Your television is ringing

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"Convergence" is the telecoms industry's new mantra. Whether customers really want it is another matter, says Tom Standage

WHAT has come over the telecoms industry? The spectacular crash of 2001, with its associated bankruptcies, fraud and the destruction of around $1 trillion of investors' money, has evidently been forgotten. The gloom has given way to a fresh sense of opportunity and a renewed frenzy of dealmaking. The past couple of years have seen a series of huge takeovers and mergers among network operators and makers of telecoms equipment around the world.

In America SBC paid $16 billion for AT&T, took its name, and then swallowed BellSouth for a further $67 billion. Its rival Verizon, meanwhile, bought MCI for $8.4 billion. In Europe Telefónica, Spain's national incumbent operator, bought O_2, a wireless firm with networks in several European countries, for £17.7 billion ($31.3 billion). NTL, Britain's cable operator, bought Virgin Mobile, a mobile operator, for £962m. Vodafone, the world's biggest mobile operator by revenue, signalled a retreat from its global ambitions and sold its Japanese arm to Softbank, a local wireline broadband operator, for $15.4 billion.

In addition to these and many other deals, operators around the world began building "next-generation networks" at vast expense. Verizon is spending over $18 billion on its new network, and Britain's BT is spending £10 billion. These networks allow telecoms operators to offer television service in addition to voice calls and broadband internet access.

Meanwhile, large internet companies including Google, Yahoo! and Microsoft's MSN marched into the telecoms business by launching new services offering free calls over the internet. Skype, the leader in this market, was acquired by eBay for $2.6 billion. And equipment-makers began teaming up too: Cisco, the world's largest network-equipment firm, bought Scientific-Atlanta, which makes television set-top boxes, for $6.9 billion; Alcatel and Lucent agreed to merge in an $11 billion deal; and Nokia and Siemens combined their network-equipment divisions.

At first sight these deals might not appear to have much to do with each other. But all of these transactions were prompted by a single underlying trend that has become the industry's new mantra: convergence.

All together now

What this means, roughly, is the coming together of previously separate communications and entertainment services: fixed and mobile telephony, broadband internet access and television. But more often the word is used in a quasi-mystical way to evoke information heaven. "Convergence really means the freedom for consumers to use any service under any circumstances they choose to," says Ben Verwaayen, the boss of BT. "It is a question of convenience, enriching people's lives, because we can provide communications, information and entertainment the way ▸▸