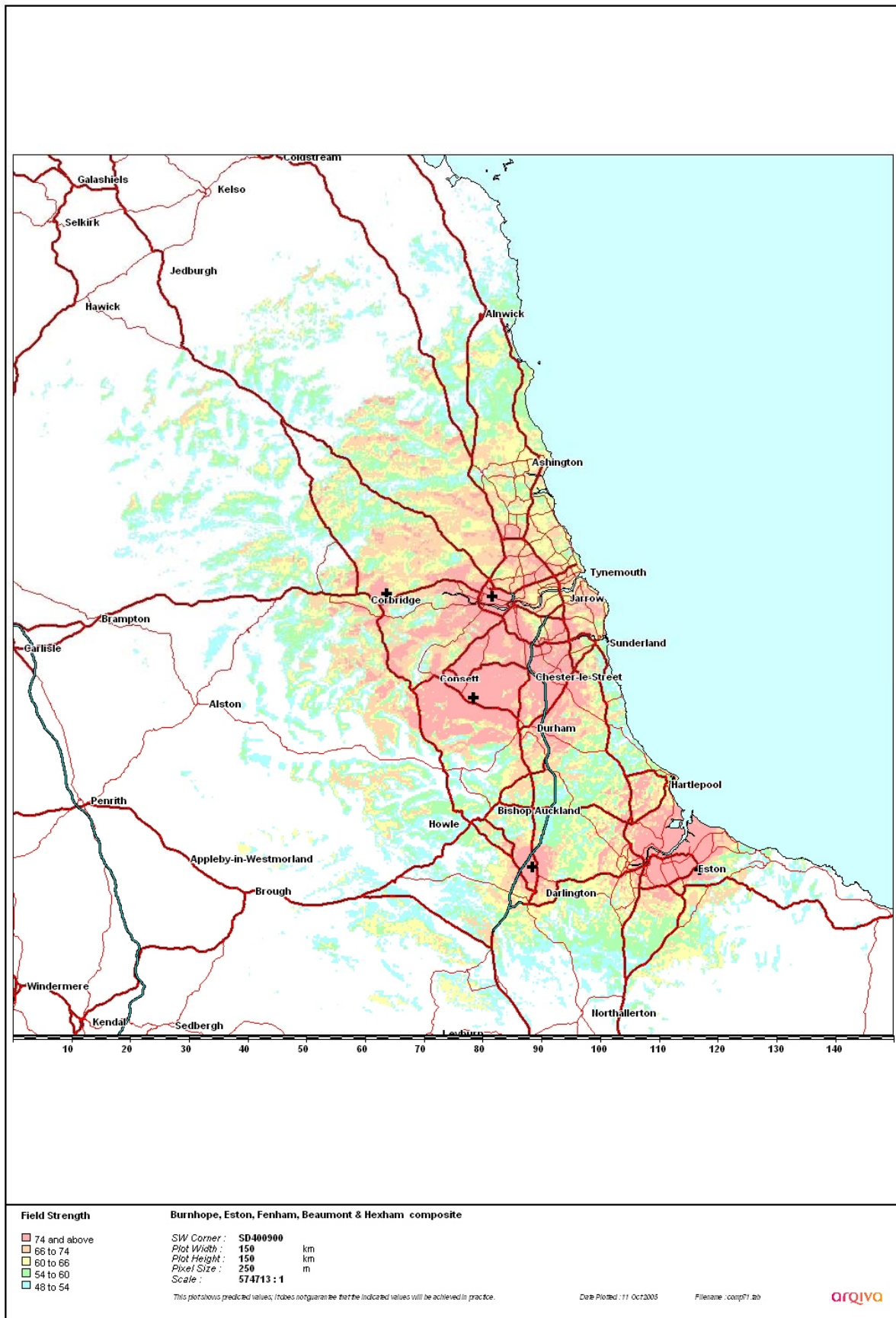
All Sites

Touch FM intends to contract with Arqiva who will install, commission and maintain the transmission systems at each site on a Total Broadcast Contract basis. The service will include telemetry and remote monitoring which report on a 24-hour basis to the Arqiva control centre at Emley Moor. Arqiva has trained personnel who will regularly check transmission parameters. Arqiva work to the Engineering Code originally published by the Radio Authority.

(iv) What is the anticipated time-lapse between the award of licence and start of broadcasting?

Touch FM expects to begin broadcasts around nine months after Ofcom's award of the licence. With this likely to be in March 2006, Touch FM will aim to be on air between December 2006 and January 2007.

(ii) Please provide a detailed computer predicted map (in colour) of the coverage anticipated using the transmission site(s) and parameters described above.



SECTION 105 (B) and (C):
Catering for Taste and Interests/
Broadening Choice



ONLY ONE STATION
TOUCHES BOTH OF THESE



touch 

4. Programming Philosophy

(i) This sub-section of the application should take the form of a statement setting out the applicant's overall programming philosophy and vision for the radio service.

Touch FM will be an Adult Variety music-based station, passionate about both its music and its speech, broadcasting live, locally produced programming twenty-four hours of every day.

Our specially commissioned research concludes that the 'older' audience is not satisfied by local commercial radio. There is a high level of switching around - a telling signal of dissatisfaction with current offerings. Local commercial radio feels embarrassingly 'parochial' for many. It is perceived as amateur and falls short of the quality standards of BBC radio stations. For 45 plus listeners only the BBC, with Radio 2 and its two local stations, comes anywhere close to serving their needs. Furthermore, and most importantly, commercial radio is not reflective of their perceptions of themselves and the area.

The 45 plus audience have a serious interest in accessing a wider catalogue of music that the existing services fail to provide. Our research mirrors Ofcom's findings. Namely that the majority of the British public (80%) voted for "variety" in both their preference for musical genres and preferred age of music.

Rajar clearly shows that more 15 to 24 year olds listen to more commercial radio in this corner of the UK than anywhere else (Source: Rajar September 2005). This part of the market is clearly saturated. However, the 45 plus listeners are seriously underserved by commercial radio in the region. For them there is simply no commercial choice. Only Magic, with its soft classic pop hits format, purports to serve this market but Rajar reveals its dwindling share over the last six years. This station is a bland mix of old songs with little personality and no passion.

Radio listeners in the North East can now choose from forty-three radio services on FM, AM and DAB. Of those, thirty-five are music-led with twenty-six services offering a deliberately limited selection of chart singles rather than the full range of popular music. Given that nowadays it is normal for album sales to outstrip singles sales, this thinking, at its most basic, is fundamentally flawed. For example, in the week ending 25 November 2005 according to BPI classifications⁺ only two singles in the Top 40 Singles Chart had reached Silver status. On the other hand the Top 40 Album Chart contained eight Gold and fourteen Platinum status albums, eight of which were multi-platinum (Source: Music Week 3 December 2005). Touch FM's audience listens to albums and rarely buys singles. Non-single released album tracks will feature on Touch FM as a matter of course.

We recognise that the future for this licence will be as a service within our multi platform audio world but with a significant dependence upon the vitality and viability of DAB. For the life of this licence, our potential listeners will increasingly assume the role of self-programmers. Through the simplicity of downloads from a mix of platforms and the ever-extending availability of mp3 and other storage means, they will choose their own libraries and construct their own playlists.

In a market of forty-three stations, it is not conceivable that the existing twenty-six pop music stations can possibly survive as viable services. It is our belief therefore, that Touch FM must reject any approach that seeks to narrow its appeal into any one slice of the popular music market but must embrace the totality of its riches. It is crucial however, to ensure that the variety of our playlist must be within a context that is distinctive, credible, local, and generates real added value to the music we will licence from the record industry.

If our music policy is to be named then we choose to call it plainly and distinctly - Adult Variety.

The history of UK music radio in the last six decades has moved from an almost total dependency upon the singles sales chart as the arbiter of popular taste, to a current belief that most individual's tastes can be easily categorised into one of several loosely defined musical genres. Any study of the average personal iPod playlist clearly demonstrates that in today's world such an analysis is also deeply flawed, and that most people have demonstrably catholic tastes.

⁺ BPI Classification - Albums: Platinum - 300,000/ Gold - 100,000/ Silver - 60,000. Singles: Platinum - 600,000/ Gold - 400,000/ Silver - 200,000

The people here in the North East know how to enjoy their hard won leisure time and none more so than those in the 45 plus age range. But the 'baby boomers' of Blyth, Blaydon or Bishop Auckland are anything but narrow-minded when it comes to musical entertainment. They know a good tune when they hear one and they don't care how *we* may choose to categorise it.

A typical Karaoke evening in The Ridley Arms is just as likely to include 'Nessun Dorma', as it is 'New York, New York', Will Young's 'Leave Right Now' or 'Tonight' from West Side Story. In short, the time has come for a commercial station that seeks to reflect the real range of musical tastes of real people. One that defines its musical output not by the age of the tracks it plays or by the position they reached in any sales chart but by the strength of their place within the culture of the target listener.

The tracks we programme will almost all feature tunes that the listener will want to hum, whistle or sing along to. Unlike any other commercial radio station, our music will be popular melodic recordings drawn from the outstanding songwriters of the last six decades, with a sprinkling of great melodies from the outstanding 'classical' composers of all time. We will play music from the songs books of Cole Porter, John Barry, Lieber and Stoller, Paul McCartney and Diane Warren and the output of contemporary song stylists such as Michael Bublé and Jamie Cullum. For the average 55 year old, this station will offer them 'the soundtrack of their lives' in an unashamedly populist environment and a truly contemporary setting. Nostalgia may be okay for the likes of Saga or Primetime but Touch will honour music from the decades from a keenly contemporary perspective.

There is no future for music radio that follows the trend of recent years towards an elimination of any editorial content other than the music itself. That would be to reduce radio to the level of an mp3 player. It is the ability of radio professionals to create added value for the listener that will determine which stations survive in our ever-converging digital age. In this respect speech content is a crucial platform for Touch FM to engage and sustain its audience. The key word here is intelligent. That is addressing the audience as mature adults who have an interest in things beyond competitions, the latest comings and goings of the Beckham household or football (although to dismiss the latter, an essential part of life in the North East, would be a mistake!). Touch FM's speech content will be considered and informed but neither dull nor patronising.

Ofcom's own research in "Radio - Preparing for the Future Phase 2", published in October 2005, points to the most important components of radio as being:

- Music variety
- Local and National news
- Weather
- Witty, entertaining and intelligent presenters

Touch FM brings all of these elements together for the first time in North East England for the 45 plus radio listener.

TOUCH FM MUSIC: "A Lighter Touch"

The Adult Variety music mix gives the 45 plus audience what it wants - a station that, unlike all of the other local commercial stations, will not be genre specific or era constrained.

No single decade will dominate. No one style will smother our sound. Variety is the spice of life and Touch FM recognises that the 45 plus listeners want spice in their lives. They are more willing to try new things and appreciate the greater assortment of music that will be on offer. The rock and roll age of the 50's and 60's led this older generation into a wide choice in the charts. Rock sat comfortably beside soul and pop with swing. This was an age where R'n'B meant a derivation of jazz not the dance music of today. Remember this generation discovered disco and punk!

Great songs are still being written today and Touch FM will play these too as our listeners are not just interested in music of the past. The station will also reflect the resurgence of interest in 'big band swing' brought about by contemporary artists such as Robbie Williams and Rod Stewart. Light classical music will be included. Operatic performers such as Andrea Bocelli and Lesley Garrett are prime examples of accessible classical music, alongside crossover artists such as Bryn Terfel and Il Divo.

Our presenters will be passionate and knowledgeable about the music they play, so much so that they will have a hand in choosing the music in their shows. We will not rely on music computers to churn out the same forty to fifty songs every two to three hours. Instead, we will bring the human touch back into radio and re-establish the emotional connection between our presenters and our listeners' interests and memories. The music will be selected because of its relevance in our listeners' lives. That relevance will be understood by our presenters and will therefore create an informed context to the music presentation. This will also allow us to play genuine requests rather than dedications attached to tracks pre-selected to fit a format.

Touch FM is a mood station and will be catering for those who seek melody in their lives and a sanctuary for those escaping the endless repetitive beat and lyrical content of much of today's current music.

Brian Walker, North East Regional Organiser Federation of Small Business:

"Personally I feel the existing commercial radio offering in the North East puts too much emphasis on the younger market place. A new station such as Touch FM that caters to an older more mature audience would be welcome in this area and the idea of playing album tracks which are rarely heard on radio would also appeal to me."

The Touch FM Music Format

Having defined our music policy we now set out to define our music format. We will play a mix contained within three principal genres:

Easy Listening: tracks encompassing Standard Repertoire, Melodic Rock, Soul, Pop, Country and Jazz.

Entertainment Music: tracks from Musical Theatre, Original Film Soundtracks and Television Themes.

Classical Music: Light Orchestral, Operatic Arias, Choruses and Instrumentals.

Touch FM's daytime music output will average 75% Easy Listening, 15% Entertainment Music and 10% Classical Music. No one-decade will dominate the output. Tracks less than five years old will account for no more than 20%. Tracks that have featured in The Top 40 Singles Chart will not account for more than 40% of output. No track will be broadcast more than fifteen times in any seven-day period.

For the purpose of clarity we have provided examples of each sub genre:

EASY LISTENING	
Standard Repertoire: Michael Bublé - My Funny Valentine Dinah Washington - Mad About the Boy Frank Sinatra - Nice 'n' Easy Rod Stewart - Night and Day	Melodic Rock: Dire Straits - Brothers in Arms The Eagles - Lyin' Eyes Paul Simon - Kodachrome Coldplay - Fix You
Melodic Soul: Percy Sledge - Warm and Tender Love Marvin Gaye - When Did I Stop Loving You Sam Cooke - A Change is Gonna Come John Legend - Ordinary People	Melodic Country: Crystal Gayle - Don't It Make Your Brown Eyes Blue Nanci Griffith and Jimmy Buffett - I Love This Town Mickey Newbury - American Trilogy Crosby, Stills, Nash and Young - Teach Your children
Melodic Jazz: Claire Teal - Change Partners Diana Krall - Let's Face the Music and Dance Oscar Peterson - Night Train Jamie Cullum - Our Day Will Come	Melodic Pop: The Flamingos - Since I Don't Have You Charlie Dore - Pilot of the Airwaves Elton John - Tiny Dancer Michael MacDonald - Keep Forgetting

ENTERTAINMENT MUSIC	
Musical Theatre: Oklahoma - People Will Say We're in Love West Side Story - Tonight Phantom of the Opera - All I Ask of You Chicago - Cell Block Tango	Original Film Soundtrack: The Thomas Crown Affair - Windmills of Your Mind Oh Brother Where art Thou - Down to the River Breakfast at Tiffanys - Moon River War of the Worlds - John Williams
Television Themes: Band of Brothers Bleak House Egypt Inspector Morse	

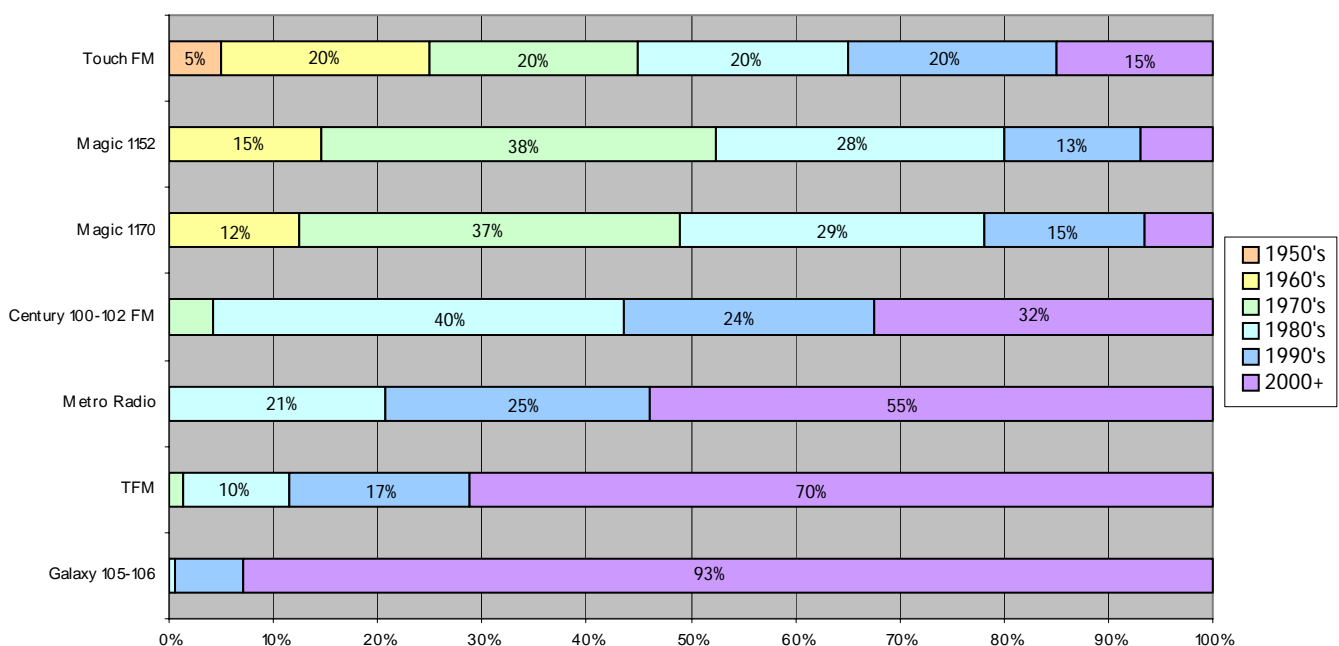
CLASSICAL MUSIC	
Light Orchestral: Spring from Vivaldi's Four Seasons Intermezzo from Mascagni's Cavalleria Rusticana Allegretto from Mozart's Symphony no 41	Arias and Choruses: Nessun Dorma from Puccini's Turandot Chorus of the Hebrew Slaves from Verdi's Nabucco Brasileiras No 5, by Villa Lobos
Instrumental: Berceuse from Fauré's Dolly Beethoven's Für Elise	

Touch FM Broadening Music Choice

Touch FM's music selection criteria relate to the mood and style of the music. Therefore, the date of release of a particular track or its genre roots is of little significance in its inclusion. However, we are aware of the need to be demonstrably distinctive. Hence we have used the two charts below to illustrate the points of difference between Touch FM and others in the local market using these two criteria. As part of our market analysis, Touch FM undertook a music monitoring exercise of all key commercial stations in the North East.

As the chart below demonstrates each station allows one decade to dominate its output. TFM, Metro Radio and Galaxy are all dominated by music released since the year 2000. Century 100-102 FM focuses on the 1980's and the 1970's predominate the Magic network. The Touch FM listeners have enjoyed music for over 40 years and are not locked in to any particular era.

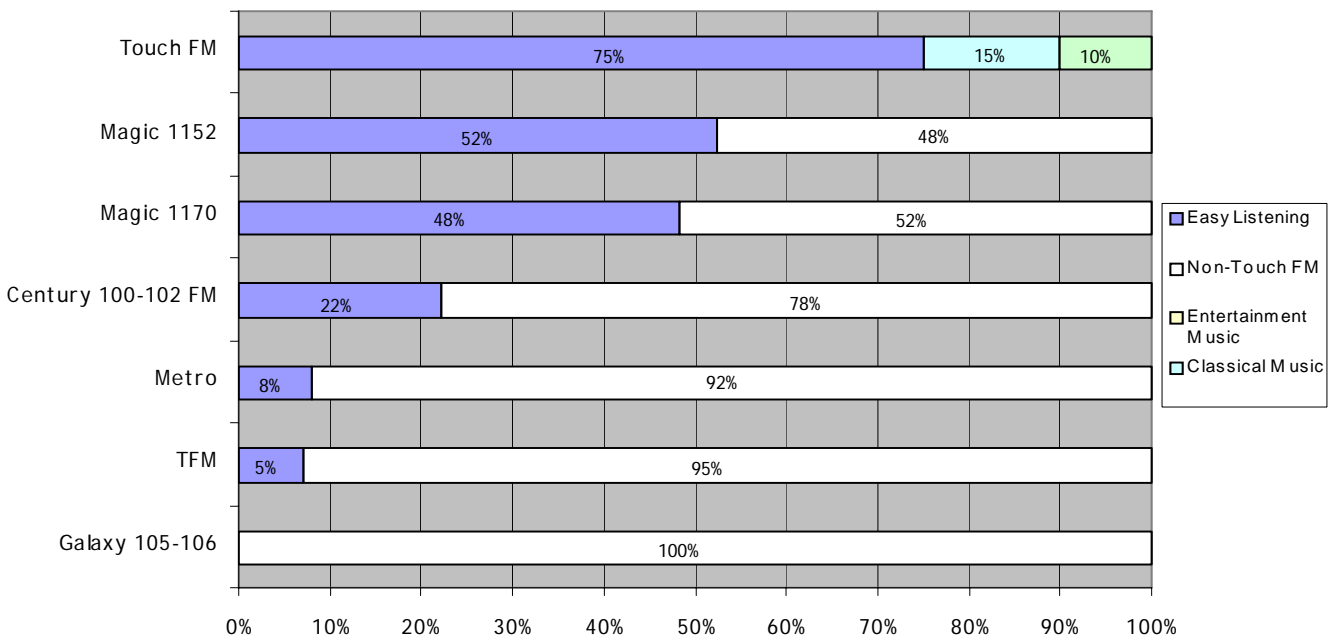
No One Decade will Dominate



(Source: Intelligent Media September 2005)

No North East commercial station currently plays Entertainment Music, as previously defined, or Classical Music. Therefore, by definition at least 25% of Touch FM's music output is unique. The only potential crossover area is in what we define as Easy Listening. While Touch FM would not necessarily select the same tracks, the chart below shows that 22% of Century 100-102 FM's and around 50% of the Magic stations' output might qualify. However, on these stations Easy Listening is restricted to Melodic Pop, Melodic Rock and a little Melodic Soul. On Touch FM, Easy Listening also includes Melodic Country, Melodic Jazz and Standards Repertoire. Furthermore, Magic's output is in the main Top 40 based. Touch FM's past and present Top 40 content is limited to 40%. Therefore, in a worst-case scenario the maximum potential crossover with the Magic stations would be less than 40%. However, with rotation on Touch FM limited to no more than 15 times per week, the likelihood of track-for-track crossover is minimal.

Little Crossover with Touch FM Genres



(Source: Intelligent Media September 2005)

TOUCH FM NEWS: "Keeping the audience in touch"

Touch FM is committed to 100 minutes of locally produced and presented news each day, seven days a week, with North and South split bulletins at peak times.

Touch FM brings an alternative and dynamic approach to the provision of quality local news through an exclusive partnership with ITV Tyne Tees. Aware of the fact that to the outside world this is a homogenous region, all our research and consultations point to the reality of a north / south divide. Audiences in the north and south of the region have different news priorities. The transmitter arrangements, along with our relationship with ITV Tyne Tees allows Touch FM to accommodate these demands through the split transmission of news during peak times.

Ray Mallon, Mayor of Middlesbrough

"This is a wonderful opportunity - the birth of a new radio station of high caliber. It can only enhance the choices for the North East radio audience. Importantly though, it will express the views and issues of the Tees valley and not just be Newcastle centric"

The service will consist of hourly four-minute bulletins between 0500 and 0900 and between 1600 and 2000 with half hourly two-minute updates to augment the hourly bulletins. There will be six-minute news bulletins at lunchtime and again in the late evening and three-minute bulletins at other times. The chart below shows local news is the most important requirement in an 'ideal' station for the Touch FM audience. Currently only 68% of the potential Touch FM audience is being offered local news by their favourite station.

	Desired on Ideal Station (%)	Offered on Fav' Station (%)	Gap (% points)
Local news	96	68	28
News on local events	95	62	33
National News	86	91	- 5
Traffic	91	87	- 4

(Source: Basis July 2005)

Touch FM will have its own news team of five journalists and a News Editor. They will produce a 24 hours live and local news service. The editorial control will remain with Touch FM, although the news team will be situated in the ITV Tyne Tees newsroom. There they will have access to state of the art newsgathering systems. This cost efficient arrangement means that our news team will not use valuable resources duplicating effort in chasing stories. They can concentrate on the breadth of content and producing a high quality news service that aspires to rival that of the BBC.

Graeme Thompson, Managing Director ITV Tyne Tees:

"ITV Tyne Tees is delighted to be working with Touch FM to provide a comprehensive news service for the North East. We also look forward to a close liaison on projects beyond news, especially those which provide added value to the viewers and listeners in this region."

Almost all the existing stations use IRN as a provider both of copy and a sustaining service. *We will not.*

Sian Thomas, Chairman North East Publicity Association:

"Touch's programming and its broad range music format would likely have a strong appeal to Radio 2 listeners but have the additional benefit of being local, making it a very attractive proposition. The news partnership with ITV Tyne Tees also adds credibility to the bid because they have a proven track record in delivering quality news coverage throughout the region. If Touch can deliver their proposed format I think it has great potential to capture a large audience across the North East."

The table below shows the amount of international, national and regional/local news on existing local commercial stations during daytime. Touch FM's news schedule commits to 56 minutes in this period, a 43% increase on Century's provision.

Minutes of News	International	National	Regional/Local	Total
Century 100-102 FM	07:31	13:58	17:42	39:11
TFM	22:15	07:35	02:07	31:57
Metro Radio	03:00	04:11	16:52	24:03
Magic 1170	07:25	10:59	16:01	34:25
Magic 1152	05:07	05:18	27:44	38:09

(Source: Intelligent Media 2005)

Note: Because of their different remits and specific target audiences Sun 103.4, Alpha 103.2 and Galaxy 105-106 were not included for analysis.

Touch FM will:

- Broaden choice by providing a first class addition to radio news provision.
- Double news provision compared to the other commercial radio stations.

TOUCH FM SPEECH:

Our audience demands quality speech content. Touch FM provides its audience with what it wants - a comprehensive local information service and a platform for conversation and considered debate.

Touch FM will make a firm commitment to not only its speech quality but also its speech quantity. No less than one-third of our daytime output will be speech. Given our resources and the strength of our relationship with ITV Tyne Tees we will have the ability to expand our speech output as and when circumstances demand.

Local Speech Content

The desire within the Touch FM audience for local content is considerable. This is from an audience that to a great extent listens to BBC national services. The table below highlights a number of particular gaps between the demand and provision of local material on their existing favourite stations.

Listeners to Touch FM	Desired on Ideal Station (%)	Offered on Fav' Station (%)	Gap (% points)
Events guides	84	61	23
Request show	76	65	11
Local politics/issues	67	45	22
Concert/ gig guide	66	51	15
Film Reviews	62	38	23
Restaurant reviews	54	15	40
Video reviews	52	27	25
Nightlife guide	52	31	21

(Source: Basis July 2005 - Adult Variety Concept fans)

Top of the list is events-guides reflecting the growing number of things to do in the region. Initiatives by organisations such as Culture¹⁰, The NewcastleGateshead ten-year cultural strategy, have resulted in greater awareness and appreciation of arts and culture with audiences on the increase. For example in 2005, Culture¹⁰ brought to the North East a host of festivals and events including a Festival of Music, an International Festival of Rivers and the Sea, a Festival of Sport and a Festival of Visual Arts.

Adam Lopardo, Chief Executive Sponsors Club for Arts and Business:

"Our organisation's aim is to create partnerships between business and the arts for their mutual benefit, the benefit of their community and the region as a whole. The Touch proposition which is aimed at a more mature audience would not only fill a major gap in local radio but it could provide an excellent platform for promoting the arts in the North East"

Touch FM will be music-led but conversational. High editorial values will ensure that our speech content is intelligent and informed, offering insight, analysis and exposition and will never be dull or repetitive. Programmes will include short form features, interviews, listings and updates. Each sequence will focus on a different part of our listeners' lives. We will not corral our callers into phone-ins or force our editorial opinion on our listeners. While we will take the lead our listeners' input will bring added value. Touch FM will have a modern and real interactive feel. Our audience will know that their input and views are important. Their contributions will be welcomed twenty-four hours a day, seven days a week via our "always-on" phone lines, text messages, website and email. The news gathering benefits of the partnership with ITV Tyne Tees enables our news team also to be involved in the full range of Touch FM's speech output. Working closely with our presentation and production staff, they can ensure that this element of output stays fresh, informed and topical. Daily life in the region throws up numerous opportunities for debate of issues and intelligent conversation.

Tourism has become a major driver in the region with numerous new attractions having been established over the last fifteen years. Our research shows that over half of the Touch FM audience want to know what is going on in the region's business community as it effects the regeneration of the region.

Carole Beverly, Chief Executive Entrepreneurs Forum:

"Things have changed so much for the better here in the North East over the past decade and it is important for our local media to better reflect this. I would welcome a more mature radio station for the region which features intelligent presentation and reflects a positive image of the North East and its growing sense of confidence and entrepreneurialism."

Our research shows that there is a significant lifestyle gap between the "haves" and the "have-nots". Our audience demands Touch FM covers a comprehensive range of issues. While top of the list is entertainment, the audience is also interested in understanding serious issues such the rise in crime. They are concerned about violence and drug abuse. They wish to listen to debates about education and family issues. Our output will be in sympathy with the rhythm of life in the region. We will talk about what the audience is talking about. We know that international politics has its place but does not enjoy the same high priority as transport and travel news within the region.

Chris Thompson, Chairman Tyne and Wear Partnership:

"We need a radio station that understands this region and gets behind the efforts being made at a local community level. As a region we must recognise the importance of social inclusion and diversity if we are to achieve the levels of economic regeneration we all aspire to. It sounds like Touch FM has the will and resources to be that station. In which case I am very happy to offer my support."

(ii) The strategies that the applicant proposes to implement in regard to:

- Catering for the tastes and interests, general or particular of persons living in the area;

The Touch FM proposition has been custom built to the demands of our potential audience. We asked them and they told us what they wanted from their 'ideal' radio station. This process will continue throughout the licence period both at informal and formal levels. We will encourage feedback on our music output from our listeners. They will be invited to make direct contributions to our music selection via requests, polls and themed sequences. We will regularly encourage their contributions to our speech output via discussions and interactive means. In addition Touch FM intends to enhance this informal process by creating a 'members' club'. Our close associates, UBC Media Group, have successfully applied this strategy to its Classic Gold Network of local stations. Classic Gold has established a membership of over fourteen thousand listeners who as well as providing general programme feedback have influenced an increasingly successful music policy.

Our directors, whose standing in the region has already enabled consultation with a wide variety of bodies at the highest level, will continue to play an important role as the station's ambassadors. Touch FM is committed to staying in contact with its audience and will also conduct its own formal qualitative research into their tastes and interests at least twice a year, in addition to the normal industry Rajar surveys.

-
- Broadening the range of local commercial services available in the area;

Touch FM, is a distinctive and significantly different service from that on offer by the commercial sector locally, whether analogue or DAB.

1. Touch FM is an Adult Variety music led station including Easy Listening, Classical, and Entertainment Music. **No other North East commercial station offers this.**
2. Over half the population of the region is over 45 and the BBC commands a 63.4% share of their listening. Touch FM will satisfy the needs of the 45 plus listener. **No other commercial station in the North East does this.**
3. Touch FM will broadcast live programming 24 hours a day, every weekday and every weekend. Every programme broadcast will be locally produced. **No other commercial station in the North East does this.**
4. Touch FM is committed to 100 minutes a day of live and locally produced news. **No other commercial station in the North East achieves this.**
5. Touch FM will tailor-make its 24-hour live news to serve the region and not use a sustaining service. **No other commercial station in the North East does this.**
6. The majority of stations play the same song on an average of 30 times per week, some have an even higher rotation. Touch FM will not play the same song more than 15 times in a week. **No other commercial station in the North East does this.**
7. Touch FM, with a database of over 3500 songs in rotation, will play a far greater variety of tracks and genres compared to all existing local commercial stations with a music database of between 450 and 850 songs. **No other commercial station in the North East can match this.**
8. Touch FM will not be a slave to the charts and no single decade of the six decades from which our music is drawn will dominate. **No other commercial station in the North East attempts this.**
9. Touch FM's music output will not include more than 40% of tracks ever featured in the Top 40 Singles Chart. The other 60% will contain album tracks, original film soundtracks, musical theatre and light classical repertoire. **No other commercial station in the North East does this.**
10. Touch FM's speech output will be editorially led, structured, well resourced and will allow on-air access to our audience. However, we will not broadcast programmes that are exclusively phone-ins. **No other commercial station in the North East does this.**

(iii) If appropriate, the applicant may also provide a typical programme-by-programme weekday schedule, to give a flavour for the direction of the station

Weekday Schedule

0600-1000 - Touch FM Breakfast - Minimum 40% Speech

With split four-minute news bulletins on the hour and half hourly two-minute updates, the essence of our start to the programming day will be wide ranging information set within the context of entertaining presentation and musical punctuation. The individual elements will comprise travel, reviews and previews of what's on in our region, as well as summaries of the national and local press. Business news will be included as will entertainment news selected to reflect the variety of our musical output. It will be pacy and energising, inspiring the listener to accentuate the positive potential in the upcoming day.

1000-1400 - Touch Mornings - Minimum 30% Speech

As the day gets underway, Touch FM's emphasis moves from information to music, offered not in the spirit of a mere juke box, but in a presentational context that encourages the listener to derive the very best level of satisfaction from is appreciation. Our presenter will herself be a music lover and able to convey her own love and knowledge of the tracks she plays. Speech content will focus on consumer, community and lifestyle matters. The well-proven device of an hour devoted to one particular year or era will be shamelessly employed to the benefit of both listener and our Rajar results. At lunchtime news will be extended to a six-minute bulletin.

1400-1800 - Touch FM Afternoons - Minimum 30% Speech

The pace starts to increase as parents and often grandparents prepare for 3pm when they collect children from school and then prepare to welcome partners home from work. The early part of the show will reflect upon a range of topics such as holiday planning or financial advice but then the level of information is increased to include summaries of the day's events and of course the relevant travel news. With split four-minute news bulletins on the hour up 19.00

1800-2200 - Touch FM Evenings - Minimum 25% Speech

Whilst the other North East stations have moved into 'phone ins or specialised youth programming, Touch FM gets seriously adult with consideration of any and perhaps all aspects of leisure time activity. Films, live shows, exhibitions and the like will be covered by local participants and occasionally national experts who can put a broader perspective on our own regional style. It is our intention to include the occasional live performance within this slot - sometimes musical, sometimes dramatic as we invite authors to read extracts from their work on air.

2200-0200 Late Night Touch FM - Minimum 15% Speech

Late night music with late night company - if some of the previous segment emerges as challenging then this final segment of the day will be nothing but reassuring, with a music selection to match the presentation. Our late evening news will be extended to a six-minute bulletin.

0200-0600 Overnight Touch - Minimum 20% Speech

This segment will recognise that the majority of overnight listeners in our region will be listening to us because they're at work. A change of pace from the 2200 slot and one that will use contributions from the daytime - interview clips and extracts of the best listener contributions dropped in from easily edited hard disc recordings to stimulate the overnight audience. Lots of music requests will ensure listener involvement and the presenter's ability to match their mood.

- The provision of local material, if any
- The provision of locally-made programming, if any

Touch FM will be 24 Hours a day, Live and Local!

We believe it vital to be live twenty-four hours a day. No one radio station in the North East is fully committed to broadcasting 100% live and locally produced programming around the clock. All have some degree of voice tracked, automated or syndicated activity. Touch FM will stay live and local across the region twenty-four hours of every day, with real people interacting with our listeners.

The rare exceptions will be the occasional pre-recorded 'special' or Her Majesty the Queen's Christmas broadcast. Touch FM would also take part in commercial radio events similar to UK Radio Aid and Live8.

The table below sets out the amount of live and local output of each of the commercial stations in the North East.

Station	Hours of Local Presented and Produced Programming
100-102 Century FM	19 hours per day
Galaxy	17 hours weekdays and 9 hours weekends
Metro Radio	18 hours per day
TFM	16 hours per day
Durham FM	18 hours per day
Alpha 103.2	18 hours per day
Sun FM	18 hours weekdays and 12 hours on weekends
Magic 1152	7 hours per day
Magic 1170	4 hours per day
BBC Newcastle	20 hours weekdays and 17 hours on the weekends
BBC Cleveland	20 hours weekdays and 17 hours on the weekends

5. Proposed Format

TOUCH FM: STATION FORMAT

Licence Outline

Station Name	Touch FM
Licence Area	North East England (as defined in Ofcom's Measured Coverage Area map)
Frequency	97.5 MHz
Service Duration	24 hours a day (all locally produced and presented)

Definitions

Speech	"Speech" excludes advertising, programme/promotional trails & sponsor credits, and may be calculated over any twenty-four hours.
Music Percentages	Any music percentages are calculated as a percentage of the total tracks broadcast in the period specified.
Peaktime(s)	"Peaktime(s)" refers to Weekday Breakfast and Afternoon Drivetime output, and Weekend Late Breakfast.
Daytime	"Daytime" refers to 0600 to 1900 weekdays, and weekend output from 0800 to 1400.
Locally produced/presented	Production and presentation from within the licence area. All requirements for locally produced/presented output must include peaktime.

Character of Service

An 'Adult Variety' music and quality news service targeted at those aged 45 and above in North East England; with a commitment to intelligent speech and offering the widest selection of 'easy listening' music across all usual genres and extending into light classical, songs from the shows and original film sound tracks.

Detail

Touch FM's daytime music output will average 75% Easy Listening, 15% Entertainment Music and 10% Classical Music. No one-decade will dominate the output. Tracks less than five years old will account for no more than 20%. Tracks that have featured in The Top 40 Singles Chart will not account for more than 40% of output. No track will be broadcast more than fifteen times in any seven-day period.

Touch FM will broadcast live and locally produced programming 24 hours a day, every weekday and every weekend. Speech will account for at least one-third of daytime output and at least 15% at other times. Business news, information about local activities including cultural and entertainment events, reviews and previews along with consumer, community and lifestyle related issues will be aired daily. There will be a minimum of 100 minutes of news across each 24 hours day with hourly live locally produced mixed news bulletins. During peak times hourly north/south exclusive split four-minute news bulletins will be broadcast, augmented by two-minute headlines on the half hour. Six minute locally produced bulletins will be broadcast weekday lunchtime and late evening. Travel and weather information will also be broadcast regularly throughout the day.

SECTION 105 (D):
Evidence of Local Demand or Support



ONLY ONE STATION
TOUCHES BOTH OF THESE



touch 

6. Evidence of Demand

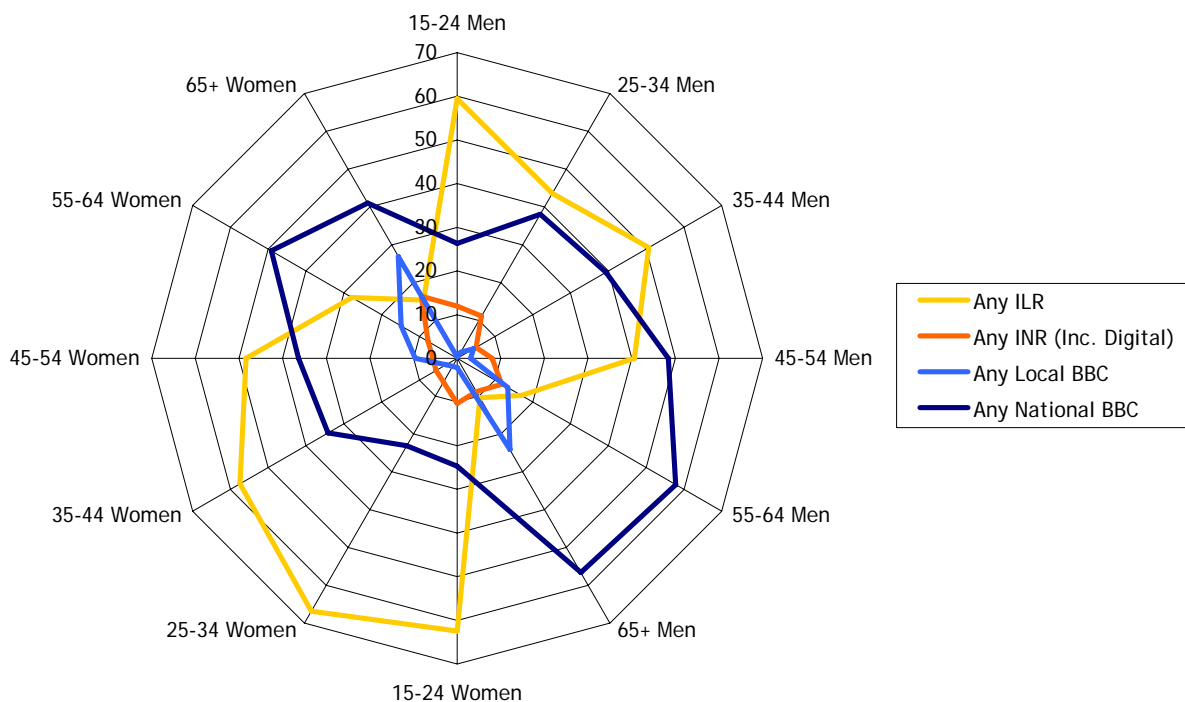
This section should provide an analysis of the reasons as to why it is considered that there is a demand for the type of service proposed, with reference to the size and nature of the proposed target audience. If original market research has been undertaken, please provide the following information:

	RAJAR ANALYSIS	DESK RESEARCH	QUALITATIVE	QUANTITATIVE	STATION MONITORING	CONSULTATION
(i) A Statement of the key objectives of the research	To identify range of formats and listening patterns to commercial and BBC stations within the 100-102 Century TSA.	To understand the North East region, its cities, its economics, population trends and the lifestyle of its residents.	To explore attitudes and opinions among the older radio audience in the North East region.	To quantify the findings of the qualitative research and measure the relative appeal of potential new formats.	To analyse the current music and speech content of local commercial stations	To explore attitudes and views among the opinion formers in the North East area.
(ii) The specific questions that the research sought to answer	To establish listening trends and those audiences currently underserved by local commercial services.	To study the make up of residents in the area, their defining characteristics, their spending power.	Understand the characteristics of the target age group, identify attitudes to existing services and explore music preferences.	Establish the music and speech content preferences and expectations the 45 plus underserved commercial radio audience has for an "ideal station"	To identify the current range of music and news output on existing commercial stations.	Gain a deeper understanding of the North East, priorities in the region and expectations from a new service. Also to refine and gauge support for the Touch FM proposition
(iii) How research was conducted	Conducted by Celador Radio Broadcasting Development Team.	Commissioned study from independent marketing consultants Farmer Associates.	BASIS research led a series of 8 two-hour focus groups among radio listeners in strategic parts of the area.	BASIS research conducted computer assisted telephone interviews.	Music monitoring of the current services including track-by-track analysis of artist, song title, year of release and genre - plus analysis of news content on key stations. Conducted by Intelligent Media.	Numerous one to one meetings with local media, business and community leaders. Attending and creating events and conducting short surveys.
(iv) The size and composition of the sample	RAJAR data from the last six years within the 100-102 Century FM TSA.	Farmer Associates has access to numerous sources including Government, public and subscription based services.	Focus Groups: 64 participants balanced evenly male/female within BC1C2D socio-economic grades and age ranges 40-49, 45-54 and 50-59.	1000 interviews with adults in the area. Sample points were taken within the 100-102 Century FM TSA. Postcodes provided by Arqiva.	Monitoring on between 0600 and 1900. Stations: Full analysis of Century FM, Magic 1152, Magic 1170, Metro Radio and TFM. Music only Alpha, Sun FM and Galaxy.	Detailed under Evidence of Support.
(v) When and where the research was conducted	Rajar results 1999 to 2005.	July 2005	Conducted in June 2005. Groups convened in five locations: Middlesbrough, Newcastle, Stockton-on-Tees, Durham and Sunderland.	July 2005.	14 September 2005.	July to December 2005

(vi) A summary of the main findings from the research, showing how these demonstrate evidence of demand for the service proposed;

Rajar and Current Marketplace Analysis

As pointed out earlier in this document, the local commercial radio services in the North East are not satisfying the 45 plus audience and its share of this market has dropped significantly over the last six years. The graph below takes a snapshot of commercial radio's current position and highlights a continuing drift away by this section of the audience to BBC national services.



(100-102 Century FM TSA)

(Source: Rajar September 2005)

Furthermore, a look at the collection of radio formats available among the forty-three services, including analogue and DAB services, shows that there is no local commercial alternative for this age group.

	Local Analogue	Local DAB	National DAB and Analogue	Combined	Target audience
CHR/ Top 40	2	3	2	7	15-34
Adult Contemporary	1	2	2	5	35-45
Urban/Dance	1	2	1	4	15-24
Classic Hits	4	1	1	6	35-54
Modern Rock	-	2	-	2	15-34
Country	-	1	-	1	35 plus
Classic Rock	-	1	1	2	35 plus
Talk (News and Sport)	2	1	4	7	25 plus
Soul and Jazz	-	1	-	1	35 plus
Classical Music	-	-	2	2	45 plus
Nostalgia	-	-	1	1	45 plus
Spoken Word	-	-	3	3	35 plus
Asian	-	-	1	1	15-34
Alternative	-	-	1	1	25-54

Qualitative Research - Focus groups

Eight focus groups were designed to take soundings from the potential Touch FM audience in key parts of the region. Participants were all between 40 and 59 years of age and recruited according to the criteria outline in the Basis Research Summary report that accompanies this document. Each group took part in a two-hour discussion. Topics ranged from attitudes to where they lived and to neighbouring towns and cities, views on existing radio provision, their music and speech preferences and what 'ideally' they would like from a new local radio station designed especially for them.

General Findings

The research confirmed what we already knew, namely that residents of the North East have an especially strong sense of identity. They take pride in their roots and are protective about the image of the region to the outside world. While deeply proud of their heritage as North Easterners, there are cultural divisions from city to city and particularly between the north and south of the region. This runs deeper than just football rivalries and a reality that must be acknowledged by any new radio service aiming to connect with this audience.

The 'older' audience, generally, is not satisfied by local commercial radio. There is a high level of switching around - a further signal of dissatisfaction with current offerings. Current local commercial radio provision feels embarrassingly 'local' for many. It is perceived as amateur and falls short of the quality standards of BBC radio stations. Furthermore, and most importantly, it is not reflective of their perceptions of themselves and the area they live in. They have greater interest in accessing the wider archive 'catalogue' of great music - a music offering that existing radio services fail to deliver.

Music preferences - Potential Formats

So what will meet their needs? To stimulate debate and assist in identifying a distinctive music proposition with maximum appeal to this 45 plus audience, we asked each group to consider eight different playlists. These were made up of familiar tracks representing a variety of music styles; Classic Rock, Classic Pop, New Rock, Easy Rock, Easy Listening, Recent Pop, Soul/R&B, Nostalgia. Each list was presented to the groups without the genre classification. A full list of the created playlists can be found in the Confidential Appendix.

The relative appeal of each list and individual tracks were then discussed. It became evident that residents of the North East do not use the same music vocabulary when compared with other parts of the country where this exercise has been undertaken. In the main, music was identified by the decade of release and not by its genre. This, we surmise, is a result of the decade-dominated way music is programmed and promoted on radio locally.

Participants were then tasked with creating playlists of tracks that they would most like to hear on the radio, using the original six as prompts. The resulting lists comprised a total of 140 tracks that were then analysed for trends and crossover among each group. The results pointed to very broad music tastes amongst the groups and a distinct bias towards rock among the men.

From these tracks, three core concepts were developed. Each was recorded and edited into a 90 second audio montage and taken into the field for testing:

- a. Rock - Tracks identified would indicate a format closer to that known as Rock AC. Although not available on analogue local stations, is available on DAB.
- b. Adult Variety - An easy listening biased breath of strong melodic songs from 60's to present day. Not currently available through any commercial radio outlet.
- c. Gold - Top 40 hits over 20 years old - To a large extent available on the Magic Network.

The full track listings are contained in the Confidential Appendix. In considering the merits of including Concept c., the Gold format, it was recognised as being not as distinctive the other two. However, the results would act as a useful tool to measure the relative appeal of the other two formats.

Quantitative Research

The results showed that while Concept a. Rock AC had the highest appeal overall, this is significant among the slightly younger audience but drops away among the 45 plus target age group. Concept b and Concept c tied as a favourite concept amongst the target 45 plus age group. As Concept b. is more a more distinctive proposition, Concept c. was dismissed as a music format option.

Concept	Favourite Concept (All)	Favourite Concept (All BBC)	Favourite Concept (All ILR)	Favourite Concept (Radio 2)	Favourite Concept (40-59)	Favourite Concept (45 plus)
a. Rock AC	43	38	51	38	48	23
b. Adult Variety	28	31	21	34	23	39
c. Gold	30	31	27	29	29	39

(Source: Basis July 2005)

When the likelihood of the target audience to listen to the remaining two formats is examined, the gap closes between Concept a. Rock AC and Concept b. Adult Variety. However it is Adult Variety that has more 'very likely' listeners among the target age group. Whereas, Concept a. Rock AC has greater appeal among those already listening to local commercial radio.

Concept	Very Likely to listen (All)	Quite/Very Likely to listen (All)	Very likely to listen (45 plus)	Quite/Very Likely to listen (45 plus)	Quite/Very likely to listen (BBC)	Quite/Very Likely to listen (BBC Radio 2)	Quite/Very Likely to listen (ILR)
a. Rock AC	36	61	25	66	54	58	76
b. Adult Variety	27	52	39	64	54	62	49

(Source: Basis July 2005)

Furthermore the chart below shows that among those who say they will stop or listen less to an existing service, Concept b. has less impact on the existing commercial stations and therefore delivers the largest, new and desirable audience to the commercial sector.

Concept	% Stop or listen less (All)	% Listen more to radio (All)	% Stop /listen less (45 plus)	*% Stop /listen less to BBC (Likely listeners)	*% Stop or listen less to ILR (Likely listeners)
a. Rock AC	49	27	41	44	62
b. Adult Variety	42	29	37	53	53

*Base; % of the people who would stop or listen less (Source: Basis July 2005)

Adult Variety - Refinement

The tracks used in the audio representation of Concept b. - Adult Variety are listed in the table below.

Artist	Track
Alison Moyet	All Cried Out
Carly Simon	You So Vain
Barry Manilow	Mandy
Robbie Williams	They Can't Take That Away From Me
George Michael	Careless Whisper
Jamie Cullum	Singing In The Rain
Katie Melua	The Closest Thing To Crazy
Eva Cassidy	Fields Of Gold
Barbara Streisand	Memory
Elton John	Sacrifice
Dusty Springfield	I Close My Eyes

As usual in research exercises like this, familiar tracks were used to gauge listener's responses to the basic concepts and the overall sound of the potential station. However, our specially commissioned research also gave us further insight into the broader musical taste of our audience. Prior to testing the pre-recorded formats our survey asked respondents about their favourite types of music. We asked them to rate different categories of music with scores out of ten, with ten being the highest score. We studied the responses of the potential core audience to Touch FM. On the basis that a score higher than six out of ten showed an interest we could identify the following pattern among Touch FM's potential core audience.

Favourite Music Types

Concept	Easy Listening	Classical	Classic Pop	Country	Soul	Classic Rock
b. Adult Variety	80%	60%	58%	54%	41%	39%

(Base - likely listeners who preferred Concept b. as their favourite (22% of the population) - Source Basis 2005)

As the above chart shows there is a strong correlation between likely listeners who preferred the base Adult Variety concept and classical music as a 'favourite' music preference. Although not prompted, 11% also mentioned opera. These findings along with the interest in Classic Pop, Country, Soul and Classic Rock, not only reinforces the fact that the target audience has quite catholic tastes in music, but also enables Touch FM to stretch the boundaries of the base concept and include a wider selection of music styles.

Delving further into music tastes an extra stage, we also asked our prospective audience about the mix of old and new material they would like in a sequence of 10 songs. The results gave a mean score to each type that in fact added up to around 20. So in the course of a 20 track sequence the core listeners to Touch FM are happy to hear:

Concept	New tracks from new artists	New tracks from established artists	Tracks from last decade	Tracks from their youth	Hits that everyone knows	Hits from less well known	More unusual singles	Album tracks you don't hear on the radio
b. Adult Variety	2.4	2.6	2.5	2.5	4.4	1.9	1.6	2.0
%	12	13	13	13	22	10	8	10

(Source: Basis July 2005)

So quite contrary to perceived wisdom, this audience is not wedded to nostalgia. Only 13% of the output, they say, should be music from their youth. 25% of the output can be new releases either from established or new artists, 10% can be album tracks that are not usually aired on radio and 8% unusual singles. Therefore, a significant proportion of the output does not have to be familiar, allowing those involved in the music programming of Touch FM to use their music selection skills, within the broad range of categories listed above.

Of course quality speech content is also a major factor in winning an older audience, particularly from the BBC. Our research also showed a demand for a speech content of 36%, which is slightly higher than currently available on the existing commercial stations. The study also showed a demand among the audience for considerably more local content than their existing favourite stations provide. Given that a high proportion is currently listening to BBC Radio 2, this reinforces the importance Touch FM's potential listeners place on local material.

	Desired on Ideal Station (%)	Offered on favourite station (%)	Gap (% points)
Local news	96	68	28
News about local events	95	62	33
National News	86	91	- 5
Traffic news	91	87	4
Events guides	84	61	23
Entertainment News	82	73	10
Music news/information	82	75	7
Request show	76	65	11
Competitions	72	76	- 3
Coverage local politics/issues	67	45	22
Concert/ gig guide	66	51	15
Topical phone-ins	65	70	- 5
Sports Coverage	63	72	- 9
Film Reviews	62	38	23
Current affairs debate	58	51	7
Restaurant reviews	54	15	40
Video reviews	52	27	28
Nightlife guide	52	31	21

(Source: Basis July 2005)

Conclusions

- The local commercial stations are failing to satisfy the 45 plus age group. The share of listeners aged 45 plus continues to decline.
- An analysis of all services available in the area shows that only national services come close to catering for this section of the audience. Even taking DAB services into account, there is no local commercial alternative to the BBC.
- Nevertheless the demand for local content on their 'ideal' radio station is significant among this audience.
- The Touch FM base music format has strong appeal among the disenfranchised 45 plus audience. 64% say they are likely to listen.
- Touch FM has significant appeal to regular listeners to the BBC. 54% say they are likely to listen, as do 62% of regular listeners to BBC Radio 2.
- Touch FM clearly offers a real and distinctive alternative to what is already available locally whether analogue or DAB.
- Touch FM has more scope for diversity through other music styles this audience also enjoys.
- Touch FM has the potential to deliver a significant audience currently not available to the commercial sector.

(vii) Full data tables for any quantitative research undertaken.

All data tables from quantitative research are accompanying as separate documents.

7. Evidence of Support

This section should provide evidence of support, where appropriate, from the applicant's potential audience or from prospective local advertisers.

Consultations

Touch FM is designed to offer a real, intelligent alternative to the existing commercial services with specific appeal to the older 45 plus audience. As such it is imperative that we understand the key issues that at the forefront of the minds of those that shape the future of the North East and the impact these have on our potential audience. While being entertained is a pre-requisite for any radio audience, the older audience also wants to stay in touch with developments that touch their lives. Nowhere is this more important than for those living in the North East. The One North East agency for example has been established to drive forward a variety of initiatives that impact directly on the economic and cultural wellbeing of the region and therefore its inhabitants. Our round of consultations has enabled us to identify these key issues and ensure that Touch FM can embrace them with the support of those that make things happen.

Our main submission in relation to evidence of support is the market research conducted on Touch FM's behalf by Basis Research. The report that accompanies this document contains a fulsome summary of both qualitative and quantitative findings.

The other 'secondary audience' whose support is essential for a new station is the business and advertising community.

Having established what we believed to be the direction for Touch FM, we sought to consult with the community at large and the advertising industry to establish:

- Their overall observations to the proposition and to refine it accordingly.
- Their collective observations on the strengths and weaknesses of existing local services.

Our consultation included one-to-one business briefings conducted by local members of Touch FM's board and a series of special events attended by key influencers in the North East region. We asked them to complete a short questionnaire. Survey cards were also mailed to key people in the region.

Promotional Events

Touch FM held two special events in the region. The first took place on the evening of 2 November at Tiger Tiger in Newcastle. The second was held at lunchtime on 3 November at Psyche in Middlesbrough. The main objectives for these events was to present the Touch FM proposition to an invited audience of influential leaders of business and community and get their feedback. An additional attraction was James Moir, Touch FM Director, in conversation with his fellow Celador Radio Broadcasting Director, Chris Tarrant about the current state of commercial radio. The Newcastle event was attended by over 107 invitees and 76 guests attended in Middlesbrough. As well as letting us know their views on the day, they were asked to complete a Touch FM one-minute survey.

One-Minute Survey Results

'One-Minute' survey questionnaires were distributed at Touch FM events mentioned above and other activities where Touch FM board members were involved. The surveys allow us to very quickly gauge the views of the broad cross-section of influencers in the community and business sectors in the region. The total number of returned and completed surveys was 186 and the results were as follow:

1. The North East of England would benefit from a regional radio station catering for adults aged 45 plus that features enduring music and reflects the broad tastes of this audience.

Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly
35%	50%	13%	2%	0%

2. The new radio service should feature news and intelligent topical speech content that truly reflects the lifestyle interest and concerns of the listeners.

Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly
53%	42%	5%	0%	0%

3. The new radio service should not feature more of the same music and programming that is currently available in the local area?

Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly
45%	42%	11%	2%	0%

4. The new station should feature a broad range of music rather than specialise in just one format (ie. jazz, country, rock, soul etc)

Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly
47%	45%	3%	5%	0%

5. The new radio service should have the backing of experienced broadcasters and a strong team of local business-people who can help ensure it is a successful and long-term venture.

Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly
53%	42%	3%	2%	0%

Business Briefings

The directors of Touch FM and members of the CRBL team undertook a series of consultations and briefings with influential individuals in the private, voluntary and public sectors. A list of people we spoke with is below:

Business and Community Leaders:

Margaret Fay, Chairman, One North East

Mark Adamson, Creative Industries Specialist Adviser, One North East

Paul Newton - Consultant, Codeworks

Tim Candle Jones - Director Polar Productions, Sport England North East, England Marketing Advisory Board

Fiona Ellis, Director, Northern Rock Foundation

Maggie Pavlou - President North East Chamber of Commerce

Jane Robinson, Deputy CEO, Gateshead Council (ex Arts Council Director)

Brian Walker, Regional Organiser (North East) Federation of Small Business

Jessica Trotman, Coordinator, Business Clubs North East

Andrew Sugden, Director of Policy and Representation, North East Chamber of Commerce

Andrew Dixon, Chief Executive, NewcastleGateshead Initiative

Suzy Goulding, Head of Corporate Communications, NewcastleGateshead Initiative and Culture¹⁰

Sian Thomas, Chairman, North East Publicity Association

Carole Beverly, Chief Executive, Entrepreneurs Forum

Adam Lapardo, Chief Executive, Sponsors Club for Arts and Business

Tracey Urwin, Executive Director, Service Network North East

Sarah Green - Director, CBI North East England

Bill McGawley - Chairman, IoD North East England

Advertising Agencies:

Alan Brown, Managing Director, Robson Brown

Chris Hill, Chairman and Managing Director, Cravens Advertising

Ian Humpish, Managing Director of the Roundhouse Advertising Agency

Summaries of comments are contained below, along with those already positioned in other parts of the document:

Tracey Urwin, Executive Director Service Network (NE organisation representing the professional services industry):

"The North East is currently over-served by youth-oriented local radio. The Touch music format and their focus on quality news and intelligent speech programming is one that would very likely appeal to many of our members as a radio service they would listen to and one on which they could potentially promote and advertise their services."

Sian Thomas, Coordinator North East Publicity Association and Account Director at Robson Brown:

"Touch's programming and its broad range music format would likely have a strong appeal to Radio 2 listeners but have the additional benefit of being local, making it a very attractive proposition. The news partnership with Tyne Tees also adds credibility to the bid because they have a proven track record in delivering quality news coverage throughout the region. If Touch can deliver their proposed format I think it has great potential to capture a large audience across the North East which many advertisers currently have difficulty reaching."

Suzy Goulding, Head of Corporate Communications NewcastleGateshead Initiative - Culture¹⁰:

"There is a cultural gap in the North East at the moment - we have an established and internationally renowned arts and music scene yet there is a lack of media publicity about this. I would welcome a radio station that gave higher credence to the arts through on-air reviews and more thorough 'what's on' listings."

DECLARATION

Too whom it may concern

I confirm that, to the best of my knowledge and belief:

(i) That no person involved with Touch FM is a disqualified person in relation to the licence by virtue of the provisions of section 143(5) of the Broadcasting Act 1996 (relating to political objects);

(ii) No director or person concerned directly or indirectly in the management of The Coast 106 is the subject of a disqualification order as defined by section 145(1) of the Broadcasting Act 1996;

(iii) No person involved in Touch FM has been convicted within the past five years of an unlicensed broadcasting offence and that the applicant will do all it can to ensure that no person so convicted will be concerned in the provision of the service, the making of programmes included in it, or the operation of a radio station if the applicant is granted a licence.

(iv) Any matters which might influence Ofcom's judgement as to whether the directors and substantial shareholders involved in the application are fit and proper persons to participate in a radio licence have been made known to Ofcom

Regards

A handwritten signature in black ink that reads "Alastair Balls". The signature is written in a cursive style with a horizontal line through the middle of the first name.

Alastair Balls
Chairman