NTL's pending job cuts strike fear

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NTL has been on a buying spree in recent months, but the time seemingly has come for the company to get its house in order and start getting leaner and meaner.

The British digital television and telecommunications provider had only bought Virgin Mobile last month for a total of $1.67 billion. Before it bought out the mobile communications arm of celebrity entrepreneur Richard Branson, NTL had merged with Telewest in March to create the biggest residential broadband communications company in Britain for a total cost of $6.32 billion. Moreover, as a result of the two acquisitions NTL is the sole provider to date in the country that will be able to provide so-called quadruple play, offering fixed-line phone, mobile phone, broadband Internet and television services under a single roof.

As such, the NTL buyouts had excited many telecommunications analysts about the future of the industry, while rival companies have been stepping up efforts to match the company's offerings. Indeed, British telecommunications giant BT is expected to enter the television market by the end of this year, while satellite network BSkyB has plans to get into the broadband market.

Yet the purchases are likely to come at a price, as speculation abounds in the British press that NTL will be slashing anywhere from 5,000 to 6,000 jobs, or roughly one-third of its overall workforce, in an effort to keep costs under control. Moreover, the full integration of the two companies is expected to take up to 18 months. An official announcement of the restructuring plan is expected Tuesday as the company announces its latest earnings results, which will be its first since NTL joined forces with Telewest.

Analysts argue that the personnel cuts would free up at least $464.99 million, while many expect the telecommunications group to outsource much of its positions at call centers, of which there are currently eight in total across Britain. In fact, the London-based daily Independent reported Sunday that NTL already has two outsourcing deals lined up already, namely with IBM and Fujitsu. Such a move, however, is likely to face considerable opposition from labor unions and potentially from lawmakers as well.

But U.K. newspapers including the Independent and the Mail on Sunday pointed out that NTL has already been bracing for such opposition, particularly as the company brought in a new chief executive in January who is expected to be experienced in matters concerning restructuring, cost-cutting and layoffs. As former chief executive of U.S. cable operator Comcast, Steven Burch has had firsthand experience in dealing with the problems of merging cable companies.

There are already speculations, meanwhile, that NTL's business plan with Telewest will be replicated with its Virgin Mobile holding too, given that the forthcoming announcement regarding job cuts is expected only for its broadband business.