

## A Passage to India

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Henry Ford famously observed that “History is bunk”. The fact that history repeats itself so often may well reflect the fact that most people agree with him, and so never learn the lessons of history. Perhaps the real lesson of history is that in any given situation, human beings will nearly always react in the same way, despite the evidence that history presents of the likely consequences.

One rule of human survival is to get lost in the crowd. If you are wrong, but in a crowd that is wrong you are much safer than if you are wrong by yourself and the crowd is right. Even if you are right and the crowd is wrong you may have to wait a long time before the rest of the world recognises that you were right. And it may be too late.

To those wishing to minimise risk, the moral has to be to follow the crowd, right or wrong.

The new technologies that have brought fundamental changes to economic activity – the railways, the motor car, electricity, the computer have all followed a similar pattern. The revolution in telecommunications has followed the same pattern. But this is rarely seen at the time. Remember “the new paradigm”? Perhaps people can be forgiven for thinking that their new technology will be different from the ones that have gone before. But then the pattern starts to repeat itself within the new technology!

The current situation in South Asia demonstrates this very clearly. The situation in the Atlantic is well known. So much bandwidth was installed that despite traffic growth rates of 100% per annum the market price fell to virtually zero. The typical situation in such a rapidly growing market is not that the predictions of market growth are wrong. They are often right, at least in the short term. The problem is that 10 competitors all assume that they can achieve a 30% market share. Further out is the problem that exponential market growth cannot go on for ever, but that is not the problem that has allowed the situation in the Atlantic to develop.

And against the backdrop of the Atlantic, and other overcrowded markets let us look at what is happening in the Bay of Bengal and the Andaman Sea. Two years ago i2i came into service with a potential capacity of 8 Terabits when fully equipped. This augmented the existing capacity in the region provided by FLAG EA and SEA-ME-WE3. Very little capacity has been sold on that system so far: Logic would suggest that there would be no hurry to build any new systems in those waters for some time. So what is today's situation? A completely new system is being built over the exact route with a potential capacity of a further 8 Terabits. (and at a contract price of about 30% of the price of i2i). A contract is being let for SMW4 with a segment over exactly the same route. And FALCON is moving to contract with a Chennai – Satun segment.

It is difficult to believe that in a couple of years time the situation in that area will resemble the situation in the Atlantic today. This is the jungle to which Jean Devos referred in the last issue of Submarine Telecomms Forum. One may accept that the people driving the industry today will not be aware of, for example, the multiplicity of competing railway routes that were built in Great Britain in the railway boom of the 1840's (Most of them went bankrupt). But surely the Atlantic today is obvious to everybody.

Yet if we turn to the opposite side of India to the Arabian Sea, we find that the situation has been the exact opposite. The need for a new cable from Europe to India has been very obvious for some years. FLAG and SEA ME WE3 have been equipped to their maximum potential over the critical segments. Industry estimates suggest that there is currently a capacity shortage of over 1Gbit/s of bandwidth. India is one of the BRIC economies that are expanding fast and showing very rapid economic growth. One reads almost daily of jobs moving from Europe and the US to India. And these are jobs like call centres and financial analysis that require significant amounts of bandwidth to be effective. This is not a phenomenon that has suddenly sprung from nowhere. The evidence has been there for several years.. Yet the financial markets were (and still are) unwilling to put money up for a system over this route. Again the problem is minimisation of risk. No one is going to get fired for turning down an opportunity for a new telecom investment opportunity today. But going out on a limb to advocate one is risky.

The traditional carriers were well aware of the need for a new system, but too many of them were either in Chapter 11 or had major problems with their balance sheets. As a result it has taken to this year to get a consortium cable to the supply contract stage. And it has taken an entrepreneurial company from India to develop a new system in a very short time scale. The factor common to the two systems is that the financial markets are not putting money directly into either system.

Thus we have the stark contrast of the passage to India from the west is desperately short of bandwidth and the passage from the east is already oversubscribed, and rapidly getting more so. The apparent paradox is that it is FLAG, under its new Indian ownership that is helping to resolve the capacity shortage to the west, and planning to increase the surplus to the east. But this is not really a paradox. To have the drive and ambition to seize a market opportunity calls for the willingness to take risks and the confidence that believes it can achieve its 30% market share whoever the opposition may be.