

Free broadband? UK Labour Party promises nationalization

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Britain's Labour Party leader Jeremy Corbyn and Shadow Minister for Climate Justice Danielle Rowley visit the National Mining Museum at the former Lady Victoria Colliery in Newtongrange, Scotland, Thursday Nov, 14, 2019, on the General Election campaign trail. (Jane Barlow/PA via AP)

The British Labour Party's latest plan for public ownership of big

industries sent shivers through the telecoms sector Friday with an electoral promise to nationalize part of the former phone monopoly BT to provide free fiber optic broadband.

Party leader Jeremy Corbyn, who outlined the plan during a speech ahead of next month's election, described broadband as being "at the heart of Labour's plans to transform the future of our economy and society."

The self-described socialist, who has already announced plans to renationalize water companies and some rail lines, described it as an effort to help all parts of society face the future. It would be more ambitious than other countries' recent attempts to boost broadband availability, which have had varying degrees of success.

"What was once a luxury is now an essential utility," Corbyn said. "That's why full-fiber broadband must be a public service, bringing communities together, with equal access, in an inclusive and connected society."

Labour plans to nationalize BT's digital infrastructure network, known as OpenReach, and the company's other broadband-related businesses. The value of the assets would be set by Parliament and shareholders compensated with government bonds. The project would be funded with a tax on tech giants including Amazon, Facebook and Google.

The plans are part of a bitter election campaign in which both major parties are wooing promising to increase spending after a decade of budget austerity under Conservative-led governments. Britain is holding the Dec. 12 election because Prime Minister Boris Johnson wants to secure a parliamentary majority so he can take the U.K. out of the European Union by Jan. 31.

Johnson described Labour's broadband plan as a "crackpot scheme."

The telecommunications industry also greeted the plan with dismay.

"These proposals would be a disaster for the telecoms sector and the customers that it serves," said Julian David, CEO of TechUK, which represents British technology companies. "Renationalization would immediately halt the investment being driven not just by BT but the growing number of new and innovative companies that compete with BT."

BT shares fell as much as 3.7% in London before recovering somewhat.

One rival, TalkTalk, said Friday that the sale of its full-fiber optic broadband business was put on hold because of the Labour announcement.

Shares in companies involved in the power network, water supply, main and rail are already trading at a discount because of concerns they will be nationalized, according to Michael Hewson, analyst at financial firm CMC Markets.

Labour governments nationalized many industries after World War II and the Conservative government of Prime Minister Margaret Thatcher sold off most of those assets in the 1980s to boost competition and provide better services for less.

Britain's has the world's 15th fastest average broadband speeds, according to a 2017 ranking by network company Akamai. South Korea was ranked No. 1 and others in the top 10 included Asian and European countries such as Norway, Sweden and Singapore plus the U.S.

Fiber accounts for 80% of South Korean broadband connections,

according to the Paris-based Organization for Economic Cooperation and Development. In Britain, the figure is just under 2%.

Corbyn and his deputies cited as a model a South Korean government project that built a countrywide fiber optic network, as well as a public broadband initiative Ireland has in the works. But the Labour plan is the only one promising free broadband access to all.

Australia had a similarly ambitious plan, but how it was implemented may be a cautionary tale for Britain. In 2009, the Australian government unveiled a project to roll out broadband to everyone, with the vast majority getting high-speed fiber optic lines.

But the long-term project fell victim to short-term politics when a new conservative coalition government took power. Promising to roll out the network faster and for cheaper, the government compromised: fiber lines would be extended only to neighborhood nodes, while existing copper lines would be used for the "last-mile" connection to homes.

While the aim was to save money, replacing the copper connections as demand grows for bandwidth-hungry web services may end up leading to a bigger overall bill than the original plan. And despite tens of billions of dollars already spent on its broadband modernization efforts, Australia was only ranked 50th on Akamai's broadband speed rankings.

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