

COVER STORY

This development of smaller players competing against the established big three manufacturers in the US—SS/L, Boeing and Lockheed Martin and Alcatel Alenia and EADS-Astrium in Europe, was underscored by key executives participating in the recently-concluded ISCe conference.

Despite increasing competition, the major players think there is enough business for everybody. So much so, that the much anticipated consolidation in the industry which has been talked about for years never materialized. Instead of a one-size fits all, the satellite manufacturing sector is developing into a number of niches that has room for both the major, more established players as well as smaller manufacturers. In perhaps an illustrative case in point of cooperation between major players and the new emerging players, EADS-Astrium announced recently that it will be partnering with India's Antrix to bid jointly for smaller satellite orders.

"I think there is a niche for a very non-complex, bent-pipe satellite system that is becoming more commoditized. Countries capable of providing that type capability for a very low price will become attractive. That's a marketplace where we have chosen not to pursue," said Jim Simpson, VP of business Development of Boeing Satellite Systems.

Contrary to reports that is abandoning the commercial sector, Boeing assured that it is still very much in the hunt for commercial opportunities, albeit its strategy is focusing on the market for their high powered 702 series satellites (see interview with Jim Simpson in the previous page). According to Simpson a much improved 702 B series of satellites with more modular functions will be introduced in 2009. So don't count out Boeing yet.

The market is so bullish that even the regulatory barriers such as the ITAR regulations in the US that control exports of sensitive technologies has been dismissed by manufacturers as a non-issue. The demand for satellites is such that regulatory barriers are easily surmounted.

The demand for satellites is being driven by broadband and other applications with increasing bandwidth and processing power demands from satellites. The launch of WildBlue broadband service in the US and the IPStar broadband satellite in Asia last year proved the viability and potential of broadband services. High Definition TV and Satellite Radio are also driving the demand for satellites. Still to be seen is whether the much vaunted "Triple Play" (voice, data, video) services will take off and further increase demand for satellites.

Excerpts from Interview with Space Systems Loral, VP for Sales and Marketing, Arnold Friedman



Q. How do you see your company's position in the satellite manufacturing market today?

Both in number of contract awards and in terms of sales dollars since our satellites tend to be larger than others—we are actually very dominant in the industry. We are now the world's leading provider of commercial satellites.

I expect the rest of the year to be very good. I see that our market will be very good for the foreseeable future and we will be maintaining our leadership in years to come.

Q. What's driving the demand for satellites?

The biggest part of our business is the FSS fixed services satellite market the satellites launched between 1995 and 2000 are now starting to come up for replacement. So there is a substantial replacement market. In addition to that there is growth in both television services and mobile radio services. That business segments are very strong around the world and we see continued growth in the television and radio market plus in the mobile satellite business. In the U.S. the FCC agreed to augment the frequencies with ATC which gave the opportunity to maintain the ubiquitous mobile coverage we have.

Q. Do you think there are too many players in the satellite manufacturing sector?

We are able to get our sufficient share to be a very strong satellite provider. And even with several manufacturers, we still have a dominant market share and we can't drive what other people do, we can just continue to perform. We also during that period delivered nine satellites last year and we also won nine satellites.

Q. Are you facing any regulatory issues?

We have worked very hard to meet the US requirements that provide open access to our customers within those guidelines. A customer like Asiasat is one that has been very vocal in the past about export control issues and we are able to satisfy them and the US authorities. Basically, we just feel that in general export control is not an issue.