

ntl House
Bartley Wood
Business Park
Hook
RG27 9UP
United Kingdom

www.ntl.com

t 01256 752000
f 01256 752100
e firstname.surname
@ntl.com

Rt Hon Tessa Jowell MP
Secretary of State
2-4 Cockspur Street
London SW1Y 5DH

18th July, 2003

Department for Culture, Media and Sport		
DATE RECEIVED 21 JUL 2003		
Minister	SJS	(Tick)
Lead	S Jezz	
Action	Advice & Draft Reply by 4/8	✓
	Advice as Appropriate by	
	For information only	
Permanent Secretary	GA: G. Maybury	
Director of Media & Com		
Private Secretary (AT)		
Deputy Secretary (AT)		
REFERENCE:	03/08000	

ntl:

Dear Tessa,

Carriage of BBC channels on analogue cable

Thank you for your letter of 18 June in which you indicate that the consultation has not produced a clear-cut result. However, I hope we can provide reassurance on both the points raised by respondents which were highlighted in your letter.

Adverse impact on the take-up of digital TV

ntl believes that this concern is misconceived. It may be helpful if I put the argument in commercial context for ntl. At present, ntl is operating dual analogue and digital services in most of our franchise areas. We aim in due course to switch off analogue signals and broadcast in digital-only format. However, ntl does not have the luxury of forced migration of our remaining analogue base in the way that BSkyB has done. This is because our customer base is different from BSkyB's. It is, overall, skewed towards lower-income households and other demographic segments which research has shown are resistant to the appeal of digital TV – unlike BSkyB whose customer base is skewed towards high-spending households who are early adopters of new technology.

As you know better than I, these 'digital refuseniks' are the core constituency for joint industry efforts to market the benefits of digital, in order to make the eventual digital switch-over as easy as possible. Cable has a substantial stake in moving its share of these customers across to digital services and there is much that we can therefore contribute to overall Government objectives. Without such efforts, there is a real chance that many will churn off cable and back to analogue terrestrial services, hurting us economically but also making the Government's switch-over aspiration harder to achieve.

ntl Group Limited
Registered office:
ntl House
Bartley Wood Business Park
Hook
Hampshire
RG27 9UP

Registered in
England and Wales
number 2591237

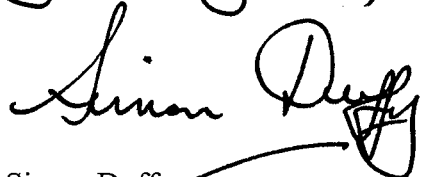
To address the underlying scepticism of our remaining analogue customers towards digital TV and hence to provide a manageable transition from analogue to digital, our view is that we need to show the benefits of digital TV to these customers. The new BBC channels can play an important role as exemplars of the greater quality and choice that will be available on the digital TV platform. More directly, the digital features that will be highly promoted on these channels (such as the split screens, multiple feeds and camera angles available on the BBC Wimbledon coverage) will have a powerful effect in making the benefits of switching to digital real and concrete for our analogue subscribers. This is indeed one of the key mechanisms that BSkyB used in its successful migration to digital, promoting on its analogue channels its own digital enhancements as a key qualitative benefit of its digital platform.

ntl does not, therefore, consider that providing analogue carriage of new BBC services will delay the analogue to digital transition on our network. On the contrary, we believe it will actively assist in that transition, accelerating the rate of adoption of digital and hence bring forward the time when it becomes feasible to consider a final switch-off of analogue services on the cable platform.

The impact on existing analogue channels

I recognise the underlying concern here about the BBC colonising territory previously occupied by commercial channels. However, I can state for the record that our plans for carriage of additional BBC channels would not of themselves require that we drop existing commercial channels. However, we do keep our channel line up under constant review and drop channels if they are not performing commercially. Furthermore, analogue spectrum could be made available to support the launch of innovative services such as video on demand and for the expansion of broadband. Therefore, I cannot rule out changes to the analogue channel line-up in the future, but this would be based on an assessment of our customers' needs and expectations as a whole.

I hope you find these comments helpful and agree that they allay the concerns raised. You will of course want to weigh these concerns against the strong commercial detriment that ntl is experiencing at present as a result of not being able to carry the BBC channels and the sense that our customers have that they are entitled to access to these channels as licence fee payers. I hope that the Government will now feel able to move swiftly to grant the approval that is required to allow us to carry these additional BBC services.

Best regards,


Simon Duffy
Chief Operating Officer