

Britain's broadband wars heat up

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The broadband wars are heating up in Britain, where Rupert Murdoch's BSkyB satellite TV operation looks set to fight BT and France's Wanadoo for market share.

BT is the current market leader, benefiting from its historic monopoly as British Telecom, and is currently running trials of its new "Max" service, which offers speeds of up to 8Mbps (megabits per second), four times faster than its old service.

"BT is committed to ensuring that everyone benefits from the broadband revolution whether they live in valleys, villages or city centers," BT Wholesale spokesman Cameron Rejali told reporters Monday.

BT plans to offer the "Max" service nationwide next spring, but already nimbler rivals like Easynet and Bulldog are starting to offer super-fast broadband of speeds up to 24 Mbps. British cable TV companies like NTL, which earlier this month announced a merger with cable rival Telewest, have already started rolling out basic broadband speeds of 10Mbps.

The battle for broadband market share in Britain, along with the TV and telephone services that are easily included, has provoked feverish bidding, merger-mania and speculation in the British stock markets. On Oct. 3 Britain's biggest cable TV group, NTL, with 3.1 million subscribers, paid \$6.5 billion for rival Telewest, with 1.8 million subscribers. The newly merged company, worth an estimated \$10 billion, will be the country's second-largest communications company after

BSkyB, which reaches 7.8 million homes in Britain. The cable footprint of the NTL-Telewest merger will cover more than 50 percent of U.K. households.

So market speculation is high that Murdoch's BSkyB is looking to buy Easynet in order to scoop up one of the fastest of the new broadband competitors. BSkyB announced Friday that it plans acquisitions after raising \$1.8 billion in new bonds. Easynet then confirmed that it had received a bid but refused to confirm that it came from BSkyB, but Easynet shares jumped 20 percent in trading Monday after already rising 10 percent Friday.

The Easynet broadband system is run through the company's own equipment, installed because of British competition rules in 250 local BT exchanges. This gives Easynet potential direct access to 4.5 million homes and 800,000 businesses in Britain, mainly in large towns and cities. But access is not the same as customers.

Like its main competitors, Bulldog and Be, Easynet can offer high-speed broadband at speeds of up to 24Mbps by using its own specialized acceleration technologies on top of BT's ADSL (asymmetric digital subscriber line) infrastructure. The process is called Local Loop Unbundling (LLU), and BT has been ordered to make it easier for such rivals to use all 5,300 of its broadband-enabled telephone exchanges in Britain by the industry's official watchdog, the Office of the Telecoms Adjudicator, which recently criticized BT for dragging its feet.

Meanwhile Wanadoo, owned by France Telecom, has announced that from next month its customers in LLU areas will be able to access broadband speeds of up to 8Mbps for fees as low as \$1 a week. Wanadoo's non-LLU users will be stuck with the slow 2Mbps system for the moment, with the promise of 8Mbps "when available."

Wanadoo's LLU area currently includes about one in eight of Britain's 60 million people, mainly in the big cities of Birmingham, Bristol, Leeds, London and Manchester, but Wanadoo is planning to triple its coverage by the end of next year. Wanadoo will also be launching trials of a high-speed service of 24Mbps.

This intense competition has spurred BT to a strong financial performance, announcing a 21-percent profits rise in the last quarter, thanks to a "new wave" of revenues from broadband and mobile services. BT's orders for IT services rose to \$4 billion in the three months ending June 30, on top of a 12-month running total of \$14 billion in IT orders, a company record.

In May of this year broadband for the first time overtook dialup as the most common way for British users to connect to the Internet. Broadband use is growing in Britain at 37 percent a year, compared to 16 percent in the United States. According to data released Monday by the DSL Forum group, there should be 200 million broadband connections worldwide by the end of this year, mostly via DSL (digital subscriber line).

With 47.5 million subscribers, the European Union is now the world's No. 1 region for broadband, taking over from North America. The United States remains the country with the largest broadband population in the world, at 38.2 million subscribers. It has seen 16-percent growth in DSL subscribers so far in 2005, compared with the 10-percent increase in other broadband-access technologies. In 16 countries, half of them in the EU, at least one in 10 people have a broadband connection. More than 8 million signed up to broadband services in the EU in the first half of this year, with 81 percent of all its subscribers choosing DSL.

The new high-speed broadband services are offering much wider options than simply access to the Net. Once above the 8 Mbps threshold, real-

time viewing of high-speed TV and video images becomes possible, along with the multitasking that allows different monitors in different rooms of a household to run different products from the same broadband feed.

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