

## ERICSSON/CREATIVE MERGER INQUIRY

### Summary of hearing with British Telecommunications plc held on Wednesday 13 November 2013

#### Background

1. British Telecommunications plc (BT) offers sports coverage through its three channels, BT Sport 1, BT Sport 2 and ESPN ('BT Sport').
2. It uses Red Bee Media as a playout provider for BT Sport 1 and 2 and Arqiva for ESPN.

#### Televised sports programming

3. The reactive nature of BT's content, with a high volume of live sports events that could overrun and underrun or be cancelled, was the main cause of complexity in its playout requirements. US content was the most difficult because BT receives the content rather than producing it. It thought its programming requirements were broadly similar to [redacted] but more complex than [redacted] and other mixed formatting channels due to the unpredictable nature of covering live sporting events. Live programming on the PSB channels was generally more predictable, with some exceptions.

#### Mergers

4. BT thought the merger would [redacted].
5. It thought the merger would [redacted]. However, if only one playout provider was operating it would mean it could not obtain a good benchmark price.

#### Playout providers

6. BT uses playout providers to minimize risk and to meet restrictive time constraints. [redacted]. Both customers and rights holders needed to have confidence in BT Sport. [redacted].
7. An overseas playout provider would need to have a physical presence in the UK to ensure that BT staff could attend at short notice.

#### The tender process

8. BT carried out a tendering process for selecting a playout provider for BT Sport 1 and 2. It sent questionnaires to [redacted] parties: [redacted].
9. It rejected the response from [redacted] due to [redacted] being too expensive and a lack of detail and understanding.
10. The remaining [redacted] parties were asked follow-up questions. [redacted].
11. RBM was selected as a preferred supplier and it agreed a [redacted]-year term contract [redacted] it offered a good reputation and a strong infrastructure.

12. During the initial stages it did not advise parties of their competitors in the bid. [REDACTED]. It recognized that the industry was so small that providers would be aware of competitors during a tender process.
13. When it purchased ESPN Global Limited it inherited the playout agreement with Arqiva for the ESPN channel. [REDACTED]. It said that providers who already had a relationship with it would find it easier to understand its requirements, but other providers may also make better bids next time.

## **Operations**

14. The nature of live sports coverage required a high degree of flexibility as programming schedules could change on a daily basis. BT Sport employees give editorial instructions to its playout providers, and they also maintain an Operations Manual with instructions for dealing with particular scenarios.
15. For the purposes of its service level agreements, [REDACTED].
16. [REDACTED]
17. [REDACTED]

## **Staff**

18. [REDACTED]. It recognized that operational staff (shift managers and transmission controllers) were key in ensuring that programmes were broadcast successfully. It held quarterly management meetings with its playout providers.
19. It made it clear to RBM that it wanted experienced staff and was aware that suitable staff might be available from Arqiva due to the scaling down of ESPN.
20. It had an operation manual which directed staff as to how to deal with unexpected changes to programming.

## **View on the merger**

21. [REDACTED].