

**July 26, 2005**

**Stephen Young**

**VSNL buys Teleglobe**

Indian carrier VSNL has announced that it will acquire Teleglobe for \$239m, with a deal expected to be finalised within the next six to eight months. VSNL, owned by the Tata group, gets access to Teleglobe's global network - reaching more than 240 countries and territories with advanced voice, data and signalling capabilities, as well as Teleglobe's ownership interests or capacity in over 80 subsea and terrestrial cables. It also gets access to more than 200 direct and bilateral agreements with voice carriers, many of which are either traditional incumbents or international mobile operators. </**Comment:** How significant is the deal with VSNL? Let me count the ways.

First, it continues the emergence of an Asian oligopoly in global bandwidth: already, 61.5% of Global Crossing is owned by Singapore's STT, which also runs a medley of other telecoms and IT businesses, and is majority owned by the Singapore government. In addition, FLAG Telecom is now a subsidiary of India's Reliance Group, which also owns India's largest mobile service provider and runs a pan-India, high capacity, integrated wireless and wireline digital network.

Second, it's another move in the much-heralded, but slow to arrive consolidation of the international bandwidth sector. But again, it's an Asian carrier that is the consolidator, snapping up North American funded assets for cents on the dollar. It will send a shiver through the ranks of the "traditional" global telecoms providers, such as Verizon/MCI, SBC/AT&T, Sprint and the European incumbents. VSNL is getting global reach and blue chip telco customers for knock down prices, which it can combine with it's low cost base in Asia.

Third, when we hear about "The Asian Century", we normally think of China. But **India plans to become "a global knowledge hub, with a central place in the trans-national movement of knowledge and services" according to the country's minister of commerce and industry. Outsourcing to areas where there are surpluses of educated and willing workers is about moving information and services, rather than people, across borders. And outsourcing depends on advanced telecommunications capacity - like the VSNL/Tyco/Teleglobe network.**

Fourth, Teleglobe's strategy has been to operate as a pure play wholesaler. Although it isn't yet clear whether this will continue, existing customers will be concerned about their supplier suddenly becoming a potential competitor. And lastly, while the consolidation game is still being played out, players across the sector will be hoping that this moves us closer to some kind of equilibrium in international bandwidth.</p>

---

**About:**

This article is an extract taken from Ovum's EuroView Daily Comment service. Providing our expert's views and opinion of the important news and events in



European IT & Telecoms, this daily email bulletin is a component of Ovum's EuroView advisory service. If you have a comment or question regarding this article then please submit your details here:

Email address:

Suggestion:

◀▶▲▼

If you would like to find out more about [EuroView](#) please contact [euroviewfeedback@ovum.com](mailto:euroviewfeedback@ovum.com)

If you would like to find out more about Ovum services then please click [here](#) for details