

## Broadband seen feeling O2 heat soon

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When it comes to phone services, European markets are often ahead of the curve, particularly when it comes to making the most out of mobile phones. Paying for parking or getting a drink from a vending machine via a mobile handset is all too common in Finland or Germany but effectively unheard of in the United States. Meanwhile, text-messaging had been flourishing in Britain years before U.S. users finally started getting into the quick-fingered mode of communication.

Britain may well be leading the pack when it comes to having a cut-throat telecommunications market too, as the barriers between cable and satellite, wireless and fixed-line, as well as Internet and television come tumbling down. The latest news to heat up the competition comes from O2, the mobile carrier that was once the wireless arm of British Telecom, as it prepares to challenge its former parent company.

O2 itself was bought out by Spanish telecom giant Telefonica last year, as the company sought to expand its hold in Western European markets. In announcing Telefonica's latest earnings results last Friday O2 Chief Executive Officer Peter Erskine said the company was expecting to go beyond simply being a wireless provider and start offering fixed-line service as well in Britain and beyond. In addition to operating in Britain, O2 has control of Telefonica Germany as well as Cesky Telekom of the Czech Republic.

"Convergence is something that customers will want, and we'll be learning from our experiences in the Czech Republic and Germany and doing similarly in the rest of our businesses," Erskine said, adding that

"before we became part of Telefonica, we saw an opportunity in convergence, and Lady Luck has brought us two businesses in that space." Specifically, the company is expected to enter the broadband market and offer high-speed Internet access, thereby offering bundled services of broadband and mobile-phone connectivity.

"It is pretty certain we will go down the DSL route ... if we do DSL alongside mobile we then have just about everything the customer wants," Erskine said.

Britain's Daily Telegraph reported that the company might actually be considering buying out a broadband provider to make that vision a reality, such as Bulldog, Pipex or Tiscali. Whether or not the company buys out another company, it is clear that O2 is preparing itself to challenge BT head-on as the British telecommunications market becomes increasingly fierce.

Last month cable group NTL bought out Virgin Mobile, having bought out Telewest last year, and became the first British carrier to offer what is known as quadruple play -- mobile, fixed-line, Internet and television programming -- under a single company. That merger has put pressure on rival companies to offer all those services themselves, and industry leader BT itself has made clear that it will be offering cable networking before the end of the year. The latest pronouncements by O2, however, is making it clear that it will be facing challenges even in its core operations from rivals, particularly as Telefonica is already the biggest provider of television over the Internet.

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