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THE ROLE OF INTEGRATED DIGITAL TELEVISION SETS IN ACHIEVING DIGITAL SWITCHOVER

We apologise for the delay in forwarding this response to the above consultation but we hope that you will find the following comments constructive.

The challenge of switch-off

Telewest recognises that Government has a justified interest in promoting conditions which would enable it to reach a decision as to when and how analogue TV spectrum can be switched off. This is obviously dependent on the take up of the alternative digital TV services, whether free or Pay-TV.

In this response, we try to consider the Government's proposals in the wider context of its objectives for both digital switchover **and** broadband rollout.

There is also a wider context of the debate at European level, which the Government's proposals for iDTVs appear to have overlooked. This may create not only legal issues for the Government, but also result in the UK being isolated at the European level.

Linking UK Government, European Commission and European Parliament activities in relation to standards and interoperability

We are surprised that the DTI/DCMS consultation paper fails to address the current debate that is occurring at the European level as regards interoperability in the digital TV domain between end user apparatus, networks and content. Essentially, Telewest, ntl, Sky, UPC, Canal Plus and various terrestrial broadcasters, have all been actively engaged in discussions with the European Commission and Parliament on the issue of whether or not a standard API (DVB-MHP) should be mandated for all of Europe. To date, the relevant Directives have recognised the need to allow the market to determine what APIs are appropriate in what instances. Consequently, DVB-MHP is not an obligatory API for decoders and TV sets. Therefore, how can the Government

consider allowing iDTV TV sets to be built with embedded APIs/decoders without consideration of the effect of the debate in Europe?

What horizontal markets exist for digital TVs and decoders?

It is by no means clear to us whether there is a standalone horizontal market for digital decoders/TVs. Indeed, the European Commission has initiated a study to examine this question. For the UK Government to appear to pre-empt this with an implicit assumption that iDTV's may represent such a horizontal market, but only under certain conditions, e.g. APIs proprietary to DTT iDTVs, is of considerable concern and leads to the danger of contradiction.

What technology is the Government referring to and how capable is it? Does it meet their long term objectives?

When the Government refers to embedded encoders in iDTVs, we believe that it fails to address several key technical and related policy issues:

(a) What API would be used in the encoders?

As mentioned above, the Commission is considering DVB-MHP as a mandatory standard, particularly for new platforms. In the context of DTT in the UK, the implication is that there may be limited scope for an embedded encoder to use a proprietary API, e.g. the previous ITV Digital API.

(b) What capabilities should iDTVs have?

If Government is to inspire a decision to adopt any particular technology, there is an inherent danger that any such a decision could contradict broader objectives. For example, why should iDTVs include any API/decoder if the digital market can be adequately served by set top boxes, which could be more relevant to delivering the Government's broadband objectives?

We believe that iDTVs, with embedded decoders, could automatically sterilise the users' ability to enjoy the rapid advances in encoder technology that are a reality in the market. We do not believe that it is the Government's intention to allow TV set manufacturers to dictate the tempo of digital service evolution.

The implication of this is that, at the service level, the Government runs a considerable risk of embedding a whole section of the UK population in a level of service provision that rapidly becomes out of date and inferior. In particular, the ability to deliver broadband/internet services via DTT will evolve with set top box technology. The level of evolution of the same with iDTVs will be highly dependent on what TV set manufacturers want to do. They will not necessarily develop plans that support the wider broadband objectives.

Waiving the Competition Act

While Government is right to state that it can, in certain instances, waive the application of the Competition Act and is considering doing so for iDTVs, we find it hard to see how Government could:

- (a) Allow TV set manufacturers to act, effectively, as a cartel where they agree on a common technology in what is the most diverse and vibrant global technology market.
- (b) Push a sector of the population into a potentially captive market at the service level, e.g. when they have paid for an iDTV with an embedded decoder they have every incentive **not to** migrate to other digital platforms.
- (c) Pre-empt the direction of the content market for DTT. Specifically, can the Government be certain that TV set manufacturers will make the right technology decision for both iDTVs and the UK digital content market. We don't believe they will. An implicit belief that the BBC can bridge this gap would, in our view, be misplaced, given that this would mitigate against the emergence of small independent content/channel producers with innovative ideas that require a broader technology capability for DTT.

If the Government does accept these positions, we believe that it will seriously undermine the UK's digital and broadband economy at both the consumer and supplier level.

We believe that Government's position should not be to pre-empt the digital market. Nor should it allow iDTVs with embedded decoders to be developed via a cartel of TV set manufacturers. We feel strongly that it should the review the whole issue in terms of its broader policy objectives for both broadband and digital TV.