Britain feels heat of NTL's Virgin buyout

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Getting more services for less money. That could well be what many British customers will be getting if NTL's buyout of Virgin Mobile works out as planned as they propose to offer mobile, fixed-line, broadband, and television viewing all under the same monthly bill. For other companies in the telecommunications industry, though, the latest deal that will be offering so-called quadruple play has stepped up pressure to deliver more at an affordable price if they want to remain in the competition.

On Tuesday, British cable group announced that it had bought out mobile communications arm of the Virgin Group, the conglomerate run by flamboyant entrepreneur Richard Branson. Virgin has a 71.2 percent stake in the mobile company, and Branson agreed to receive a blend of cash and stock for his share in the enterprise in addition to a license fee for the Virgin brand name, as NTL will continue to operate the mobile group under that name for a total of about $1.67 billion.

NTL's buyout took few by surprise, given that the company had made its first offer for Virgin Mobile late last year, which Branson promptly rejected but suggested that he would be willing to consider the deal for a better price. Meanwhile, the cable group last week bought out Telewest Global, a rival cable operator with fixed-line phone and broadband operations. By adding on Virgin, the group will become the sole British company that provides all four major components of telecommunications under the same roof and thus the sole formidable competition to BT, which continues to be the biggest player in the telecom market in the country.

The latest deal, therefore, "truly is a step-change transaction not only for NTL but for the media sector as a whole in the UK," said James Mooney, executive chairman of the company. "Central to today's announcement is our strong belief that offering a quad-play underpins true media convergence, and offering high quality communications services will, we believe, appeal to existing subscribers of the enlarged business as well as new customers. There is a natural appeal for mobile, telephony, broadband, and television content and NTL is now truly unique in its mass market product offering," he added.

Meanwhile, Virgin Mobile Chairman Charles Gurassa said that the offer "represents an excellent opportunity for Virgin Mobile shareholders to realize the significant increase in shareholder value since flotation. We believe this offer is in the best interests of Virgin Mobile's shareholders, customers, and employees."

Certainly, analysts have broadly welcomed the latest buyout deal, particularly as many believe that quadruple play is the logical way forward for the telecommunications industry. Still, there is some cynicism as to how NTL will actually make the buyout of both Virgin and Telewest actually work.

"The whole NTL-Telewest-Virgin tie-up has had as many twists and turns as a daytime TV soap opera," said Mike Cansfield, an analyst at London-based information-technology research group Ovum, adding that the deal "makes a great deal of sense ... because it enables NTV to offer 'quad-play' services."

At the same time, however, he cautioned that delivering the promises might actually prove more difficult than NTL is thinking, and pointed out that rival BT will soon be at its heel offering similar packages.

"The deal with Virgin is rational because it enables NTV to offer 'quad-play' services -- TV, telephony, broadband and mobile. But this is easier said than done ... whilst it is relatively easy to bundle these services together, it is much harder to integrate them, as to do so requires network intervention and it is not clear why T-Mobile would want to be so accommodating. BT, its main fixed competitor, will launch its own TV offering in the autumn, so it will not have the market to itself. However, rival mobile companies cannot match this offering at present," Cansfield added.