



SubOptic
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Enabling Global Communications

Blips on the Radar Screen: The Case for Sustained Stability in New Subsea Systems Development Market

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Presenter Profile

Tom Soja is an international telecoms infrastructure analyst and consultant and is founder and president of T Soja & Associates, Inc. (TSA). TSA is a global research and market advisory firm specializing in demand forecasting, bandwidth usage, network infrastructure planning, and capacity price analysis. TSA has provided consulting and feasibility studies for more than 70 submarine cable and fiberoptic infrastructure projects worldwide. TSA's clients include service providers, investors, governments, infrastructure developers and equipment manufacturers for which it provides analyses, syndicated reports, databases, and news services including the TSA NewsFeed™, now in its 10th year of daily publication.

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Introduction

Resurgence in Systems Demand

- Potential for spike – Boom-Bust redux?
- Suppliers' dilemma
- Mitigating factors
 - Investment / payback timing
 - Consolidation of interests
 - Availability of resources
 - New Entrants?
- Thesis:
 - Sustainable 'normality'

Makings of Potential Spike

(1) Systems Under Contract as of 2007 67,000

Potential Contracts 131,00

(2) Expected Contract Awards in 2007 0

(3) Positive Movement in 2006, Expected
Future Contract Award 85,000

(4) Potential Long-Term Projects ~~354,000~~

TOTAL 0

Future Potential Systems Sub-Total (3's &
4's): 157,00 0



What's the Same / What's Not

Funding Sources

- Wall Street debt & quick IPOs
- Eastern shift
- Strategic builds – less about raw demand

Players

- A duck is a duck
- Consolidation
- Consortiums
- Fewer pure carriers' carriers

Products

- The wave trend
- Ring shift to mesh

Evolution of Market Drivers

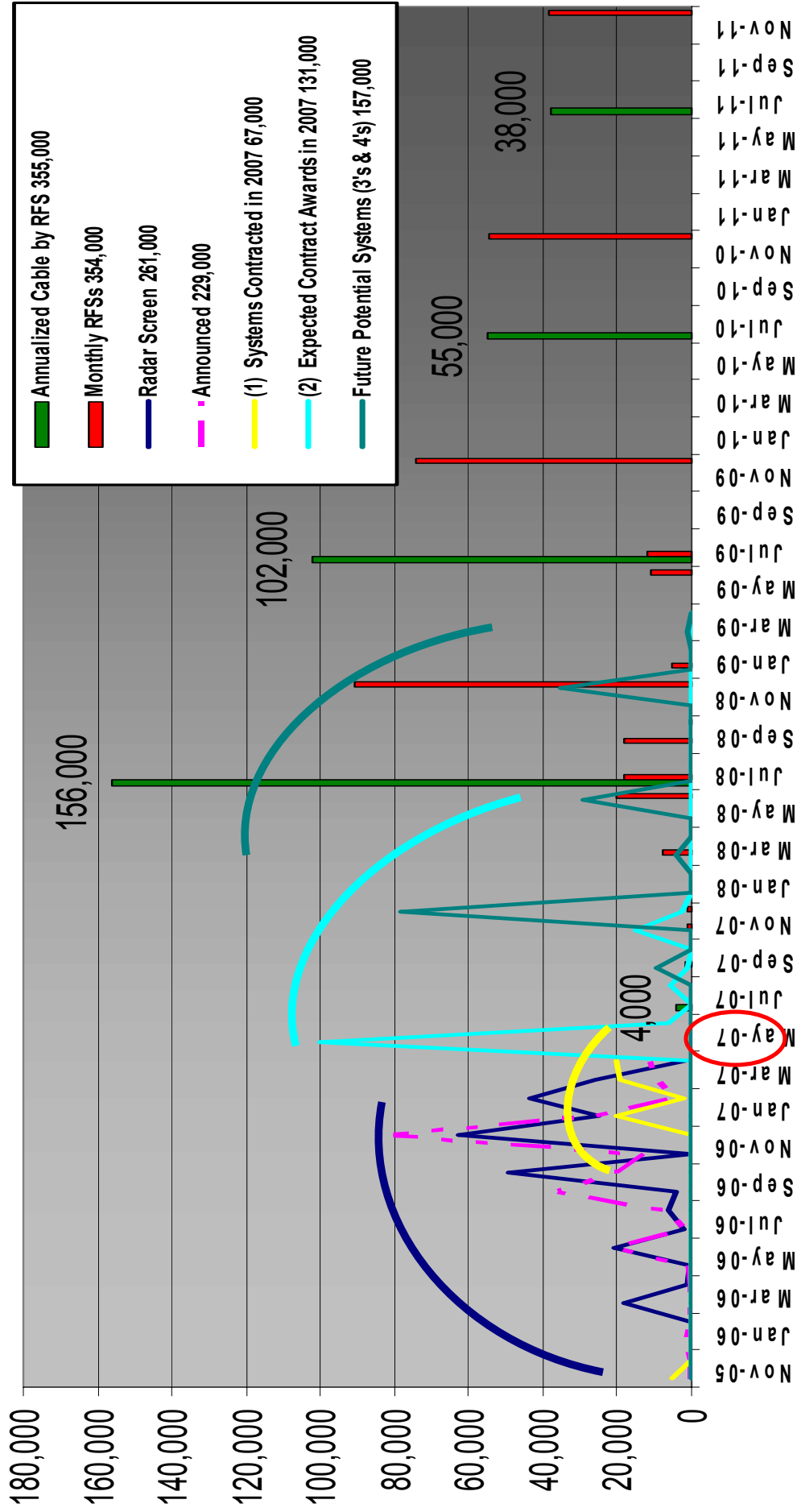
Niches Broaden Out

- Lead by less intensely competitive markets
- Some government initiatives
- Feeder cables

Return of Transoceanic Systems

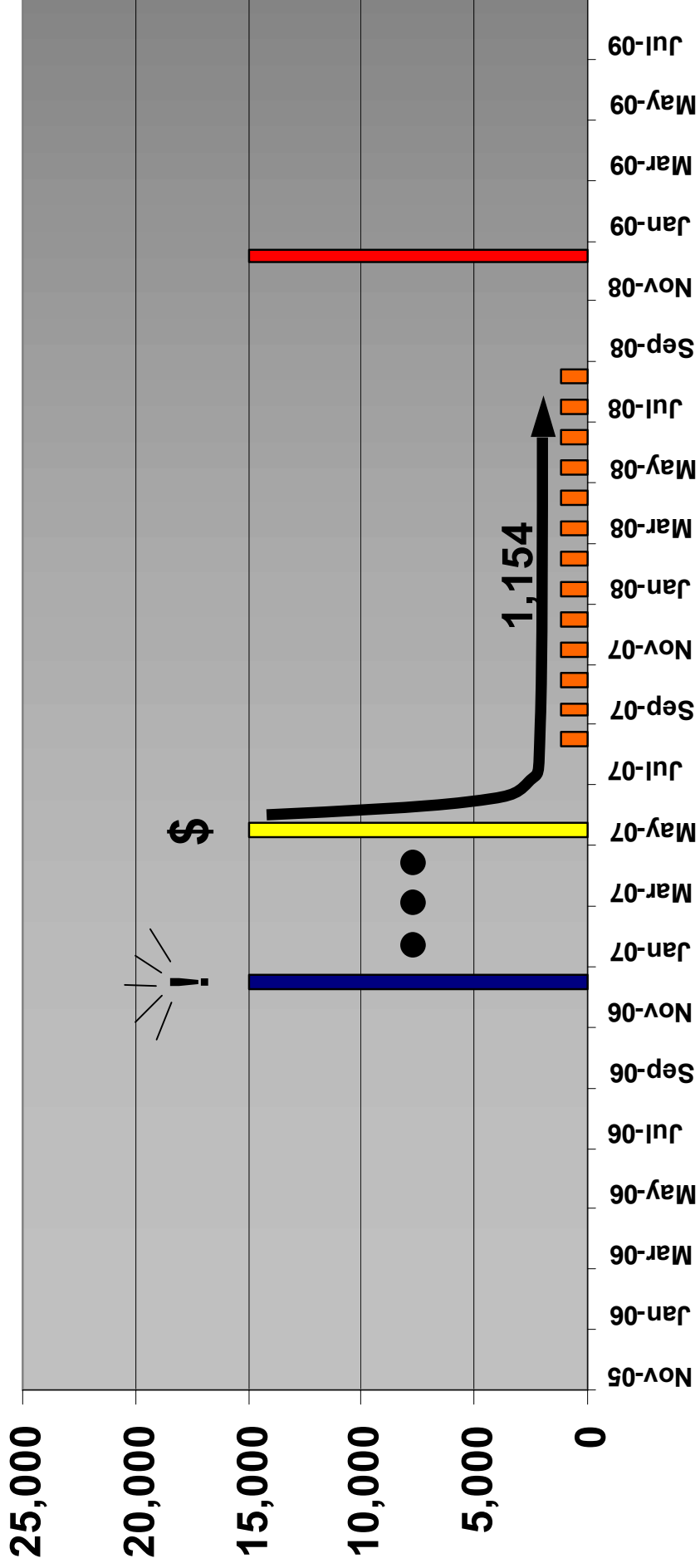
- Major driver today
- Focus on filling global gaps
- ‘Late bloomer’ markets

Blips, Announcements, Contracts, RFS



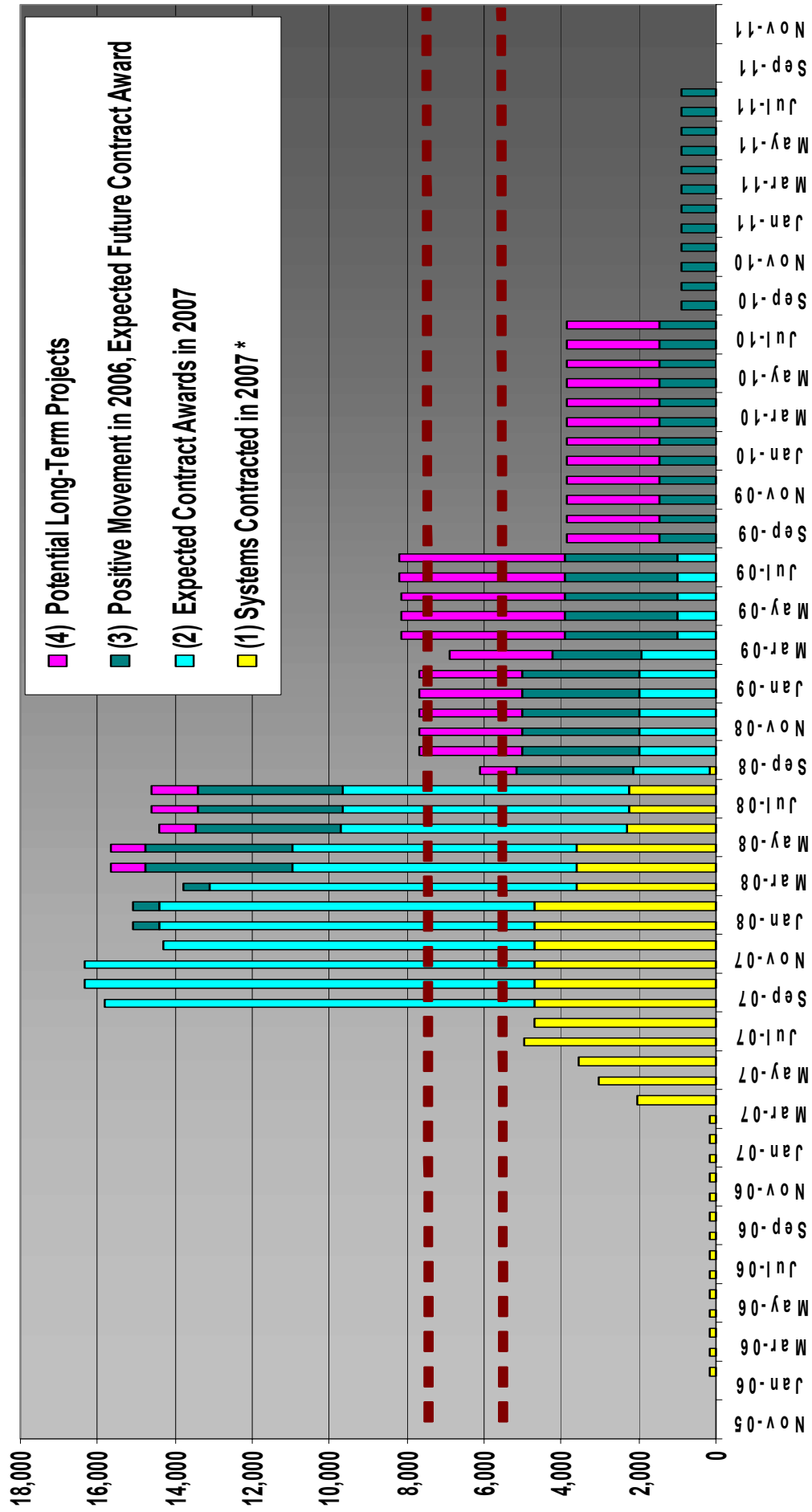
Method: Projected Cable Manufacturing

Single System Example: 15,000



- Cable production begins within 2 months of contract
- Completing cable mfg 4 months prior to PES at

Resulting Production Horizon



Managing Boom / Mitigating the Risk

Supplier Choices

- Adding capacity – cable production, cable ships, repeaters
- New Entrants
- Investment vs. Payback

Cable Customer Choices

- Priority premium
- Wait it out
- Near-term buyer

Overlapping Projects

Med-ME-India

45,000 rt-km

I-ME-WE

SEA-ME-WE-5

Orascom

FLAG-NGN Med

MTL

India - Asia

40,000 rt-km

MTL

VSNL Intra-Asia Cable

FLAG-NGN System 1: Asia

AAG Indian Ocean Extension

West Africa

30,000 rt-km

Glo-1

WAFS

Infinity West Africa

SAT-4

East Africa

40,000 rt-km

TEAMS

EASSy

SEACOM

FLAG-NGN Africa

Transpacific

75,000 rt-km

Asia - America Gateway

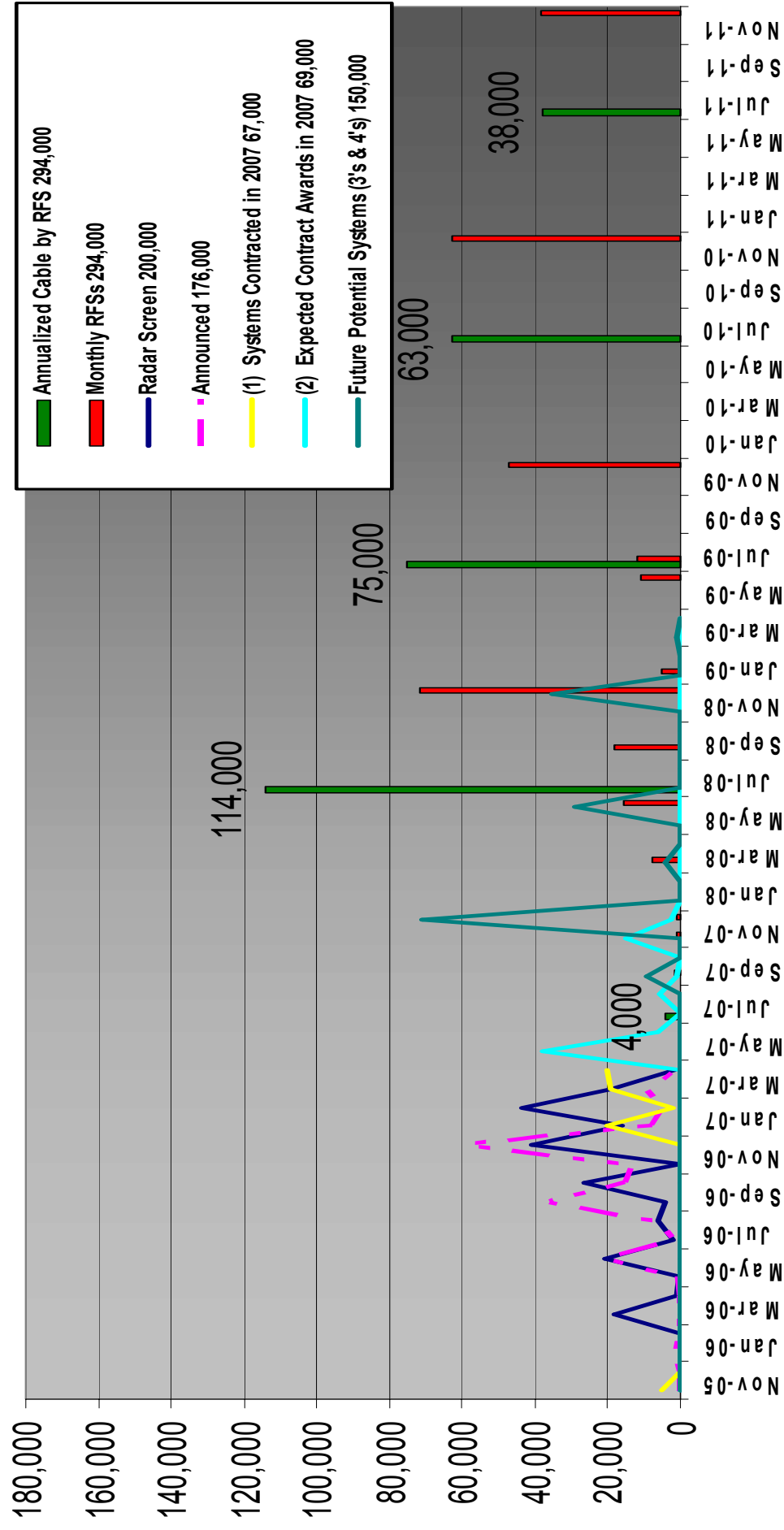
Trans-Pacific Express CN

FLAG-NGN Transpacific

EAC Transpacific



Net Near-Term Consolidated Networks



Managing Boom / Mitigating the Risk

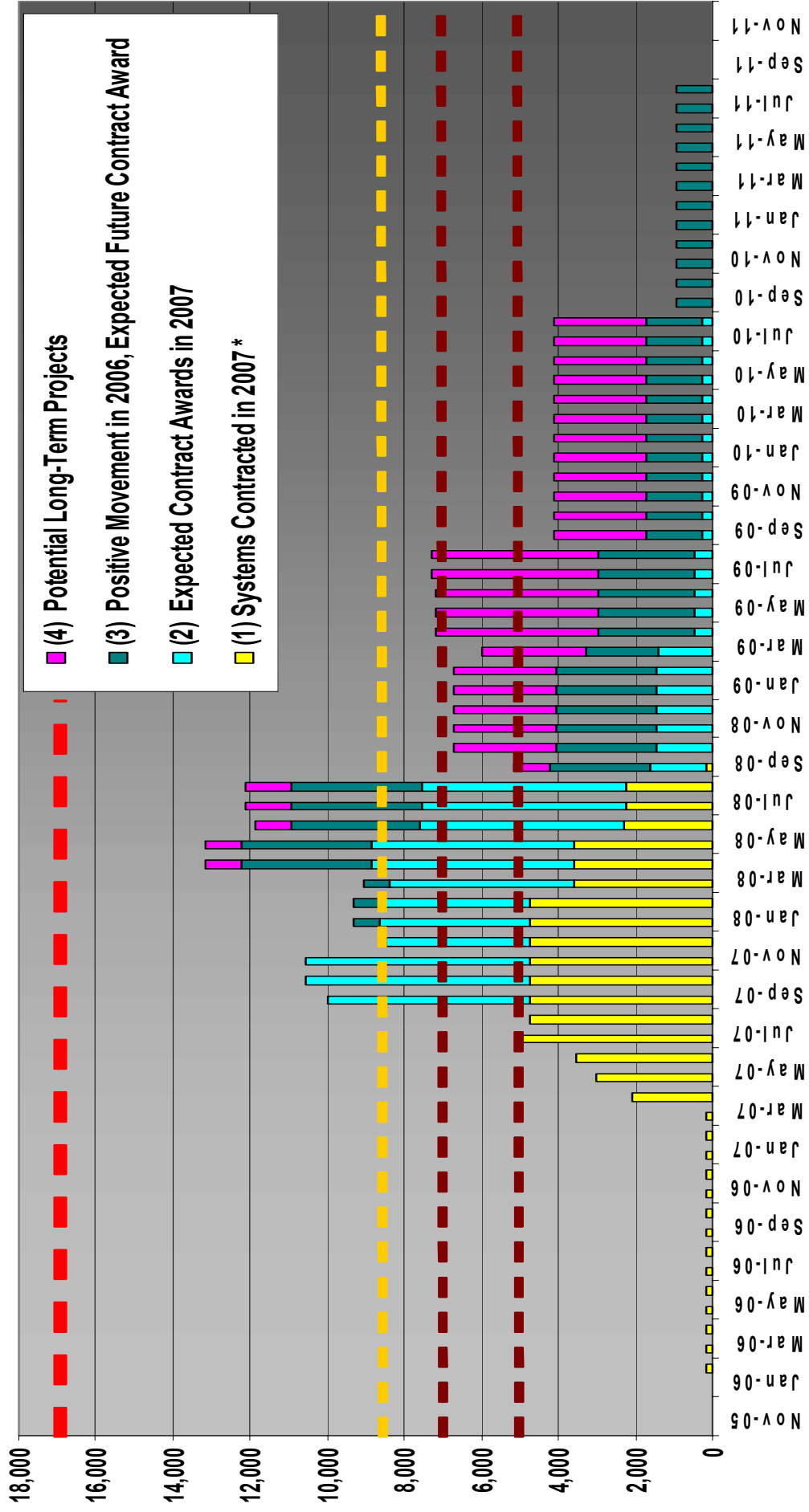
Avoiding Stranded Investment

- Supplier mfg upgrades / New plant & equipment
- Investments payback in 2-3 yr range
- Subject to next market lull
- Competing markets for limited resources

New Entrant Hurdles

- Experience (specific track record)
- Intellectual property
- Financial backing (warranty)
- Long term reliability

Netted Cable Production Horizon



Conclusions

- Industry is right-sized for long term
- Incremental production increases more likely
- Relationships to work through temporary boomlet
- Large CapEx in P&E difficult to justify
- Customer need for express networks
- Ultimately gated by ability to install
- Sustainable price / margin levels