

ERICSSON/CREATIVE MERGER INQUIRY

Summary of hearing with CSC Media Group held on 4 December 2013

Background

1. CSC Media Group (CSC) was founded in 2006 and is a UK-based broadcaster of free-to-air television channels across all UK digital television platforms. It operated within the genres of Kids, Music, Entertainment and Movies. As well as television channels CSC operates a number of digital services and a pay-TV business outside of the UK. CSC currently owns and operates 19 television channels—all in English language.

Requirements

2. CSC said that its operational linear playout requirements were standard, and its channels were played out in a multichannel playout suite. However, its linear playout provider needed to cope with some of CSC's value-added services such as non-linear television and the linking of television channels to the Internet and Social Media sources in a live environment.
3. CSC explained that the challenge for the linear playout provider was not so much in monitoring the playout, but more in the engineering of the playout set and its interactions with the CSC's other hardware and software. The engineering aspect was not only relevant when building and setting up the playout kit, as updates needed to be made over time.
4. CSC's linear playout requirements had always been fulfilled by an external provider. This was BT Media Hive from 2002 until 2006, when BT Media Hive was bought by Technicolor, which then handled CSC's linear playout until 2013, when it was acquired by Ericsson, when it tendered these services.

Tenders

5. CSC confirmed that in its 2013 tender it invited [REDACTED] five well-known UK providers to tender. [REDACTED].
6. CSC planned the tender as a two-stage process, whereby it would first send out a request for proposal to all bidders, and then would continue with the two best after a beauty parade, comprehensive scoring system and a period of due diligence. After receiving and reviewing responses from bidders, CSC decided to add an additional stage into the tender process in order to ensure the best quality bids were submitted.
7. [REDACTED]
8. During the tender process CSC said that WRN showed itself to be forward thinking and had an understanding of CSC's requirements. An example of this was a new testing environment it proposed to facilitate testing over the Internet and providing a virtual testing platform. Even though WRN's offer did not bundle playout with distribution services, its expertise in distribution was a benefit. WRN won the bid. [REDACTED].

9. CSC said that price was only one of the elements that contributed to its decision. Going into the process it knew that [redacted] price would be slightly higher than average, and that [redacted] price would be lower than average. It was not the determining factor, however, and CSC said that if [redacted] had shown a proper understanding of its requirements, it might have kept the contract. [redacted].
10. The value of the CSC contract was between £[redacted] and £[redacted] million, and ran for five years until 2018. CSC indicated that it was confident WRN had the necessary capability. [redacted].

The playout market

11. CSC indicated that the takeover of Technicolor by Ericsson did not materially change its chances in the selection process. Overall it viewed the takeover as positive, and noticed that Ericsson was keen to keep the contract. CSC went to Stockholm to understand the big picture, to understand what Ericsson wanted to do with Technicolor's playout operations in the UK. However, this did not become clear.

Switching providers

12. CSC explained that migrating the playout and moving a facility was a high-risk project, and that it would rather not have done so. However, it said that in the end the transition was good. Technicolor behaved professionally, and WRN proved itself to be competent. The migration was finalized ten days ahead of schedule. CSC was satisfied with WRN's performance.

Incumbency advantage

13. A current supplier would have an incumbency advantage the next time CSC tendered its playout requirements. In a new tender situation, it would be open to inviting smaller parties with less playout experience, but it would not invite suppliers that currently did not do playout or did not currently have a presence in the UK. CSC said it would always want to see an existing facility and meet the relevant staff.

Views on the merger

14. CSC confirmed that it had no concerns about the merger, but that it suspected that the BBC, ITV, Channel 4, and to some extent Channel 5 might be more affected by it. [redacted].