



## Back for good

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Telecom Asia

In the wake of the bandwidth bubble bust, submarine cable supplier Tyco Telecommunications is out of the operator business. However, Tyco Telecom VP and GM Bill Marra tells global technology editor John C. Tanner the company is all the wiser for it and the future of the subsea sector is looking bright, but there is still plenty of work to be done

**Telecom Asia: The submarine sector still seems a bit schizophrenic about the state of recovery - there's a mixture of optimism looking ahead and fear that the industry hasn't learned from the bubble bust. What side of that equation do you fall on?**

Bill Marra: I don't think that the industry will fall into the same traps as before. They'll fall into different traps! [Laughs] I can only speak for Tyco, but we've certainly learned that we don't want to be in the operating business. There wasn't anything wrong with it, but the market didn't accept it, so we shouldn't be there. I do think that we've now sized our business for what we see as a reasonable market. I'm not as optimistic as some of the consultants who've suggested we're looking at an average of a \$2 billion market. I think Jean Devos [director of subsea cable consultancy Axiom] was right when he said that it's a maximum \$1 billion market. I would have characterized it more as a \$600 million market myself.

My expectation is to win about half of that on an annual basis, and that's how I size my business. That's my target, and that's the market opportunity I see for Tyco Telecommunications, and if I stay in that box, diversify my products to meet the market I want to go after, I think I'll be successful. I think if you have pipe dreams of winning a \$1 billion market again, you're setting yourself up for failure. So I think Tyco has learned its lessons, we're strategically focused on things that best work with our core competencies.

**Now that Tyco Telecommunications is officially out of the operating business, have things pretty much settled into place or is there still some work to be done?**

Well, there's always a little work left you can do, like optimizing manufacturing, which is still going on internally but we're just about there. We're at the point where we now have optimized our manufacturing throughput, we're manufacturing production of new equipment, we have a new generation of dry plant gear coming up, we've totally sold out our first set of inventory through next year, and we're now looking for new opportunities. The other day we signed a contract to upgrade TGN Pacific with VSNL. We're building new cable for a bunch of projects we just won, including two major new programs in the Caribbean - Antilles Crossing and Bahamas Domestic [Submarine Network], which in a sense is new business for us.

**There's been a lot of buzz in subsea cable circles about the Caribbean market - what's Tyco's view?**

Well, there's a lot of work in the Gulf of Mexico, and there are several programs we're either a part of or bidding on. It's a hot spot, and that's probably because it's not deregulated yet. Typically that's where you see a lot of action, where you have other players coming in to try to get licensing and break the monopolies.

**What kind of activity are you seeing in Asia Pacific?**

We're seeing upgrades on all systems. I think [SingTel's] C2C network will come out of its current status [C2C has been in receivership since January 2004 and went up for auction in October 2005 - editor] and be a key network in Asia, because it has tremendous capability - it's a huge network in terms of cross-sectional capacity. I see the resurrection of networks coming out of some kind of financial restructure into practicality again. And I think something big is going to happen in the region in the next few years, whether it's a new system or something happening with PC-1. I think whatever happens with PC-1 will affect the dynamics of the next trans-Pacific build.

**What's the bidding process for contracts like nowadays? Is it more rational now than it was a few years ago?**

The difference between now and let's say the pre-telecom boom is that the contracts, when you're bidding for them, the terms and conditions are very restrictive.

**Some players have suggested that the terminology is still pretty unrealistic and hasn't adjusted to the new reality of the market.**

Well, we went through a time where some suppliers built on speculation, they had existing inventory, and as a consequence, with the collapse of the industry a lot of equipment was written down consistent with the market and sold at relatively low prices. Some suppliers may have had more than others, but some people got some really good deals out of it. But what we've also seen happening in the market place is that purchasers tend to want to put a lot of risk on the supplier in those contracts. There's dollars associated with risk, and I think there needs to be some balance going forward to try and keep the pricing at some reasonable level and still expect the supplier to make a profit.

**Where's the biggest action for Tyco right now - new cable projects or upgrading existing systems?**

Upgrades are going to be big, there's no doubt about that. We're already seeing that. People historically buy a system and use a small fraction of the capacity from day 1. We're getting to the point now where people need to start either adding additional capacity to old systems because they don't want to invest in any new infrastructure, or add unlit capacity that the system was originally designed for. For the next three to five years, that's going to be very big business.

In fact, that's one reason we built a whole new product segment, so we can look forward and backward in time, meet the needs of the old market, build equipment that has exceptional performance relative to the equipment purchased the day they lit the network. So for that you have the opportunity to build on existing infrastructure to give it more capability than it was designed for. Looking forward, you have a piece of equipment that addresses a market place that's looking for more varied interfaces on the customer side - they're looking for undetected capacity, 2.5-Gbps channel interfaces, Gigabit Ethernet interfaces. So we built a product that spans those dimensions.

We expect it to be a big market. We've also built equipment intended for regional use because we see a lot of small systems in places like the Middle East, where we just won two contracts. The 1,000- to 3,000-km marketplace is a reasonable size. You could expect to do 5,000 to 6,000 km a year in that space.

**In terms of technology platforms being deployed in new cable systems, flexibility seems to**

**be a key feature now. What are customers asking for?**

One of the benefits of being an operator and a supplier is you get some really good insight into the network owner perspective. Since we sold capacity, we had a lot of insight into what people are asking for, and there was no doubt that direct connections of Ethernet interfaces really takes out a whole level of equipment that's not required. So we built a platform that spans the gamut of 10-gigabit interfaces, which are traditional in our business today, to 2.5-gigabit clear channel interfaces and Gigabit Ethernet interfaces off the same platform. So some people might be thinking of coming in at STM-64, which is fine, or Gigabit Ethernet or 2.5-gig clear channel interfaces. It also has to be simple, quick and you have to be able to diagnose problems very quickly.

**Pioneer recently released a study showing that subsea cables are becoming more prone to breaks, which some analysts like Jean Devos blame on poor or rushed system engineering. Do they have a point?**

On the supply side, I think there was some innuendo that quality processes have been jeopardized. I don't think that's the case. It's certainly not an issue within Tyco Telecommunications. What I do think is that Jean was talking about system engineering in a generic sense - you know, depth of burial is very important, types of cable are very important, etc - and in some cases people have asked for specific types of cable or depths of burial that don't necessarily follow what the supplier has recommended to try and save dollars, and sometimes that's not the most optimized design and sometimes it results in external aggression events. That was his point, and that's what can happen when you don't follow a system engineering mindset. It has happened, but as a supplier I'm there to give someone my best input, tell them what I think it is they want to do. However, if they want something else, we'll supply that. That's a risk that's made on the owner side of the business, not the supply side.