

# Globe Talk: Broadband holds carriers' key

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It used to be that charges made for phone calls were what could make or break a telecommunications company. But gone are the days when simply encouraging people to talk longer and more often could lead to profits. Instead, even established carriers are finding that making the most of new technologies is where the money's at.

This week a slew of carriers on both sides of the Atlantic Ocean announced their earnings results, most of them favorable amid a positive economic climate worldwide, and above all more enthusiasm among consumers to get connected through many means beyond fixed-line calls. Still, that means that established companies are facing ever-increasing competition from start-ups that can often provide connectivity cheaper and more conveniently.

On Thursday, for instance, British telecom giant BT reported its tenth consecutive quarter of revenue growth amid heightened demand for its broadband and related services. The company said revenue from so-called new-wave services, which includes broadband, rose 18 percent from the same period a year ago and made up 34 percent of overall group sales, compared to 29 percent in the previous year.

At the same time, however, there is growing concern among many industry analysts that BT is losing its competitive edge in the broadband market, which is expected to keep growing. For instance, while the company signed on about 300,000 new wholesale subscribers in the latest quarter, that number fell far short of the 700,000 who had subscribed to BT services in the previous quarter. What's more, the

number of new retail broadband customers reached 158,000 in the latest quarter compared to 250,000 in the earlier three-month period.

So while broadband is taking up a greater chunk of BT's market, its overall hold in the service is facing some heat from newer companies such as Carphone Warehouse, a British carrier that has aggressively promoted itself as a low-cost provider over the past few years. Likewise, other companies including BSkyB and Orange of France Telecom have pushed their services of low-cost broadband connection, and the number of players in the field mounting pressure on the industry was acknowledged by BT's chief executive.

"There are some new guys coming on the block," said Ben Verwaayen. But he added that "I don't worry about single suppliers coming on the market."

Whether or not BT will weather the heat from newcomers remains to be seen, but what is certain is that having a firm foothold in the broadband market is critical for the success of carriers going forward.

For instance, U.S. telecom giant AT&T too announced earlier this week that its profits soared in the latest quarter, topping Wall Street's expectations as its profit rose 81 percent from the same period a year ago, largely on the back of aggressive cost cuts following its buyout by SBC Communications late last year and stellar performance from its wireless business.

At the same time, AT&T is expected to make a greater impact on the U.S. broadband market as it anticipates buying out Atlanta-based BellSouth by the end of this year. Should the deal be signed, it would lead the carrier to increase its broadband outreach to 22 states from the current 13.

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