

THE FUTURE OF THE UNIVERSAL JOINT CONSORTIUM

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Abstract: The Universal Joint Consortium (UJC) is a longstanding cross industry body which exists specifically to ensure that proper and consistent joints can be created by all industry members for any cable types which have gone through the certification process. This UJC currently consisting of the major cable installation and maintenance providers has done a great deal of good over the years, ensuring a certain amount of fairness and quality in this core part of our industry. In recent years both the reporting and the UJC group of companies have not kept up with the rapid changes in the telecommunications industry. The envisioned presentation will give a non-partisan status of the UJC, will propose some concrete suggestions for change and will provide examples of how an improved UJC might restore some significant cooperation and accountability to our industry.

When Global Marine presented on a similar topic at Submarine Networks World (SNW06) Conference and Exhibition in late 2006 and at the International Cable Protection Committee (ICPC) Meeting in Manila, the Philippines in March 2007, we called for a fresh look at the UJC and how its charter might be updated to reflect the issues driving the marketplace today. Before jumping into a set of specific ideas we would like to propose, please allow me to frame the situation with the UJC as we currently see it:

In 2006 at the IPRS Annual review meeting in Vancouver, we were reminded by our Cable Owner colleagues that the original purpose of the Universal Joint consortium when it was created back in 1988 was to be of benefit to Cable Owners. More recently in Vancouver they made it very clear that they believe the UJC is in need of serious repair if it is to meet its original purpose.

I quote from a presentation given at that meeting, "...there is strong evidence that the current management structure of the UJC is hampering the efforts of its people to improve product quality, therefore fundamental changes are needed to meet customer requirements."

Originally when the UJC was created, the idea was that such a cross industry consortium was beneficial for the following reasons:

1. Large systems could be multi-supplier sourced – without the need for expensive interconnection devices
2. Less jointing equipment would be required on ship
3. Less training would be required for jointers
4. Opportunity for the sharing of the submerged plant

Each one of these goals was for the benefit of the cable owners who had funded the group noting that at that stage the cable owners also owned the marine service providers.

Since that time, and due largely to the dramatic shifts in the telecommunications industry, the ownership structure and business model of the founding companies has changed dramatically. What once was a predictable industry long dominated by a few is now a volatile industry fragmented into all manner of unusual and interesting pieces.

We have heard from many of you, and many others who are not here today that the UJC has been a huge benefit to the industry over the years. Its value is unquestioned and the original reasons for forming the UJC still remain – the need for Cable owners:

- To innovate
- To manage cost in a predictable way
- To expect meaningful and thorough performance reporting
- To take advantage, where possible, of the ability to share submerged plant.

Yet today cable owners have little or no say in the way the UJC goes about its business.

Is that acceptable?

Now let's take a brief detour and look at the current market conditions as we see them today.

As we are all aware, the submarine network installation market is recovering with 2007 promising to be the strongest year since the internet collapse. In the past 3 months alone, the up-tick in the submarine market have made the front page of the Wall Street Journal several times, with articles discussing the new cables between China and the US as well as the sustained increase in bandwidth utilization around the globe due to the voice, video and data applications which have long been predicted and which are now starting to come into their own. Not to mention that the extensive coverage of the Tsunami off of Taiwan in December 2006 has reminded people that the majority of phone calls and internet access does not involve the use of satellites, undersea

cables are alive, well and here to stay for the foreseeable future.

Also, it is no secret that other markets such as Oil and Gas and Energy are implementing their own versions of submarine networks combining much of what we in this room do, with their own technology and business communications techniques to offer new industry or use specific hybrid networks. Not to mention the rise and success of private networks and cables. Many of you here today are at the forefront of the truly entrepreneurial wing of our industry, offering unique products and services to new, underserved or emerging and expanding customer bases in creative and innovative ways.

So to summarize:

In the 1980's, the UJC was created and funded by a set of large telecommunications companies, who owned fleets of vessels to do their own installation and maintenance work.

In 2007, fleets of vessels are no longer owned by large Telecommunications companies. Many of those very same companies have been sold, restructured, downsized and absorbed several times over. In place of those few large companies who essentially controlled the markets of old are a wide range of new and different providers with business models, funding mechanism, product vision and an entrepreneurial stomach giving the current market the character of the old west (an appropriate reference since we are in America for SubOptic this time around).

Yet as was illustrated at the beginning of the presentation, the UJC has played a useful and necessary role in getting us to this point. With the blessing and financial support of its founding companies it was quite relevant to a simpler more straightforward market. And in practical terms, the technical benefits it has provided did bring a certain amount of cost effectiveness,

standardization and accountability to this segment of the industry. Yet, the market conditions of today combined with the reality of the splintered ownership structures of the electronics manufacturers, installation and maintenance providers, and network and cable owners have brought this organization effectively to a standstill as evidenced by the legitimate complaints issued repeatedly by the IPRS and similarly impacted companies and organizations.

Where should we go from here?

There are no obvious or easy answers which will please everyone with a dog in this hunt. So, for the sake of discussion only we would like to propose three possible options:

Option 1: Kill it and let the markets decide the winners and losers

Option 2: Re-create it: Have the group of companies who benefit from a healthy and functioning UJC create a new customer driven charter and jointly fund the organization going forward (suppliers and customers working side by side).

Option 3: Re-structure: work within the existing organizational framework to recreate the mission and operations of the organization based upon current market conditions and customer drivers.

Now, I won't pretend that these are the only options available nor will I insult you by arguing that there are any easy answers to this problem. But, I will say, and I think that we all would agree that the status is no longer serving any of us well and that an open and honest discussion regarding what could be done is of benefit to everyone involved.

So, let's take a moment and review these options in some detail.