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RESPONSE BY TELEWEST COMMUNICATIONS PLC

TO

THE DEPARTMENT FOR CULTURE, MEDIA AND SPORT CONSULTATION
ON

**STATUTORY REQUIREMENTS FOR THE PROVISION OF SUBTITLING,
SIGN LANGUAGE AND AUDIO DESCRIPTION ON DIGITAL
TERRESTRIAL TELEVISION.**

1. Introduction

Following the completion of Flextech's and Telewest's merger in April this year, Flextech is now a wholly owned subsidiary of Telewest Communications plc. As a major content provider offering a range of basic subscription channels to the UK pay-TV market, Telewest welcomes this opportunity to participate in the consultation process via this response.

The questions raised in the Government's review are particularly relevant to our UKTV joint venture with BBC Worldwide, which currently makes available four channels to the pay-TV operator ONdigital. We also have an additional interest given the suggestion that the current DTT requirements should be extended to cover cable and satellite platforms, which facilitate the bulk of our other channel interests. Government will also be aware that Telewest owns and operates a privately funded

cable network serving 1.6 million homes.

Firstly, we would like to say that we wish to have all types of customers and want all our television channels to be made available to the widest audience possible, including the sensory impaired. Given our television services operate in a highly competitive market, where over 150 television channels compete for every single viewer, the size of our audience base is extremely important to us. Lacking direct universal access to all consumers and following millions of pounds of investment by Flextech to build and market our channel brands over the past decade, we need to ensure our services have the widest reach possible if we are to realise any return on the investment made to-date.

Like Government we recognise the importance of access to television services for those people who are deaf or hard of hearing or are blind or partially sighted. Whilst we are acutely aware that the communications and broadcasting industries will continue to be seen by Government as having a major role in delivering industrial, economic, social and cultural policies, we believe any review of the current DTT targets should look at key themes of policy and focus on how the market, as opposed to regulation, will deliver the overall objectives.

In addition to helping deliver social inclusion in digital these key policy objectives currently include:

- abEncouraging investment in UK broadcasting
- abIntroducing digital broadcasting as soon as possible (to allow analogue switch off)
- abSupporting independent production and nurturing UK talent
- abCompetitiveness of the UK economy and support for e-commerce development
- abImproving areas such as health and education
- abModernising of Government – the delivery of Government services online
- abWidespread broadband access to support all of the above

Given these goals and the many investment priorities of the industry at this time Government should support, not push, broadcasters to deliver the objectives in a reasonable timeframe.

In our view digital technology certainly offers the potential to improve services and deliver benefits to all groups in the longer term. However, expectations must be based on what is technically possible today and on the level of resources available to new entrants competing in an increasingly crowded and dynamic market.

James Strachan, Chief Executive of the RNID, stated in his introduction to the recent RNID publication **‘Through the Sound Barrier’** *“that nothing is permanent except change”*. Never was there a truer statement in relation to the current broadcasting landscape. Digital is changing completely how we receive and interact with information in the home and on the move. It is the catalyst bringing together print,

video, audio and speech, to create a dynamic convergent environment where media companies are acting quickly to diversify and redirect investment into content services that are suitable for broader distribution across all platforms and media.

More significantly digital is irrevocably altering the distribution economics of broadcasting in the same way the arrival of print in the 1400's altered the cost of producing books. The falling cost of distribution has allowed a proliferation of new entrants into a market which now closely resembles the market for magazines and books. This explosion in choice has inevitably resulted in an increasingly fragmented market where audience shares and wholesale subscription fees are falling. This comes at a time when all broadcasters have to make substantial investment choices to develop new digital services to protect market share and when distribution platforms are finding it harder to make a return on provision of bandwidth alone.

Against this changing background it is important that Government, broadcasters, distributors, producers, equipment manufacturers and interested consumer groups continue a dialogue to work together to maximise the benefit of digital for all viewers. As we move away from an analogue world, which restricted viewing to four well funded universal access channels, towards a digital future that facilitates literally hundreds of channels, it is crucial that Government understands the rapid shift from analogue thinking to the digital economics of the Internet and viewer choice. Come digital broadband the key question is how will a blanket approach work in a world where established services like ITV are just another video rich website amongst a thousand other video rich websites and where traditional broadcasters compete directly with global multimedia players via the Internet?

3) Review of the Statutory Targets for DTT

As already mentioned, Telewest has a strong desire, where it is practicable, to ensure the widest access possible to its entertainment services through the use of proven technology. This desire is demonstrated by the fact that UKTV meets the DTT targets, and in the case of subtitles, exceeds them. For example, UK Gold subtitles 35% of its weekly output while the remaining channels subtitle 15%, despite a low audience share. Also a number of our established cable and satellite services meet the current DTT targets for subtitling on a voluntary basis against a background of ongoing losses associated with developing new channel brands. (Please see annex 1 for a full breakdown of provision of the various services by UKTV and Telewest's wholly owned channels).

However, given the technical problems experienced to-date and the fact that less than 730,000 homes have access to the fledgling DTT platform, we do not believe that any upward revision to the current targets is appropriate at this time. While we accept in principle the need to set minimum targets, broadcasters should be left to decide their own level of provision above the minimum targets already imposed based on their available funds. This would be preferable to considering how the market can be pushed to deliver those objectives through premature regulation which could have the negative effect of raising barriers of entry to new entrants wishing to support the new DTT platform.

Having recently agreed to substantial further investment to develop the UKTV channels for digital, which in turn will further enhance the DTT offering, Telewest is most concerned that the UKTV channels are obliged to spend significant sums to deliver services that do not work. We still await a workable solution to provide signing in a closed format and understand that audio description has been limited to a trial of less than one hundred people following difficulties with upgrading the DTT set-top box. We are particularly disappointed that despite the fact that we are now two years into the operational life of the DTT platform and having met the targets imposed by the ITC that so few of the intended recipients actually benefit from the audiovisual aids we provide.

In our view, given the above difficulties, it is not reasonable to ask new entrants in the market to divert more precious funds away from other investment priorities in order to deliver increased levels of signing and audio description that few people benefit from at this time. Rather than increasing the current targets for audio description we would urge Government to consider postponing provision until a workable system is in place and the DTT platform is longer established. We would also ask that the target for signing is set at 1% until a satisfactory closed system is developed which enables broadcasters to provide signing in primetime viewing.

We are grateful that Government has kept to its promise to review the targets two years into the operational life of the DTT platform. Legislators and ex-ante regulation set those initial targets based on their expectations of what technology and the market was capable of delivering two years prior to the actual launch of the DTT platform back in November 1998. Given the difficulties highlighted and the failure of technology to meet those expectations, it would be preferable, in our view, if Government carried out a full regulatory impact assessment based on the realities of today. By taking this approach, Government will be in a better position to accurately project where the market and technology is heading and will allow the potential to be achieved in the most practical timeframe. While it is crucial that Government achieves the fine balance between cultural and economic aims, it should be recognised that political horizons are rarely the same as the horizons set by the operation of the market and investors.

We suggest therefore that any further review of the current targets take place in parallel with the review to switch analogue over to digital, which we anticipate will happen sometime between 2004 and 2006. At this time the new entrants to the market, the technology and the fledgling DTT platform will be longer established and in a better position to meet any increase in the overall targets.

It is difficult to reflect accurately the true costs of providing signing, audio description and subtitles. Costs will vary depending on the type of programme, the genre of the channel and whether the content is commissioned or archived. Our own experience of providing subtitles, for archived programmes from abroad for example, have shown

that the cost is significantly more expensive than subtitling programmes sourced from UK archives. Subtitles must be made from scratch to meet ITC guidelines and often scripts do not exist and must be re-written. This is a costly and time-consuming process.

As a general guide to assist Government with their review, we have provided an average hourly rate across the UKTV channels for each of the services. For reasons of confidentiality, we have provided this information separately in annex 2.

In relation to the costs of receiving the services we have no information to impart. Such information we imagine is privileged and best collected from the broadcasters who control and manage DTT spectrum.

The UKTV channels will continue to meet the letter of the ITC code in terms of maintaining the quality and standard of subtitles broadcast.

However, if targets were to increase to an unrealistic level we can foresee a significant increase in the number of repeats. This could act as a turn off to potential converts to digital, which in turn would have a negative impact on take-up of digital services and delay analogue switch off.

Government needs to also recognise that any increase in the targets will place further pressures on our limited programme budgets. The more precious funding we divert to meet an increase in compliance costs, the less funding we have to spend on new and original programming.

3.5 The rate of take-up of digital services by people with sensory disabilities and potential demand.

We are not aware of the current take-up of DTT by people with sensory disabilities or the potential demand for our services distributed on the terrestrial platform. The latest figure we have for the total take-up of the platform is 730,000 homes with ONdigital predicting 1 million subscriptions by the end of the year.

3) **Other issues relating to the Provision of Subtitling, Signing and Audio Description on Television**

In our view, most broadcasters on DTT should be in a position to deliver these services in the longer term when both the technology and the platform are longer established. In the meantime, it would be preferable to move away from the inflexible blanket approach adopted by the ITC. Going forward, it would be better if the level of provision required were based on the individual channel's ability to deliver the services rather than simply by virtue of having chosen the DTT platform to extend channel reach. For example, Government should consider whether it is appropriate for a music channel to meet set targets for subtitling, signing and audio description

when the bulk of programming broadcast is made up of music videos.

We would reiterate our concern that setting unrealistic targets prematurely and indiscriminately could create barriers to launching new services, which could delay digital take-up and analogue switch off.

Certainly new entrants should be supported as much as possible to deliver the services. In the absence of some form of public subsidy to help fund provision, new channels and those that have yet to break even should be exempt from meeting the targets. In the case of audio description and signing, provision should only be required when a channel achieves universality or when the cost of provision has fallen substantially.

4.3 Should broadcasters who broadcast several channels be able to bundle their subtitling output between channels in order to meet an overall target?

Bundling subtitling output is a good idea, particularly for those broadcasters creating sub brands to protect their audience share in the fragment digital market. Any setting of targets must also take account of the number of services an individual organisation provides and the resources available to them. Obviously there is a significant difference between a company like UKTV which supports six digital channels and the dominant commercial broadcaster ITV, which only provides 2 digital channels.

Naturally public service broadcasters and those free-to-air channels that have universality should provide these services. This is subject, of course, to the proviso that such provision does not diminish their ability to help the market deliver key policy aims, in particular digital switch over at the earliest possible opportunity. Again, if Government is to encourage the widest range of services possible on the terrestrial platform, new entrants to the market should only be encouraged to start provision when they can afford to do so.

Other than demands for blanket provision across all channels and distribution systems, there is little information available on what are the key priorities for people with sensory disabilities. Recognising that television continues to provide a crucial link to the outside world for all viewers, including this group, it is important that broadcasters and relevant consumer groups have an open dialogue to establish priorities based on viewer needs and industry's ability to meet them.

That said, there needs to be serious consideration given to the practicalities of providing subtitles, signing and audio description on certain niche channels and on specific programme genres. As mentioned earlier in point 4.1, we would question the rationale behind the decision to apply obligations to meet subtitles, signing and audio description on services such as music channels. It is therefore important that detailed research involving all interested parties is undertaken to help inform the discussion and establish the key priorities.

Content providers wholesale their services to platform operators and have little or no direct retail relationship with the viewer. Currently, the three competing digital platforms subsidise the cost of reception equipment to help speed digital take-up.

The key priority for all operators in the medium term is to leverage the capacity and capability of their networks to build their customer base as quickly as possible. This will help secure on going investment for what will essentially remain dynamic networks meeting the demand for personalisation. It will also allow the market to achieve appropriate returns for private investors in a reasonable timeframe. It must be recognised that in the absence of public investment, digital and broadband universality will only be achieved if the market continues to attract private funding.

Telewest has so far accumulated a £4.6 billion-pound debt building its cable network and we are keen to minimise the subsidy we currently pay. With costs set to increase, as the next generations of set-top boxes are developed to support interactive functionality, we are reluctant to add further to our debt burden. We also have to take into consideration the fact that our digital service is relatively new with only 223,000 digital sales made at the beginning of August.

Perhaps funding in this area cannot be left totally to market players. The role of Government as a customer to support some universal service/social policy services needs review.

Funding for subtitles, signing and audio description ultimately comes out of the overall programming budget available. At a time when many of our services are seeking to invest more in original content, any increase in the targets is likely to have an impact on investment plans. The more funds we divert to meet regulatory imposed targets, the less funding we can earmark for original productions. This in turn diminishes our ability to help support UK talent. As an example, the funding which we have set aside to allow our wholly owned channels to meet their voluntary provision of subtitles over the next three years (which match the current targets for DTT), would have funded 10 series of a 20 part programme.

4.7 What are the opportunity costs to broadcasters in terms of alternative possible uses of spectrum in providing subtitling, signing and audio description services?

We are not sure what DCMS is asking here. If the question is seeking to establish the cost to industry in not having use of the spectrum reserved to provide subtitling, signing and audio description, for alternative revenue making services, then the answer is it would be difficult to quantify. While all digital platforms are filling up quickly, spectrum on DTT remains extremely scarce and is a very valuable commodity for broadcasters. Audio description for example is bandwidth hungry and the current blanket requirement means a significant chunk of precious spectrum is needed to deliver the service. This lack of spectrum has restricted the number of new

channels joining the platform in the medium term and has further limited its interactive functionality. The latter is becoming extremely important as broadcasters look at ways to harness interactivity to maximise transactional revenues when advertising and wholesale subscription revenues are falling.

While the cost is difficult to quantify it is important to understand the shift in commercial priorities for those terrestrial broadcasters controlling DTT spectrum. They need every bit of spectrum available in order to introduce new interactive and entertainment services that add value and help make the DTT platform a credible competitor with other digital platforms.

The fact that cable and satellite broadcasters do not have privileged access to Government owned universal frequencies, or benefit from 'must carry' rules, means they face less regulation. Because of this, there is a general assumption amongst the various pressure groups that cable and satellite broadcasters offer little or no access to the various disability groups. This is not the case. As indicated above, many provide subtitles on a voluntarily basis which exceed the current DTT targets. Telewest introduced subtitles on a number of its wholly owned channels in April this year. (Please see Annex 1).

This voluntary commitment comes despite the fact that after 10 years in broadcasting and millions of pounds invested to deliver choice to the UK consumer our portfolio of channels (13 in total) only manage collectively an audience share of less than 2.3% of all viewers in the British Islands. To put this in its true perspective, more UK viewers watch the terrestrial channels which over spill from the Irish Republic (RTE1 and Network 2) than watch the majority of services broadcast by Telewest.

With analogue monopolies extending into digital, and the growth potential for new channels shackled to the rate at which viewers subscribe to pay-TV, few cable and satellite broadcasters are in a position to meet the costs of providing subtitles, audio description and signing. This position has lead the Government to say in its paper 'Regulating Communications: The Way Ahead', that multi-channel television "*would at least for some time to come be a supplement to, rather than a substitute for, the established universal access free to air services. The majority of the audience would continue to rely for some time to come on the traditional broadcast channels to provide them with a range of information and entertainment services.*"

Given the size of our audience share and the reality that it will be many years before our services operate at a profit, we are extremely concerned that Government would contemplate extending DTT requirements to other distribution platforms. Our priority at this early stage of evolution of the multi-channel market must be to invest more in programmes and marketing to drive digital take-up and increase our potential audience base. In the meantime, cable and satellite broadcasters must be free to improve on their own voluntary provision of subtitles as resources allow, using a proven and well established technology, to serve the wider interests of a much larger percentage of deaf and hard of hearing viewers.

Government must also start thinking ahead to work out how content providers will meet an overall target when digital broadband arrives. How will provision be facilitated when television is no longer a medium in its own right and has simply become a sub-set of the Internet and content is carried over multiple distribution platforms.

5.2 If so, should requirements apply to all cable and satellite services, or, for example, only to those with a large audience share or over a certain income threshold?

As stated above we do not support the idea of imposing a blanket obligation to provide the services across all platforms. Provision must be on a voluntary basis and depend on the ability of each platform to support the new technology. In light of the difficulties in introducing the services on DTT, there must be full consideration of the technical difficulties in developing common standards across all platforms including ADSL and broadband wireless. Again there must be full consideration of the available resources and spending priorities of this infant industry.

In the case of subtitling, which was a relatively simple technology, it should not be forgotten that it took the BBC over eleven years to subtitle 15% of its total output and a further nine years to deliver 60% by the end of 1999. This is despite an annual fixed license fee (currently valued at over £2.2 billion pounds p.a.) and the existence of a single analogue platform.

The demand for skilled subtitlers, signers and audio describers will only grow as more channels join the DTT platform and the targets increase. There is, therefore, an urgent need to build the skill base for these services particularly if Government is minded to extend the targets to other distribution platforms. We are very concerned to learn that there are only 24 active television signers in the UK and this situation must be improved rapidly if open signing is to continue.

We should not rely on technology to help combat the skill shortage until technology is proven and established. 'Simon the Signer' is a good example of a technology that offered a solution to delivering signing in a closed format but which, in the end, failed to deliver. Developed by the ITC, the animated signer was the answer to many small broadcasters faced with the obligation to meet the DTT requirements for delivering signing. One minute the new technology was winning awards for innovation and then development ceased on the back of resistance from many groups representing the interests of the profoundly deaf.

If we are to rely on technological development to deliver services going forward, then there must be a joined up approach. Government, regulators, consumer groups, broadcasters, manufactures and producers of signing, audio description and digital subtitles must work together to ensure that technology meets the needs of all groups and that expectations are based on technical realities rather than technical possibilities.

6. Summary

In summary, we believe that the following key areas must be addressed before any uplift in the current targets are considered.

- **abExpectations must be based on the technical and economic realities of modern media.** Broadcasters spending not insignificant sums to meet license obligations and the end user purchasing equipment should have complete confidence that technology will deliver the promise of access.
- **abIt must be recognised that digital is irrevocably changing the economics of broadcasting.** The growing number of broadcasters is increasingly fragmenting the market, which in turn is diluting the resource pool available to fund provision of services. **The role of Government to support some universal services/social policy services needs review.**
- abGovernment and consumer groups should understand that the multi-channel market is still in its infancy and continues to require substantial investment to make digital happen. **Investment priorities should not be diverted to meet cultural objectives when the technology and digital platform are far from established and reach is limited to a small proportion of the population.**
- abThe any-to-any principle that operates in the telephony world ought to be the target in a digital world where broadcasters and viewers are dependent on multiple delivery platforms. **Interoperability between platforms should be a key priority to ensure universality, which remains essential if broadcasters are to achieve the economies of scale necessary to fund provision of subtitles, audio description and signing in the longer term.** Common standards, which make it technically possible for all platforms to support all signal, including services for the sensory disabled, must be established as a priority before any move to extend provision beyond the DTT platform.
- **abNo part of the supply chain should be an undue target for regulation.** The need to ensure ongoing investment will be paramount and the use of regulatory intervention should be very carefully considered. Companies operating in each part of the chain, from subtitle producers to platform operators, should be able, assuming efficient operation, to achieve a return on their investment. **A full regulatory impact assessment should be undertaken prior to any increase to the existing targets or extension of provision to other platforms, to ensure that premature regulation does not slow the take-up of digital services and delay analogue switch off.**
- abGovernment should dispense with the blanket approach currently adopted. **Detailed research should be undertaken to establish priorities for the sensory disabled and the ability of individual channels to meet their needs.** Which content providers and programme genres qualify to meet positive obligations needs to be carefully reconsidered.
- abCome digital broadband Government must consider how services for the

sensory impaired will be facilitated when television has become a subset of the Internet and literally thousands of content sources are carried over multiple distribution platforms.

Annex 1 - Current provision of services for the sensory disabled (expressed as a % of weekly output)

UKTV Channels on DTT

UK Gold	35%	1%	2%
UK Horizons	15%	1%	2%
UK Style	15%	1%	2%
UK Play	15%	1%	2%

Wholly owned channels*

Living	7%	-	-
Trouble	6%	-	-
Bravo	9%	-	-
Challenge TV	8%	-	-

*Provision first started on a voluntary basis w/c 17 April 2000. DTT target for the first year is 5%.

