

NEVER SAY NEVER

BY JULIAN RAWLE, PRINCIPAL, JULIAN RAWLE CONSULTING



Everywhere I look, people I know in the submarine

cable industry are busy planning, designing, surveying, manufacturing, installing, operating, and maintaining cables.

You might call it a sustained construction boom but it doesn't feel like overbuilding. Unrealistic projects which promise to cover the globe in one fell swoop or to deliver five cables to serve a single sporting event in one country are not getting past the start line. Sensible projects which address a real need or promote healthy competition are getting support. It's still tough to pull the financing, the permitting, the equipment supply, and the resources together but it can be done. And there are still some outlandish projects out there just to keep us all interested in the game!

Sometimes, I have to pinch myself to see whether I have really been able to make a living for more than fifteen years in this ever-changing cyclical industry, and then I realise that the saying "Never say never" could not be more appropriate. They said that there would never be another transatlantic cable; they said that Africa was too chaotic to ever merit full connectivity to the rest of the world; they said that it was impossible to build cables to sanctioned countries like Iran, Myanmar, and Cuba; they said that bringing broadband connectivity to small island communities was unjustifiable; and they said that one private individual could not facilitate the construction of a transpacific cable. "They" need to take off the blinkers.

So with this sense of burgeoning possibility, I can't be the only one asking, "Will this industry be able to support me until I retire?" First of all, one wonders who would want to retire from an industry with such great people, filled with purpose and a spirit of co-opetition? But then, one has to admit that the long run of steady demand for new cable systems can't last forever. There must be a hiatus or two waiting around the corner to throw us off track. Market analysts (Bless them!) call these "disruptive events" but I would venture to suggest that we are

already dealing with forces that were not present ten years ago.

The elephant in the room, of course, is the rise of content providers as investors in, and facilitators of, new submarine cable builds, supplanting the telecom carriers as the traditional instigators of new connectivity. Are these new leviathans a positive force for change in the industry? They certainly are challenging the old way of planning cable systems with their desire to stay ahead of a demand curve created, not by end users, but by their own product developers.

I was chatting with Alan Mauldin from TeleGeography recently. He confirmed that they still see a falling demand growth rate in public IP traffic but, he said, there is huge growth in private IP networks. It is not too difficult to foresee a time in the near future when all new builds on major routes are driven by the content providers and, if they do end up controlling all the capacity on these routes, where does that leave the telecom carriers?

This would also seem to be an unattractive scenario for "independents", be they entrepreneurs, operators, or even consultants, except that the creation of server farms and enormous data centres in strategic locations is driving a boom in the construction of regional systems providing channels for content to flow to hitherto starved markets. This is creating more than enough opportunities for entrepreneurs and regional operators to consider building a cable to address a specific market need, thereby keeping the industry vibrant.

The content providers at the moment appear to be loath to form consortia with their competitors - a major shift from the collaborative state in which this industry operated at least for the first fifteen years of its life. This could be good news for suppliers of submarine systems if it means that there will be multiple systems serving the same route. Somehow, this seems an unlikely long-term scenario. The content providers are currently trying to eat each other's lunch but eventually this emerging market for transporting enormous amounts of content from one place to another will mature. By then, the winners and losers in this game will be evident.

So innovation and out-of-the-box thinking will be key attributes required to survive and prosper in the future submarine cable industry. Not only are we seeing "new blood" on the cable owner/operator side but change is also coming to the system suppliers, driven by an emerging need for flexible, secure, and innovative connectivity.

Huawei Marine Networks (HMN) was first to break through the web of conservatism and prejudice that dominated submarine system procurement for three decades. HMN has been followed by Xtera, with Padtec now trying valiantly to find a way in. Nexans and NSW have developed commercially accepted repeatered cable and Heng Tong is not far behind. Meanwhile, we all wait with bated breath to see where ASN will end up after Nokia acquired its parent for mobile market share. The same Sword of Damocles hangs over the submarine activities of NEC and TE SubCom. It's just too easy to see them as standalone businesses. People say to me "They're too strategic to be sold off." My reply is "Never say never". ■



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