



A brand new market

Helen Jameson speaks to Simon Thrush, Senior Vice President and Head of Arqiva Inc. about the challenges the company has faced in breaking into the US and plans for the future.

ABOUT ARQIVA

UK company Arqiva has recently announced that, in a key strategic step, it has expanded its reach into the American market with their recent acquisition of British Telecom's (BT) Satellite Broadcast Services. The new operation, which is called Arqiva Inc., includes long-term customer contracts, operations and personnel located in the USA.

Arqiva is already a well established and successful service provider. The company provides much of the infrastructure behind television, radio and wireless communications in the UK and has a growing presence in Ireland and mainland Europe. This acquisition now adds the US market to Arqiva's expanding infrastructure.

Arqiva is headquartered in Hampshire, UK. It now has eight international satellite teleports, 60 locations, and around 3,500 shared radio sites throughout the UK and Ireland including masts, towers and rooftops from under 30 to over 300 metres tall. In total, Arqiva's resources reach over 90 percent of the world's population. The US acquisition is the latest in an impressive line of successes, including an award for World Teleport Operator of the Year in 2007 by the World Teleport Association. It is part of a broader purchase of BT Satellite Broadcast Services in Europe for 25 million pounds sterling that was announced in April this year.

Question: Congratulations on Arqiva's expansion into the US market and your appointment as Senior Vice President. Can you tell us why this was the right time to make this strategic move and what it will mean for the company?

Simon Thrush: This expansion is part of a wider scheme for Arqiva in that we have purchased BT's broadcast business, including the UK and parts of Europe and with that purchase came the US operation. I would say that one of the things that we have been looking to do for a while is expand into the US. Clearly it's a very large marketplace indeed. And we benefited from the fact that BT previously had a presence over here (the US) and we have taken that on. So the timing is simply because BT Broadcast came up for sale and we took an option to purchase that and with it has come our American arm at the same time.

Question: Why was Washington DC selected as the base for Arqiva's operations in the US?

ST: It's quite simple and straightforward. It's because it's where BT was based already. BT has two sites – one here and the other one is in Los Angeles. Those are ideal locations and we felt that there was no need to move. We have a teleport here in DC and a teleport in L.A. I would say the DC teleport is strategically located geographically for the US in terms of concentration of broadcasters and programmers and customers so I think it would have been a site we would have picked if we had been starting completely afresh. It would have been a close call between here and New York. Washington D.C. is a very good hub indeed. There are a number of major satellite operators already located here. We're round the corner from Intelsat and NEW SKIES are just literally round the block from us as well so it's an ideal location in the first instance and, as I said, we have taken over the industry facilities that BT operated previously.

Question: Can you talk us through the challenges you faced in setting up Arqiva Inc.? What are the principal differences between operating a company in the US

in comparison to the UK?

ST: In the first instance, what has been quite a daunting task is the fact that when you come to the US and start a business up, it's almost like a complete and utter start-up. And although Arqiva Inc. is a newly incorporated company in the US, clearly this is a division of a very large, very successful Arqiva limited in the UK. However, we were treated as a brand new start-up organisation. So it's been a bit of a challenge really from getting business cards printed to ordering mobile phones in the US. We managed to overcome the initial problems we experienced. It's been an interesting time. I don't think that there is a significant difference from operating a US company and a UK company in terms of managing it. If it's new, it's new - it's as simple as that.

You have got to get your name known and your branding known. Obviously, we have a number of clients that are international and that already would know about us but equally there are a significant amount of customers and prospects that have never heard of Arqiva, that have no idea about what we do so part of our job here is to educate on what we can do. So it's been an early challenge getting staff changed over to a new name and a new way of working, new policies, new procedures but we managed to put a great deal of effort into that and it's been very successful indeed I feel and we're now ready, willing and able to serve our customer base in and around the marketplace we want to plug into.

Question: Arqiva will act as a gateway to the non-US broadcast world. Will you be making any specific adjustments to tailor your services for the US market?

ST: I don't necessarily think that we will. Part of our target audience is the US marketplace but we also obviously see the potential outside of the US for international connectivity particularly when you bring into play the facilities we have in the UK. We currently have eight teleports and fibre connectivity reaching to France and when you combine those together we don't really need to make that many changes to deal with US companies. We might need to operate



slightly differently in the US because I think most US customers want a cost-effective solution to make sure they get value for money. But in real terms, no significant change. Our terminology is what people refer to. But no fundamental change in the way we operate or the way we do business. I think there is a slight change in the fact that people like to have very fast responses over here in the US.

They like an answer straight away. They like the facilities to be available so we need to make sure that information is available to the sales team over here so that we can respond to that. My experience has been (and I worked for Arqiva in the UK for a long time) that fundamentally it is the same – there is no great difference between the two working environments.

The main difference here is that we just do not have as many assets as we do in the UK. In the UK we can offer a massive raft of products and services so we are just working on that right now and we are fairly limited through our own resources and although we have very good third party relationships in place you're still using third party resources so we are working on that at the moment.

Question: There are many facets to Arqiva's capabilities. What aspects of the services you offer do you feel have the greatest potential in the US market? Which will be in most demand?

ST: Well I think that first and foremost it's probably a continuation of our DTH service in the UK. We are one of the largest DTH providers, if not the largest, outside of SKY in the UK with well over 200 channels that we provide on the platform. There is a desire and a want for the US broadcasters to expand their knowledge and access to the DTH platforms in the UK and in Europe. I think one of the things that we can bring to this market is a very simple and straightforward process to get them on satellite from a play out facility in the US back into the UK. The US market is very different to the UK market.

There are only a couple of DTH players in the US market that you go to direct to their own facilities. The UK market is much more open – if you want to get on SKY UK you just go to an independent operator or to SKY. We have spoken to a lot of channels who are very interested in finding out how to get their channel into the UK – how do they make money? Where do they market it? What sort of channel should it be?

I think it is fair to say that in the US there is no shortage of teleports that could provide inter-US services. There are a great deal of teleports, a great deal of them up for sale – you can certainly get your signal round. Not that many organisations have the depth and breadth of Arqiva to offer such connectivity around the globe. With the teleports we have in L.A. and Washington D.C. and then into

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Europe and the UK and France we pretty much can reach anywhere around the globe for our customers so we can offer them an end-to-end seamless transition of their channels on a number of different satellites so I see DTH pushing forward, I see international connectivity as well. It's just getting in and out of the US into the UK and into Europe as well – it's a big push for us.

And then aligned to that also is trying to take some of the services we offer in the UK in terms of our customer controlled play-out and our play-out as a whole and bringing that over here as well. I think there is some mileage in doing that at the same time. So you can provide a transmission, a play-out all under one contract and that's something that has been successful in the UK and we are going to try to make it a success over here.

Question: How have you managed to ensure swift and seamless transition of your services to the US?

ST: It's down to really hard work. It's been down to a great team that I am very proud to lead over here. These guys are great – they really are. We've put a lot of hard work into, first and foremost, communicating with our customers.

We had a really good testbed a couple of years ago when NTL Broadcast bought Kingston Inmedia and we then became Arqiva.

We made sure that we told our customers everything that we were doing at every stage. We have used that knowledge to do exactly the same thing in the US. I have personally been living over here since March and I came over every month previous to that to make sure our staff were aware of what our strategy was and what we were doing. We went and visited our customers and made sure they fully understood who Arqiva was, what we could offer them, why they would want to continue working with us and effectively the services they are provided with today under Arqiva, are exactly the same as the services they were provided with yesterday under BT and by the same staff. Communication is key in these sort of transitions and we have been very successful in that, making sure we have spoken to everybody in person to make sure they know what is going on.

We have not lost any customers and have had no loss of services in the transition from BT over to Arqiva.

Question: Do you have any plans to introduce further teleports to the US?

ST: Not at the moment. We have only really owned the business from 1 April effectively so it's all fairly embryonic. We're still getting a fair understanding of where the market is going over here. We do have investment capital available for when we find an opportunity that we want to invest in over here, but I would certainly say that it would be unlikely that we would invest in a teleport within the next twelve months until we've really got our feet under the table here and we have gained an understanding of where our customers are and what our current customers want from us and what our potential customers want from us as well.

Question: Where do you see Arqiva Inc. in 12 months time – what are your principal aims and objectives?

ST: Firstly, from our side we want to bring some profitability into the business. Clearly, it can be more profitable because otherwise BT wouldn't have sold it if it was making lots of money. We want to see some steady growth and to make sure that we can work with our existing customers, maintain their contracts with us and add value where they need value.

Then we need to really look at where we want take the business over the next three to five years. We are just formulating the strategy at the moment and we are looking at what we can introduce over here in terms of additional services. We want to make sure that we can manage our business, manage the staff, and then see where the growth is actually going to be. It would be very difficult for me to specifically say that I want to add 10 percent to the bottom line or I want to do this or that because it's a fairly new business for Arqiva. We've not been in the US previously. It is a business that has been languishing in the US for at least the last 18 months or so in between opportunities to buy and purchase. There were a number of people that were involved in buying the business that pulled out before we finally concluded the deal. But over the next 12 months we will concentrate on settling ourselves down, renew some existing contracts, make sure all our customers are happy, add some more business in which we are doing.

We have just won some recent contracts as well so we are picking up new business as we go along. We want to be in a situation where we can revisit ourselves at the end of our financial year that runs July to June and look at what we have achieved and what we need to achieve in the next 24 months. It is key for us also to add new products and services, to standardise the DTH, to bring some play-out and post-production and to have a look at the connectivity and then see where we are.