# ERICSSON/CREATIVE MERGER INQUIRY

## Summary of hearing with The Walt Disney Company, EMEA held on Thursday 7 November 2013

### Background

1. The Walt Disney Company, EMEA (Disney's) European channels launched in 1995 and outsourced playout to Pearson Television. Disney had always outsourced its playout operations. It had 81 feeds across Europe, which were derived from 45 to 48 channels.

2. It broadcast in 26 languages across Europe, the Middle East and Africa (EMEA). It had broadcast centres in the UK, France, Italy, Germany, Spain, the Netherlands and Israel. These independent hubs outsourced their playout transmission services across their regions.

3. Disney defined a channel as a specific playlist and a derivative as a variation of, for example , standard versus high definition or when the playlist is broadcast, for example time delayed '+1' variants.

### Branding

4. Disney's branding was probably the most complex aspect of its channels. This related to how it promoted its channels on air, including tickers, bumpers and bugs. It considered it was more active in this area than most channels.

### Playout at Disney

5. In the UK, Disney's playout operation was based at Chiswick Park in west London where it operated its three primary UK channels, Nordic and a number of central and eastern European channels. It also had a multi-territory feed that reached as far as the Middle East and South Africa.

6. These features were scheduled automatically, drawing on content from its asset management systems and scheduled with schedules created by its programmers. It was a standard operation although it was aware that some customers perceived their requirements in this area to be more complex than others.

7. Disney's complexity was specifically in the dynamic event that occurred at the point of playout, contrasted with a pre-recorded programme which just played out as recorded. If Disney wanted a bumper in a particular place, the schedule would include a flag for that bumper. When the flag was reached by the schedule, it triggered the automation system and the graphics device would play out the branding. The complexity was that it required a robust and stable solution to be able to trigger the bumper every single time it wanted the branding to go out.

8. If everything was going well, the playout operator should have no intervention.

9. Disney had no live content with the exception of online voting where the results of the live vote were displayed instantly on the screen. The content was checked by mediators though the playout part of the process was a direct pass-through. This

meant that the schedule automated the process: the information was sent straight through to transmission and playout via the graphics engine.

## Playout tendering

10. Disney moved its UK playout operations from Technicolor to Encompass in 2012 in a phased migration of channels to mitigate the complexity and risk of moving all channels in one go.

11. Disney had been in a long-term contract from 2002 with Corinthian, which became Technicolor in late 2004. As Disney neared the end of its contract, it initiated an request for information process to go to the market to assess what other solutions were available.

## Selecting playout providers

12. All main service providers would be able to provide the services Disney required, and this was standard broadcast.

13. Disney chose providers based on technology and business partnership.

14. It was cost effective to outsource and there were not large costs associated with transferring to an external playout provider.

15. Disney considered playout to be most beneficial by using external suppliers as it focused its capabilities on production and content. Also technological advances for playout were ongoing, so continual reinvestment would be necessary if it played out in-house.

16. Although there were conveniences for having a provider based in the UK, it was not a necessity as broadcasts could be sent electronically from anywhere in the world.

## Playout operations

17. Files were sent to playout providers within 30 minutes, which meant that they could use playout providers based outside the UK.

18. It would spend two weeks testing parallel runs and graphics.

## Technicolor

19. Technicolor was compliant with Disney's existing technical requirements. However, its requirements were changing significantly, including the addition of high-definition and non-linear playout and a larger number of channels than the original contract had been designed to cater for.

20. The agreement with Technicolor was for all of Disney's services. Disney revaluated its strategy for all of its value chains, including mastering, post-production, and all linear and non-linear playout. It decided to in-source some elements, therefore the request for proposal was for a subset of its requirements.

21. [✂]. Disney's requirements were unrelated to the change of ownership of Technicolor to the Ericsson Group.

22. The main issue was with the outdated agreement rather than with Technicolor. The ownership change to Ericsson Group occurred around the same time as its tender. By the end of the contract Technicolor was delivering the required service levels.

## Tender to Encompass

23. The procurement process was managed by Disney's Sourcing and Procurement team and Operations Director who was responsible for dealing with the list of potential providers and managing their responses.

24. Disney identified providers through a tendering process which entailed sending out questionnaires. The responses were then evaluated by the director and the core team which consisted of a project manager, on-air experts and operations staff.

25. [✂].

26. It decided to select Encompass. This was based [✂].

27. Encompass was given specifications for Disney's graphics but was able to choose what playout technology it used in consultation with Disney.

28. The agreement with Encompass was for [✂] years. The average length of Disney's playout agreements was [✂] years. [✂].

29. It recognized that other suppliers could meet its demands should Encompass be unavailable or disappear.

## Playout in the future

30. Disney planned in the future to allow external playout providers to select the appropriate technological equipment to meet Disney's specification.

31. It felt its competitors were aware of its intention to change from using traditional based band video broadcast to IP broadcast. It envisaged that these changes would occur gradually and in line with requirements. It thought other broadcasters were also considering the same changes.

32. It did not think it would be affected by the merger between Ericsson and Red Bee since a number of suitable firms offered playout services. It recognized that both Ericsson and Red Bee worked with public broadcasters and it would depend on how the merger was structured to see what effect this would have on the market.