

a guide to launching a tv channel in the uk

Whilst there's no doubt that the TV landscape is ever-changing, and moving towards **web-based delivery**, broadcast television remains the most powerful and effective way of reaching an audience.

The last ten years have seen an explosion of television channels (there are now over 400 on Sky), and a significant number are from new market entrants, many of whom have limited broadcasting experience. This guide is designed to help newcomers launch and run television channels whilst avoiding some of the pitfalls that can make it a difficult and costly process.

At etv, we've launched **eight channels** on the **Sky platform** and also launched channels on Freeview and cable, so we have a good track record of helping clients navigate the complexities and relationships of UK television broadcasting.

starting off...

- There are lots of good ideas for TV channels, but perhaps the first thing to decide is what makes your channel different and how are you going to tell people about it, so that they will come in sufficient numbers to make it a success. This thinking should underpin your business plan.
- Identify your financial and audience objectives for three years and work out your end game for the channel.

getting down to business...

- It is just that - a business. Be hard-headed about it, ask the right questions and seek advice from specialists if you need it, we are happy to point you in the right directions if you want:
- What are the revenue streams that will drive the channel: advertising, direct sales, subscription, gaming, interactivity (via telephony or red button). There may be multiple components to the revenue model and you need to be clear as to how they will combine to make your channel profitable:
- Will the channel be freely available to the audience ("free-to-air" sometimes referred to as "unencrypted") or access controlled through subscription or some other limited access?
- What will be the transmission hours of the channel? Normally satellite space is bought for 24 hour transmission but running the channel for this length of time might not suit the audience or the programme genre, and there are alternatives.
- How will the content for the channel be gathered? Will this be an original production channel, or a library channel which buys programming from other distributors or producers and re-packages it, or



a mixture of the two. This decision will have an impact upon budgets and timescales to launch.

- How will you market the channel to its audience cost-effectively? Whilst electronic programme guides are efficient and easy to use, audiences can be slow to respond to new channels and you need to excite their interest.
- If you are planning a shopping channel you need to think about how you will handle fulfilment - in-house or outsourced and how you will cope with the inevitable issues surrounding this.
- If your channel requires subscription management then you will need to factor in the costs and complexities of managing subscribers in-house or outsourcing to a third-party specialist company.

the Digital Television Landscape in the UK...

There's good news and there's less good news... you can launch your new channel into over 35% of UK homes with little trouble and manageable costs, the other 65% of UK homes are perhaps a different story...

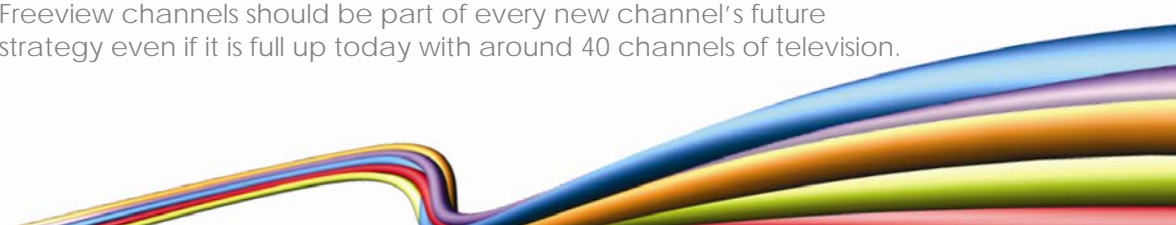
There are currently a number of ways to receive digital television in the UK; satellite, cable, freeview and IPTV. Currently the numbers receiving the services on their primary TV in the house are:

| | | |
|-----------------|-------------|-------------------------------|
| Sky | 8.3 million | |
| Cable | 3.2 million | |
| freeview | 9.0 million | |
| Other satellite | 0.9 million | |
| IPTV | 270,000 | Source: Ofcom and others 2008 |

Freeview

By 2012 all analogue TV will be switched off in the UK. At this point all televisions will need a set-top box or have an integrated digital tuner to receive any television at all. Digital television makes much more efficient use of broadcast spectrum (so more channels can be squeezed into the same space) and the Government will sell off the analogue frequencies to the highest bidders. This may not just be television channels but competing services for mobile and wireless broadband will also be able to bid for spectrum.

Currently the Freeview service available today uses small bits of unused spectrum from between the existing analogue services to broadcast digital television. This service will expand significantly from 2012 and Freeview channels should be part of every new channel's future strategy even if it is full up today with around 40 channels of television.



There are only limited ways of delivering subscription rather than free-to-air television currently but this will expand by 2012. Freeview is controlled as a joint venture between the terrestrial broadcasters.

Sky

Sky delivers satellite television to 8.3 million homes today and is a growing platform. Apart from planning restrictions, Sky is available to almost every home in the UK. Sky offers over 450 channels to subscribers all available through a simple to use electronic programme guide (EPG). Sky subscribers pay from about £15 per month to around £45 per month. There are also about a million former Sky subscribers who still have a dish and a Sky box and can still get the free to air channels via satellite.

Ofcom (the telecommunication regulator) has ruled that Sky is an "open" platform and that it must allow any bona fide broadcaster access to the platform and to the EPG via a published ratecard. This has made Sky the most popular platform for new channel launches, but you will have to factor into your plan, those associated costs for the EPG services provided by Sky, and perhaps the cost for acquiring an EPG position from a third party.

In 2007, Sky announced that technical issues in their set-top boxes meant that the platform is now full and new channels have to launch by acquiring channels already on the platform. There is a buoyant market in the buying and selling of channels (or EPG positions) on the platform and this has not greatly affected the ability of new channels who want to launch on Sky.

Sky charge in excess of £79,000 per annum for a free-to-air channel to be on the Sky EPG (and allocate channel numbers sequentially so that you get the next available one in the most appropriate programming genre - general entertainment, shopping, news etc). If you buy a pre-existing channel in the right genre you can take over that channel's number.

Negotiating and signing a Sky Electronic Programme Guide Agreement is the second step you need to take in launching a channel (unless you are able to buy such an agreement along with your purchase of an unwanted channel).

Freesat

Freesat has just been launched by a joint venture between the BBC and ITV and is a free to air satellite system with its own EPG. The satellite dish looks at the same signals as the Sky system but will not receive the channels that are encrypted by Sky (e.g. Sky sports, Discovery).

Freesat has two major markets; homes that cannot receive Freeview but want free multichannel television and the delivery of High Definition television. Satellite is a much better way of delivering HD television than Freeview at the moment and the terrestrial broadcasters do not want to be just part of the Sky system, although the BBC and Channel 4 do broadcast in HD on Sky.



A further EPG cost is payable to Freesat for inclusion on this platform.

Cable

There are just over three million cable homes in the UK and this number is growing very slowly despite the fact that only cable can offer high speed broadband and phone service to subscribers.

Just about all cable in the UK is owned by Virgin Media. Virgin is a closed system managed by the operator: that means as a channel provider you have to go and agree commercial terms for your channel to be on cable and if they don't want it, they can say no and there's nothing you can do. The cable system is operating at full capacity today so bringing on a new channel to Virgin means losing one of their existing channels. It is a difficult route for most initial channel launches.

IPTV

Although there's lots of noise from BT Vision, Tiscali TV, Orange and others, this is a small platform at the moment and likely to be of limited impact over the next couple of years. In time however, it might be that more television is delivered this way.

a note about High Definition TV (HD)

Whilst HD plasma televisions are flying off the shelves of retailers, most TV today is still broadcast as Standard Definition (SD). HD is significantly more expensive to produce than SD television as the equipment is more expensive and the quality control required to produce HD is much greater.

Perhaps more importantly HD requires a much greater bandwidth over satellite to get to the end user. This could be as much as four to eight times the requirement of SD television and as the satellite costs are charged by the bandwidth required, deep pockets are needed to broadcast in HD today.

Also, not many set-top boxes can receive HD (Sky currently have 465,000 such boxes) and although this market will grow to become the only way to make and transmit television in a few years time it is a difficult financial equation to make work in 2009. If you are making programming that has a shelf live of some years you should definitely consider making this programming in HD even if you convert it down to SD for transmission in 2009.

regulation...

All broadcast television services in the UK are regulated by Ofcom and all broadcasters require a licence to broadcast. This is something of a



formality for any UK citizen or corporate organisation and takes three to eight weeks to clear. While it's possible to do on your own, some specialist knowledge about what's required for the application can help immeasurably.

This licence is an essential pre-requisite for any conversation with the television platforms and should be done as early as possible. All licences are detailed on the Ofcom website, however this step takes you into the public domain with your idea.

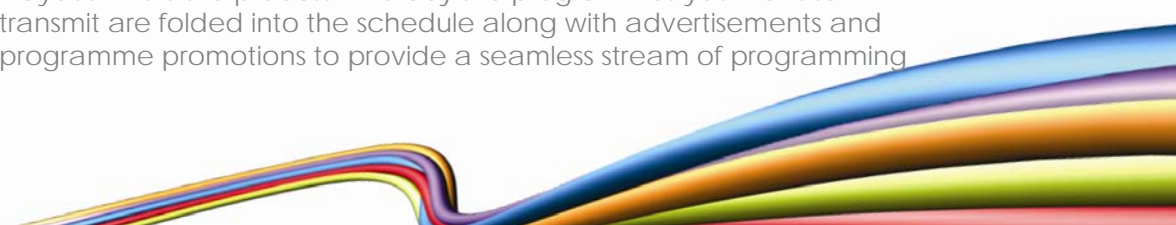
Once you broadcast, UK and European legislation imposes a whole raft of restrictions upon the content of the programming and advertising you broadcast. There are numerous documents on the Ofcom website that detail all of these restrictions (the Ofcom Codes) and it is rather outside of the scope of this introduction to detail them.

Advertising restrictions are well understood by the advertising industry and should not present too much of a problem. Editorial restrictions are often more problematic and you should not assume that just because your programming has been previously broadcast in the UK that it is automatically safe for you to re-transmit. You will definitely need legal advice and help in this area. Particular problem areas currently are gambling, premium rate calls and children's television.

your channel from A-Z...

There are a number of steps to delivering a television channel. Let's assume you have both your Ofcom broadcast licence and an EPG Services Agreement with Sky, here's what else you'll need to have to launch your channel on the Sky platform;

- **Content.** It seems obvious, but it's easy to get caught up in the process and forget the consumer proposition – they say 'content is king' and for viewers that is what it's all about. It doesn't matter whether you are launching a home-shopping channel, a news channel or a premium movie channel, the content has to engage with its audience.
- **As part of your sky EPG agreement (and/or Conditional Access Agreement)** you will have agreed to broadcast a minimum of twelve different hours of programming in each week (six hours minimum for a channel listed in Shopping). This means you cannot re-broadcast the same programming over and over again (your viewers would probably notice too!) so you need to buy, borrow, beg or create a volume of programming that at least meets your contractual requirements and maybe much more if you need to captivate and grow your audience.
- **Scheduling.** You will be required by both the platform and the regulator to have a minute by minute schedule of your programming and the platforms will want this information two weeks before transmission. There are a number of computer programmes that provide this service, so that your staff can schedule the channel and that information can be sent to Sky in the format they require.
- **Playout.** This is the process whereby the programmes you want to transmit are folded into the schedule along with advertisements and programme promotions to provide a seamless stream of programming



as it will be received by the eventual end user. Some of these programmes and ads will be in a digital format and some might be on videotape. This playout service can be managed in-house or can be sub-contracted out to third parties. For each channel the cost-benefit analysis will be slightly different.

- █ Signal Transportation. Once the stream of television has been created the next element in the chain is to transport it to the viewer. Things really get complicated here, but all of this delivery is sub-contracted to a small number of specialists who manage the process on your behalf. The programme stream is delivered to a satellite uplink centre where it is compressed and effectively "blended" with other channels to make the delivery as efficient as possible. This is called multiplexing, and the nature of your channel will tend to determine the amount of compression that you can get away with and still deliver good quality television to the viewer.
- █ This is important as you pay for the bandwidth you use and you want this multiplexing to be as effective as possible to reduce cost. This new combined stream has data added to it so that the EPG information is included, and the Sky platform knows its eventual destination. If the signal is to be encrypted then that happens here too.
- █ From here the multiplexed stream is bounced up to a geo-stationary satellite such as Astra or Eurobird (there is a fleet of such satellites parked next to each other in space, all with subtle differences depending upon your need). The satellite then re-transmits the signal down to the UK (and other adjacent countries) where it can be received via roof-top satellite dishes with the right decoding equipment installed in the set-top box. Easy.
- █ Other Platforms: Most new channels choose to launch on Sky first because there is a clear process and a high degree of certainty to the on-air date. With cable there is often a long period of negotiation (remember they can choose not to list you at all) and there is little or no space on the Freeview platform at this point in time. Negotiating carriage on Freesat is relatively simple once you have your Sky channel organised.

So that's an introduction to launching a channel on television in the UK (one of the most liberalised television markets in the world). We specialise in guiding new broadcasters to launch and beyond. We can produce your content, and arrange everything you've read about above. We're confident that our skills and experience can save you money and time and if you're serious about launching a channel on TV (and on IPTV or the web too) then giving us a call to see if we can help might be your best first step.

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