

TESTIMONY
OF
LOWELL C. MCADAM
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
VERIZON COMMUNICATIONS INC.

BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

THE LAW OF THE SEA CONVENTION:
BENEFITS FOR SUBMARINE CABLE SYSTEMS

June 28, 2012

Mr. Chairman and Members of the Committee:

It is an honor to appear before you today to discuss the United Nations Convention on the Law of the Sea. I will discuss the ways that the Convention will strengthen protection for the global undersea cable networks on which our economy and national security rely.

My views are based on my more than twenty years in the telecommunications industry, during which I have helped build fixed and mobile networks in the U.S. and other regions of the world.

As a major communications company utilizing the international seabed, Verizon supports the U.S. ratification of the Law of the Sea Convention.

Verizon is a global leader in delivering broadband and other wireless and wireline communications services to consumer, business, government and wholesale customers in more than 150 countries and for all of the Fortune 500 Companies. We deliver these services over a network circling the globe and supported by more than 80 submarine cable systems.

Fiber-optic submarine cables are the lifeblood of U.S. carriers' global business. Aside from our land-based connections with Canada and Mexico, more than 95 percent of U.S. international traffic – voice, video, Internet and data – travels over 38 submarine cables, each the diameter of a garden hose. Without these cables, current satellite capacity could carry only 7 percent of the total U.S. international traffic.

Fiber-optic submarine cables are the international digital trade routes of the 21st century. And thus, any disruptions to the submarine cable global network can have significant impact on the flow of digital information around the world, with severe consequences for the world economy. As one official from the Federal Reserve noted in referring to submarine cable

networks, “When the communication networks go down, the financial sector does not *grind* to a halt, it *snaps* to a halt.”ⁱ

Given their importance to global networks and the world economy, there must be an appropriate legal framework based upon global cooperation and the rule of law to protect submarine cables. The Convention provides this necessary framework in 10 provisions applicable to submarine cables, going beyond existing international law to provide a comprehensive international legal regime for submarine cables wherever they are – whether in territorial seas, in Exclusive Economic Zones (or “EEZ”), on continental shelves, or on the high seas. Once the Convention is ratified, the United States government will be able to insist on compliance by other nations with these protections. Several recent events underscore the urgent need for a clear and unambiguous framework for protecting this vital communications infrastructure.

First, some nations have attempted to encroach on the ability of U.S. operators to participate effectively in the deployment, maintenance and repair of undersea cables. To oppose these types of foreign encroachments or restrictions effectively, the U.S. must have a seat at the table where it can enforce the Convention’s freedoms to lay, maintain, and repair undersea cables.

Second, ratification of the Convention will also help U.S. companies better contend with disruptions to undersea cable service. For example, in March 2007, large sections of two active international cable systems in Southeast Asia were heavily damaged by commercial vessels from Vietnam and taken out of service for about three months. More than 106 miles of cable were removed from the seabed and repaired, at a cost of more than \$7 million. It would have been very helpful if the United States, Verizon and other affected U.S. companies had been able to use

the Convention to compensate cable owners, arbitrate disputes over service disruptions, and deter future violations.

Third, the Convention will also help the United States government and international companies respond when countries attempt to unlawfully require licenses or permits before submarine cables can be laid or repaired. As an example, Verizon is one of the co-owners of the Europe India Gateway submarine cable system, which passes over the continental shelf claimed by Malta but never enters Malta's territorial seas. Even though the Convention allows for such transit without interference by coastal nations, Malta's Resources Authority has threatened legal action if the submarine cable operators do not obtain a license and pay a fee. Not only do these fees add unforeseeable costs on existing undersea cable systems, they raise the specter of coastal nations imposing similar requirements for the sole purpose of raising revenue at the expense of the cable owners. By signing on to the Convention, the U.S. will have the discretion to add its diplomatic efforts in the ongoing dispute with Malta and enforce the treaty's expressly stated freedom to lay and maintain submarine cables in international waters without tolls, taxation or fees levied by coastal States.

Finally, the government of India imposes onerous requirements on cable ships outside its territorial seas, including submarine cable repair ships. India requires cable ships to enter one of its ports for a security inspection, which triggers a customs bond against the value of the ship and any cable being carried. Although the bond may be repaid at the end of the repair, other fees are not. Getting a permit can take more than three months. The net result: India has become one of the most expensive places to maintain and repair submarine cables, with unnecessary costs running to the millions of dollars.

Once the U.S. is a party to the Convention, Verizon and other U.S. telecommunications companies can work with the appropriate U.S. agencies to enforce, when necessary, the freedoms to lay and repair cables on the continental shelf and the EEZ – saving millions of dollars over the life of a cable system, improving the reliability of our critical infrastructure, and putting U.S. companies on a level playing field for operating international cable systems.

If the Congress fails to act to ratify the Convention, U.S. companies will continue to operate at a disadvantage vis-a-vis our global counterparts, indeed having to work through our international providers and their respective governments to seek protection of their submarine cable infrastructure under the Convention.

In conclusion, Senate ratification of the Convention will provide confidence to U.S. companies that their undersea submarine cable investments are protected by more specific and reliable international law. The Convention provides tangible benefits to the United States through specific new protections for critical submarine cable infrastructure. Verizon urges the Senate to ratify the Convention.

ⁱ Stephen Malphrus, “Keynote Address,” ROGUCCI Summit, Dubai, U.A.E., October 19, 2009