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2010: A Good Year for Satellite Operators

by Jan Grøndrup-Vivanco

2010 has been another bumper year for the satellite operators, including the European operators. This is all good news in times where many other sectors are still struggling. However, there is a risk that good times breed complacency.

I used to have a colleague who enjoyed long lunches with a glass of wine and sometimes a good cigar with his coffee. "Life is good" he kept telling me when we strolled back to the office and I could only agree. I also kept reminding him that if you are a bicycle you can only coast downhill and even if the road is straight you have to keep paddling not to fall off.

The successful launch in November of the HYLAS-1 satellite marks the first of several high-profile Ka-Band satellites entering the EMEA market. (photo: Arianespace)

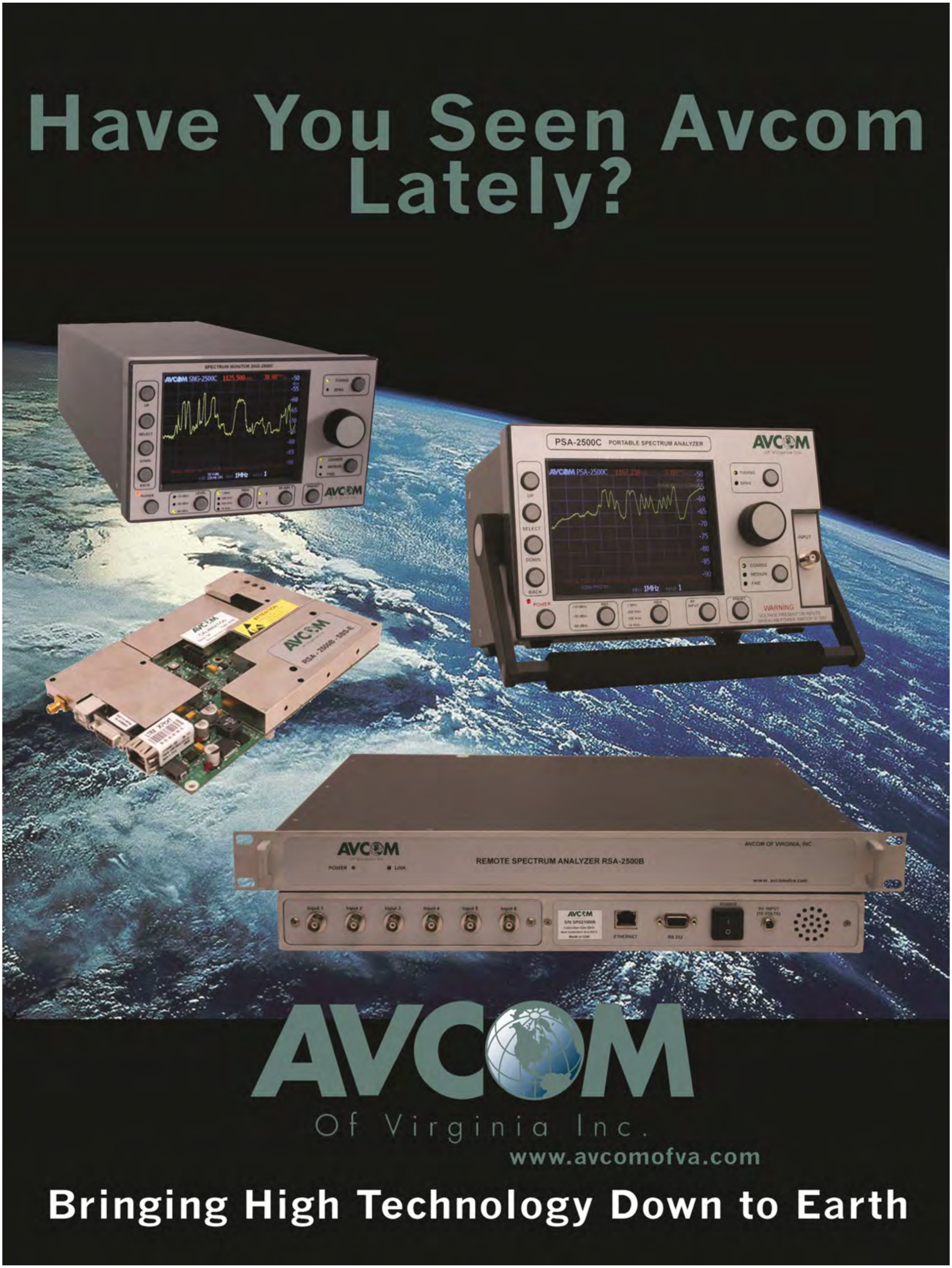
The satellite operators weathered the financial crisis substantially better than many other industries. Market conditions has changed dramatically for the better in 2010 in terms of satellite financing, and it is generally perceived to be a favourable time to raise capital for growth and to address debt refinancing.

Operators in Europe enjoyed another year of some of the highest fill rates ever and some of the highest yields in the world. However, it is also becoming increasingly clear there are only very few expansion possibilities left in the C and Ku-band. The only realistic expansion path is Ka-band and it will be interesting to see how the Avanti's HYLAS and Eutelsat's Ka-sat services will do. As I have pointed out previously, most satellite operators have a dismal record of addressing B2B2C markets and have produced much better results being wholesalers targeting B2B markets. Inmarsat's bold move with their upcoming Global Xpress Ka-band system seems a safer bet as it will rely on their existing distribution channels, plus new channels for new applications, thus staying a B2B wholesaler.

Another big question going forward is how much the easing of the capacity situation in Middle East, Africa and Central Asia is going to rub off on the European markets. The operators typically have satellites operating over several or all of these regions. My take is that we will see some fall in fill rates and prices, especially in Africa where supply has and will continue to ease. And there is always a risk that new operators hit the "panic button" and start to sell off capacity cheaply, when sales are ramping up slower than planned and shareholders are getting itchy. This is what happened in the first half of the previous decade when a lot of new operators emerged. Most of these operators have since been taken over by larger operators, remember Stellat, EuropeStar, Mabuhay...

Continued on page 4…

CONTENTS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From the Editor

A Good Year for the Industry

By all indicators, 2010 has been a relatively good year for the satellite industry. If you follow our **Satellite Markets 25 Index**™ (see page 18), which is a composite of 25 satellite companies stock and their performance, you will see that the Index rose a very healthy 19. 9% from the end of 2009 to the present. The general feeling that the satellite industry has weathered the global downturn better than most industries is affirmed by the performance of the Satellite Markets 25 since the recession began in late 2007, actually rising 17.3% in that period since. In comparison the S&P Index, which measures several key industries, hasn't recovered from the downturn, still down by 13.9% in the same period.

We've covered how satellite companies, particularly satellite operators (the subject of this issue's cover story) have been growing consistently even during the recession, investing in new satellites and acquiring other companies. Transponder fill rates are at an all-time high. But as Jan Grøndrup-Vivanco reflects in his article, when times are good, there's always a risk to be complacent.

One company that has been doing well is service provider GlobeCast. GlobeCast in 2010 had a banner year that saw unprecedented expansion: Over 85 percent increase in number of channels played out worldwide (54 as of today); 17,000 miles (27,000 km) of fiber added to the GlobeCast Backbone Network, which now contains 120,000 miles of fiber; and Five new fiber PoPs added, notably in Eastern Europe, South America, and South Africa, for a total of 31.

GlobeCast has made a name for itself as a leader in content management and delivery. Satellite Markets and Research is proud of its association with GlobeCast for its sponsorship of the **MarketCast** video and audio segment of our website. We are happy to announce that GlobeCast has renewed its sponsorship of the MarketCasts for 2011, which will enable us to continue to provide you with quality video and audio podcasts from the major trade shows.

To view the videos and audios we have compiled in 2010, go to
www.satellitemarkets.com/current

Virgil Labrador

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Satellite Operators…. from page 1

"...The satellite operators weathered the financial crisis substantially better than many other industries. Market conditions has changed dramatically for the better in 2010 in terms of satellite financing, and it is generally perceived to be a favourable time to raise capital for growth and to address debt refinancing…"

The good news is that we should expect to see demand for video to remain strong, partly due to the increase in the number of HD channels. HD will continue to be a strong driver for growth in the coming years and will help to keep fill rates and yields high over Europe.

2010 has been buzzing with talk of 3D television as the next growth driver. However, it is difficult to see that the number of 3D television sets in itself would drive channels to broadcast in 3D, especially bearing in mind that few channels have managed to monetize shifting to HD. Shifting to HD broadcasting is increasingly seen as a hygiene factor, despite the increased bandwidth cost and we should expect a continuously increase in channels broadcasting in HD, which is all good news for the operators. I would not be surprised if 3D broadcasting turns out to be a flop like analogue HD (and mobile TV) was when it first appeared many years ago.

A more likely near term opportunity would be for operators to dedicate an orbital slot and satellite to HD-only broadcasting. This would require "ice in the stomach" to build such an HD-only position which only accepts HD channels. The long term benefits and value for such a proposition is enormous, as this cannot be copied by the very popular European slots like Hotbird and Astra due to their lack of capacity.

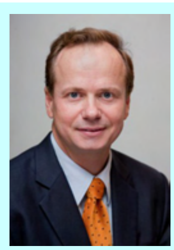
There has been a lot of talk about consolidation in Asia and this is still possible scenario. Though lately another scenario is starting to take form with Asian and Middle Eastern operators becoming more active outside their home regions. ABS now has a new owner with experience in the satellite arena and who could back a more aggressive expansion into Middle East, Africa and Europe. It will also be interesting to see what Measat will do, now that it has been privatised with a single owner. It wouldn't be surprising if we see a bold move in the Middle East or Europe from either of them. Yahsat will be Middle East's newest player with their upcoming 2011 launches and they will also have coverage over Europe. These are examples of operators with aggressive management teams and who are not "burdened" with high yield and fill rates. From their overall lower cost base they will be able to be more assertive in the European market. SES Global is hedging its bets by their participation in Yahlive, a JV between Yahsat and SES Astra, and O3b, and Eutelsat with its JV in Qatar.

The issue for the established operators is that their fill rates, yields and financial ratios are high. The financial markets will punish these operators if they see their ratios slipping, due to new initiatives and acquisitions that dilute their financials. This is what happened to Inmarsat after they announced their Global Xpress project, which instead of exciting the financial markets, have seen their share price drop.

It will be interesting to see what institutional shareholders will do with their shareholdings in 2011.From a purely financial perspective it is not clear if the expansion plans by the large operators into non-premium orbital slots, are providing increasing or diminishing returns, and if non-core orbital assets should be kept or divested, as inter-fleet synergies starts to tail off once an operator reach a certain number of satellites, typically around 15.

We are on or near the top of the cycle in the satellite industry, where it could be financial advantageous to divest non-core orbital assets and return the money to the shareholders. If such a new strategy is demanded by the large operators' shareholders, then we should expect Asian and Middle Eastern operators to be waiting in the wings as potential acquirers.

It is time for the operators to take an unemotional look at their expansion and portfolio strategy and decide in which configuration their shareholders are best served. Is it as an operator developing new geographical markets, as an operator creating premium video slots, as an vertically integrated operator or as an operator leading through new technologies like Ka-band? These choices are not obvious and might involve some counter-intuitive options and go against conventional corporate wisdom. However, operators who proactively engage in such a process will emerge stronger, better focused and more credible with their shareholders, going into the coming cycle.



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News*Briefs*

A summary of the most important news and developments.

MERGERS AND ACQUISITIONS

Encompass Acquires Content Distribution Business of Ascent Media

Los Angeles, Dec 3— Encompass Digital Media, Inc. entered into a definitive agreement to acquire the global content distribution business of **Ascent Media Corporation** for total consideration of approximately US$120 million, including approximately US$113 million in cash and the assumption of certain indebtedness and obligations totaling approximately US$7 million.

The transaction will expand Encompass' scale and geographic footprint by combining Encompass' core operations in Los Angeles and Atlanta with Ascent's broadcast facilities in the U.S. (including the New York metro area, Minnesota and Burbank), Singapore and London. In addition to providing international and U.S. clients with network origination and transmission services, the transaction enables Encompass to provide disaster recovery, occasional-use transmission and backhaul for news, sports and government services. Encompass will also expand its Los Angeles digital media manipulation, archive and distribution services to support existing and emerging applications and platforms worldwide.

Management of NSSL Takes 20% stake in Company

Redhill, Surrey, UK, Dec. 3-The management team of service provider **NSSL**, has agreed to take 20% of equity in the company. The completed transaction means that NSSL's shareholders are WorldWide Mobile Communications AS (80%) and the Management Team of NSSL (20%). WWMC shareholders are Arendals Fossekompani ASA (100%).

Following the completion of the change in ownership structure, NSSL is today revealing a new improved look and a new name: 'NSSLGlobal' that underscore the international growth ambitions of the company.

LAUNCHES

SpaceX Achieves a Historic First

Cape Canaveral, Fla, Dec. 8— SpaceX became the first commercial company in history to re-enter a spacecraft from Earth orbit. SpaceX launched its Dragon spacecraft into orbit atop a Falcon 9 rocket at 10:43 AM EST from Launch Complex 40 at the Cape Canaveral Air Force Station in Florida. The Dragon spacecraft orbited the Earth at speeds greater than 7,600 meters per second (17,000 miles per hour), reentered the Earth's atmosphere, and landed just after 2:00 PM EST less than one mile from the center of the targeted landing zone in the Pacific Ocean.

This marks the first time a commercial company has successfully recovered a spacecraft reentering from Earth orbit. It is a feat previously performed by only six nations or government agencies: the United States, Russia, China, Japan, India, and the European Space Agency.

As the very first flight under the Commercial Orbital Transportation Services (COTS) program, COTS Demo 1 followed a nominal flight profile that included a roughly 9.5-minute ascent, two Earth-orbits, reentry and splashdown. Falcon 9 delivered Dragon to orbit with an inclination of 34.53 degrees--a near bull's-eye insertion.

Ka-Sat Launch Postponed Due to Investigation

Moscow, Dec. 11—The much anticipated launch of Eutelsat's all-Ka Band satellite Ka-Sat by a Proton rocket was postponed due to an official investigation after a a recent failure. On Dec. 5, three Glonass-M navigation satellites launched with the Proton-M carrier rocket crashed in the Pacific Ocean off Hawaii Islands after falling off course.

According to the preliminary investigation reports, the failed launch might be caused by over-fueling of the upper stage. Russian deputy prime minister Sergei Ivanov Monday said that "the satellites themselves have nothing to do with this failure." The Dec. 5 launch was the 11th Proton launch of this year. The previous ten launches, including two that positioned Glonass navigation satellites, were successful.

CONTRACTS

IDC Wins European Distribution Contract

Ottawa, ON, Dec. 9-- International Datacasting Corporation (IDC) announced that it has entered into a material contract with a large, pan-European content distribution company valued at €0.875 million. IDC's Superflex Pro Video product line will be used for the expansion of the customer's network to include the delivery of live 3D content as well as digital content distribution.

Spacenet Gets LAPD Emergency Services Deal

Los Angeles,CA, Dec. 9-- The Los Angeles Police Department (LAPD) has selected **Spacenet** to provide emergency communications services and associated high performance equipment to support police operations,.

Spacenet, a subsidiary of **Gilat Satellite Networks**, is providing the LAPD with satellite service based on Spacenet's Connexstar series equipment, which is integrated with a transportable fly-away antenna system. The services will be used to help the LAPD manage emergency situations across the city, provided on a usage-based model. The solution provides dedicated bandwidth, service level agreements and the ability to support connected land mobile radio and voice and fax lines.

Arianespace Awarded Sicral 2 Launch Contract

Paris, Dec. 7—Telespazio has selected **Arianespace** to launch the Sicral 2 satellite into geostationary orbit on an Ariane 5 launched from the Guiana Space Center in November 2013.

The launch deal, Arianespace's 11th of the year, will fall under the framework of a $375.6 million turnkey contract Telespazio and **Thales Alenia Space** signed with the **Italian Defense Ministry** and the **French DGA Armament Agency** for the development and ground segment for Sicral 2 in May.

Eutelsat Orders W3D Satellite from Thales Alenia Space

Paris, Dec. 6—Eutelsat has ordered a satellite from **Thales Alenia Space** to replace the W3B spacecraft, which was lost in October due to a propulsion leak. The new satellite, W3D, will be completed in two years and ready for service by early 2013. The satellite will carry 53 Ku-band and three Ka-band transponders and be co-positioned with Eutelsat's W3A satellite to boost capacity at the 7 degrees East orbital slot.

Integral Gets US$ 14 Mil. Government Contract

Columbia, MD, Dec. 3—Integral Systems' Satcom Solutions Division was awarded in the fourth quarter of 2010 more than $14 million in additional U.S. government, domestic and international contracts to provide satellite communications products, ground systems and network infrastructure products as well as on-going services.

Earlier this year, Integral acquired **CVG Inc. and Avtec Systems, Inc.**, which now operates as Integral Systems SATCOM Solutions Division.

Market*Briefs*

Key industry trends and opportunities.

Government/Military Demand for Commercial Satcoms Remain Steady

New NSR Report Projects Market Potential of $66.8 Billion in Revenue through 2019

CAMBRIDGE, MA - December 15, 2010 - According to NSR's *Government and Military Satellite Communications, 7th Edition report* the industry will continue revenue gains until 2019 despite the imminent troop drawdown and complete withdrawal of allied troops in Iraq and Afghanistan. Policy changes in these hotspots are beginning to affect demand trends and market potential, which has grown robustly since 2002. There appears to be a turning point in market dynamics where sustainability and growth levels may have reached their peak. Moreover, internal military proprietary capacity has been deployed, and more is on the way to address bandwidth and service shortfalls.

"...creative solutions, both in terms of technological offerings and partnerships between governments and the commercial industry, will lead to unique opportunities. ..."

However the NSR report finds that commercial bandwidth, commercial services and commercial partnerships are permanent features of military/government procurement and usage over the long term. This has been pronounced repeatedly by various military entities, in particular the U.S. Department of Defense, which is by far the largest user of commercial bandwidth and services in the government sector.

Photo: GD Satcom

In sum, NSR projects government and military satellite communications equipment and services to grow from an estimated $3.2 billion in revenues in 2009 to $9.2 billion by 2019, yielding total revenues of $66.8 billion over an 11-year period. Satellite services provided by systems integrators and service providers should dominate revenue streams, accounting for 89% of cumulative revenues. Equipment sales will likewise experience healthy growth as a mix of solutions including VSATs, COTP, COTM and narrowband mobile solutions continue to impact the marketplace.

Declining troop presence does adversely impact certain segments of demand, but these are replaced by other segments that drive growth. In fact, bandwidth requirements for missions specifically for intelligence gathering, surveillance and reconnaissance (ISR) are far greater than supporting troops on the ground. Unmanned aerial vehicles (UAVs) in particular are expected to drive usage as ISR missions will increase as troops are withdrawn. Although bandwidth-per-soldier requirements have increased over time, bandwidth-per-UAV is far greater currently and is expected to increase exponentially over time.

The report also finds that creative solutions, both in terms of technological offerings and partnerships between governments and the commercial industry, will lead to unique opportunities. Past procurement practices of buying traditional C-band and Ku-band transponders on the spot market are likely to decline, while arrangements via hosted payloads, deployment of military frequencies on commercial satellites and leveraging the advantages of High Throughput Satellites (HTS) are some of the arrangements that will likely increase within the next five years.

Government and Military Satellite Communications, 7th Edition is a multi-client report now available from NSR. The report provides market forecasts for in-service units, service revenues, equipment revenues, bandwidth revenues, demand by legacy FSS systems and HTS, and regional trends. For additional information on this report, including a full table of contents, list of exhibits and executive summary, please visit http://www.nsr.com

2.1 Billion Over-the Top (OTT) Devices to Ship

Wellingborough, UK, December 2, 2010--Over-the-Top (OTT) services have grown very popular over the last year and they will only get bigger considering the connectivity of home entertainment and portable CE devices. Based on a recently published study, Convergence in Home Entertainment and Portable CE Markets, IMS Research forecasts that over 2.1 billion connected devices will ship globally. This includes a forecast of 592 million fixed entertainment devices such as TV sets and game consoles, nearly 2 billion portable CE such as smartphones and tablets, and 268 million home network devices such as residential gateways.

IMS Research expects OTT services to be integrated into a multitude of fixed entertainment devices, including TV sets, Blu-ray Disc players, set-top boxes and game consoles. Anna Hunt, principal analyst at IMS Research and report author, states, “More intelligent connected CE products that offer increased processing power present an immense opportunity for OTT service providers. Their eagerness in working with CE suppliers and a variety of platforms outside of the PC creates a challenge for specialized OTT device suppliers, such as Roku and Boxee.” IMS Research expects the global market for OTT boxes to stagnate in 2011 and 2012 due to this competition, and then the market is forecast to slowly decrease to 5 million units shipping in 2015.

IMS Research has recently published a global study on Convergence in Home Entertainment and Portable CE Markets, which offers forecasts for over 24 devices, projects the types of connectivity technologies being integrated into these devices, and examines strategies of service providers.

From the SSPI Hall of Fame 'Class of 2003'

A Conversation with Globecomm Systems CEO David Hershberg

by Lou Zacharilla
Director of Development, SSPI

I respect anyone who has been inducted into the satellite industry's hall of fame. It is the pinnacle of career achievement and a high hurdle to get over. The criteria for selection alone will eliminate most mere mortals from further consideration. Yet as the committee begins its deliberations for the March 2011 induction ceremony at the Stellar Awards Reception on the opening evening of the Satellite conference in the USA, I know that more worthy people will be found and inducted.

There have been 11 induction ceremonies to the HOF. But in my view the SSPI Hall of Fame Class of 2003 was a rarified, diverse group which represented the width and depth of the international satellite industry. The Society's eighth induction included four people. The foursome represented a Fellow of Britain's Royal Television Society, the Executive Director of the Japanese Space Exploration Agency, the former president of Canada's Space Agency (*and* a recipient of NASA's Public Service medal) and an unassuming guy from Albany, New York with a terrific sense of humor who then, as now, managed to put his stamp on every American satellite program.

He worked on the first artificial communication satellite (Project SCORE) as well as the Courier program at a time when another pioneer, John F. Kennedy, was in the White House. Courier is the basis of every communications satellite that has since come into being. He developed patents for facilitating two-way Internet via satellite, as well as for earth terminal architecture that remains the baseline for today's systems. That was then, when he was a "rookie." He also involved himself in world affairs when he worked on the Hotline between Moscow and Washington, which went live after the two nuclear superpowers nearly turned-off the lights of human civilization. Perhaps this project gave him an innate sense of how important the pursuit of peace through technology is. Many years later, he helped the government of Afghanistan install a hybrid fiber/satellite communications network which will, in the fullness of time, enable that country to "pen the doors for business and not conflict."

David Hershberg

Unlike a lot of other folks who receive international awards for their achievements, this inductee had no royal pedigree or a government ministerial title. He was – and remains – that uniquely American creation: a serial entrepreneur who does what he loves to do, and has done well by doing good. Along the way he became one of those people simply known by his first name: "Dave."

The founder of of Satellite Transmission and NetSat Express, which specialized in IP satellite connectivity (at a time when people thought "IP" was a typo for Hewlett-Packard) and, since 1994, the CEO of Long Island-based Globecomm Systems, David Hersberg has earned his stripes as the dean of satellite industry executives. His success at every level of business and his enthusiasm for building his company are uncommon enough, but what separates him from the pack is his uncanny ability to never let it go to his head.

As we head into 2011, with all of its promise and its conflict, I asked my friend to do what he does best: look ahead.

Excerpts of the conversation follows:

Lou Zacharilla (LZ): *Dave, in the November issue of Space News you said that Globecomm Systems is "not for sale."*

David Hershberg (DH): Actually I said, "Unless we can get a deal like CapRock!"

LZ: *Of course you were kidding.*

DH: If you say so.

LZ: *But what appeared to be a serious note, you added that "the big guys" are looking for a service component to better position themselves for government contracts. Why are the big guys looking for service components and, as you head into 2011, what does the future look like for your company's growth?*

DH: Our future really looks good. The combination of infrastructure and network managed services allows customers to select a single company for a complete solution. The new FCSA procurement from the government, we believe, will be structured in a way that reinforces this. The service business also allows us to be able to predict our earnings and revenue more accurately because we have less churn.

LZ: *You also have the stability of multi-year contracts.*

DH: That's right. The service business also allows us to leverage our worldwide network and facilities. That's why we make these investments. We make these assets work hard and they deliver.

LZ: *You also have expanded into different verticals. I suspect this is a good hedging strategy?*

DH: We are very enthusiastic about our prospects in just about all our verticals, including Wireless, Media and Government. We have developed new software products for the enterprise market for learning and corporate communications and monitor and control.

LZ: *Diversification might appeal to an acquirer but, as you say, you are not for sale. How about acquisitions?*

DH: We continue to look for synergistic acquisitions.

LZ: *We talk a lot about how the satellite industry and leadership competencies for people have changed. During our panel in Paris (World Satellite Business Week) we discussed the importance of innovation. How will new developments such as SpaceX and ViaSat-1, when they become viable, impact the financial dynamics of the business?*

DH: First they are great risks as much as they are innovations, which I commend. They should impact the dynamics positively. I am very hopeful that the ViaSat-1 and Hughes Jupiter projects will provide space segment that is competitive with fiber and allow us to address new markets with the convenience of direct connectivity of WAN's to the customer quickly, but with the reliability and virtues of satellite.

LZ: *Of course the Jupiter project is near and dear to you. Hughes awarded to Globecomm a contract for the provisioning of Ka-band gateways on the commercial side. This is seen as a very big deal in the industry. How will the Ka-band market play itself out in 2011? Is there any aspect of it that is looking, potentially, like "fool's gold?"*

DH: Only if someone is foolish enough to miss the opportunities. No. I think we are looking at the next wave. Globecomm is certainly looking forward to both commercial and government use of Ka-band to expand its infrastructure market. We have staked our bet as well. We have developed both strategic and tactical Ka-band products. We believe the demand is there, and with DVB-S2 we can provide reliable Ka-band communications.

LZ: *So you think that the demand, the technology and the rationalization of risk have converged to make this an inevitable market event?*

DH: Gee, you sound more like an economics professor every time I talk to you! But, yeah. That's basically what's going on. I don't see a reversal. It's a matter of getting the birds up.

LZ: *Globecomm is a financial supporter of the Intelligent Community Forum, a think tank that I started to help communities around the world, including those in developing nations, better realize the means and the power of access technologies like satellite and broadband. I think we both agree that, for developing nations, access of this type presents an economic development opportunity that may have never before existed. What is your view of the future of satellite in the developing world? You guys have done a lot of work there.*

DH: It is also inevitable as living standards rise and communication becomes more widespread and knocks down barriers that have held economies back. Our initial service business, NetSat Express, was started with a plan to provide Internet service to developing countries. We were a little ahead of our time and it cost us in the wallet. But the facts were always the same. We believed then - and we believe now - that there is a great need for broadband service to bridge the knowledge gap in developing countries and become the engine for growth. There is still a great need for satellite to provide Internet, media, wireless backhaul, etc in these areas, despite further penetration of fiber and increased economic activity. Satellite will always have a role in large nation whose population is spread over a large land mass, or "telecom islands."

LZ: *Or literal islands. What is holding back more national infrastructure investments like the ones that were made in Fiji, Afghanistan, or more recently Sierre Leone where Globecomm worked its magic to successfully provide wireless managed services?*

"...We believed then - and we believe now - that there is a great need for broadband service to bridge the knowledge gap in developing countries and become the engine for growth. ..."

DH: Money and stable governance. There are still chronic problems with financing growth in many countries, but we see opportunities developing in the Far East and Africa.

LZ: *Most of your government business is for foreign aid, diplomatic communications and non-military users. This is in support of communications for peaceful means mainly. Going way back, you helped develop the historic "Hotline" between Moscow and the USA after the near-miss of the Cuban Missile Crisis in the 1960's. What is your take on the Wikileaks story and what does it say about the power of communications technologies that, in many, ways our industry has enabled?*

DH: After the September 11 attacks on the United States, the government initiated a program to make information available across the many agencies that needed it to protect the nation from another attack. Unfortunately the protection scheme for this data didn't foresee the problems that have developed. There's a lot of data out there and it's pretty widely distributed now to a lot more people. I will say as a general comment and to help plug satellites that a satellite wide area network can be controlled a lot easier than a terrestrial network. The reason is that a terrestrial network will touch many networks, in many geographies, which exponentially increases the risk. To answer your question, I believe peace is better than war and certainly will do what I can to make sure our company supports the cause of peace. But it is a dangerous world out there.

LZ: *It is. Speaking of dangers, beginning this month, World Teleport Association is conducting a large survey to study how teleport operators view the satellite operators they do business with in terms of technology, operations and commercial practice. You have been one of the more vocal CEOs with regard to this key relationship. A lot of it is, frankly, critical of the satellite operators who are making it difficult for teleport operators. Since we are still around the holidays, what can you say that you like about the operators' behavior in 2010?*

DH: Hmmm. Well, I have been in this business for over 50 years and I have always admired the integrity and professionalism of most of the people I have dealt with over those years. That is the main reason I have enjoyed working in the satellite communications industry. It is filled with really good people. It's common sense, Lou: in the long run if you treat your customers and suppliers fairly it always pays off . If you don't, you get the opposite effect. That is simply a law that has been in force for most of human history.

LZ: *But with regard to satellite operators, have things changed?*

DH: It is not quite the same over the last few years and we have had our problems. Sometimes we are working on what we believe is an unfair playing field. Thankfully, this is not true in most cases and I still can't think of any other business I would rather to be in. How's that?

LZ: *It sounds genuine. I think it is true and I also think the channel conflict issue is going to be resolved over time.*

DH: It should be resolved soon. Staying with your holiday theme, we would like to give them more business that enables a peaceful world. You have to stay focused on the big picture and the long-term. This is the satellite business after all.

To view a recent video interview with David Herschberg at the SATCON 2010 show in New York go to:

www.satellitemarkets.com/current

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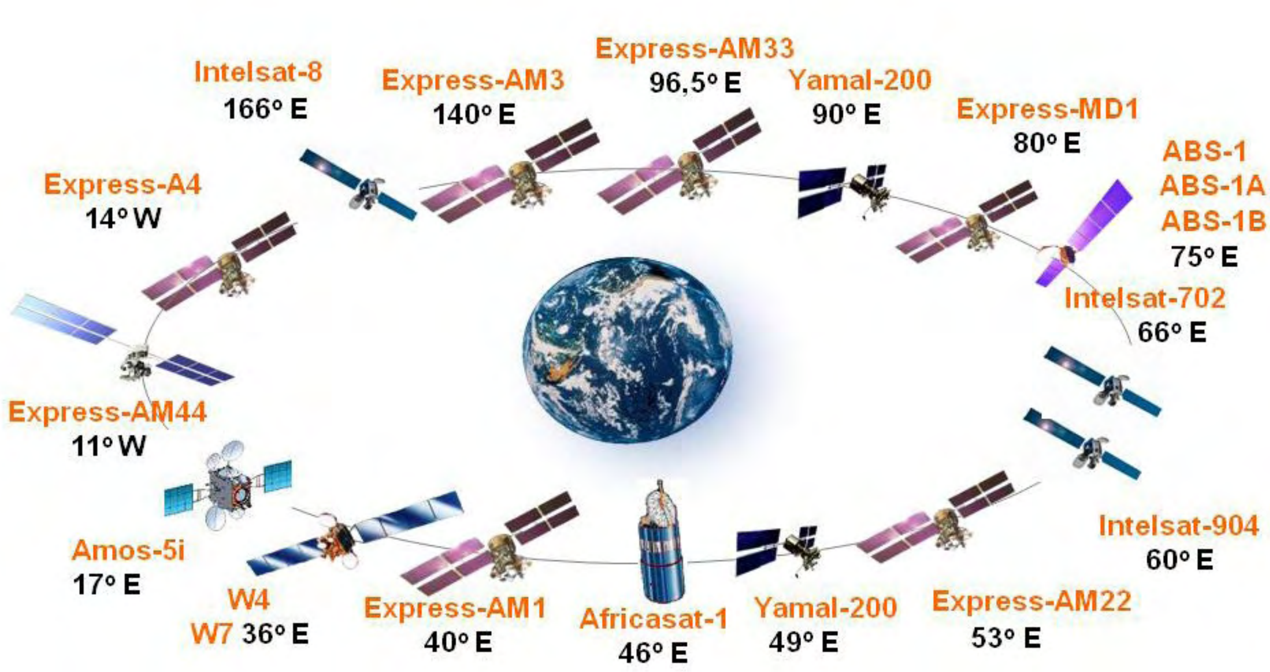
The **Intersputnik International Organization of Space Communications** was established on November 15, 1971. Today, **Intersputnik** has 25 member states in practically all parts of the world from Latin America to Southeast Asia and from Europe to the south of the Arabian peninsula.

Intersputnik's core business is to make satellite capacity available to telecommunications operators, broadcasters and corporate customers under agreements with partner operators and to offer full-scale services via its subsidiary **Intersputnik Holding, Ltd.** for the purpose of installing and operating satellite telecommunications networks. Such full-scale services include access to internet backbones, uplink services, switching and digital platform services as well as supply and integration of ground equipment. The Russian satellite telecommunications operator **Isatel LLC**, which is part of the Intersputnik Holding, Ltd. group, offers Russian and international telecommunications operators and

Intersputnik Satellite Fleet Overview



corporate customers the required technological platform for the establishment of satellite telecommunications networks and provision of telecommunications services based on this platform.

Today, Intersputnik provides to its customers the resource of telecommunications satellites located in the geostationary orbit from 14W to 140E. One of our key partners is the **Russian Satellite Communications Company**, which owns a fleet of advanced Express-series satellites. Also, Intersputnik enjoys the status of the official distributor of Eutelsat's satellite resource and Measat's resource on the AFRICASAT-1 satellite. It markets and sells Intelsat's satellite capacity and offers service on the ABS-1 (LMI-1) satellite.

Intersputnik distinctive feature and main advantage is that it is an all-purpose supplier of satellite capacity and technological solutions. This is why Intersputnik's government and private customers in over 40 countries have a very wide choice of satellite resources in various systems operating on the global market and can receive all kinds of information from a single source.

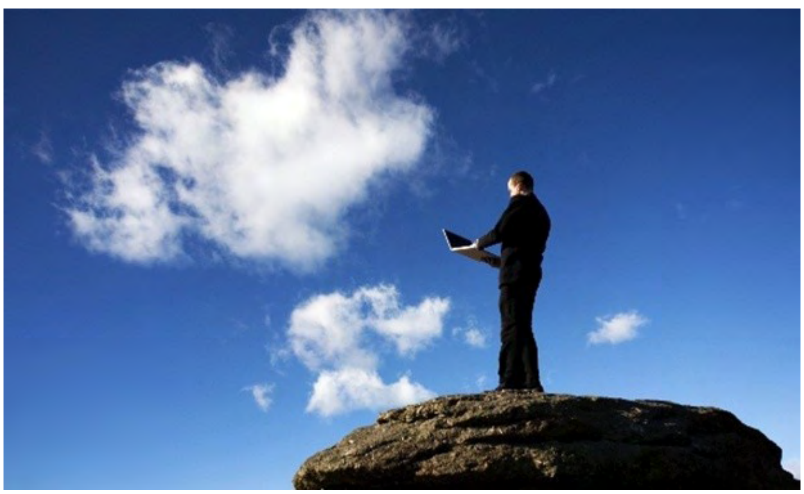
Intersputnik's principal asset is its long-standing experience while the availability of its own orbit and spectrum resource guarantees its successful development. Using this resource, Intersputnik is implementing projects aimed at procuring and deploying spacecraft in its own orbital positions to provide service in the most rapidly developing regions with growing demand for satellite telecommunications services. For more information go to: **www.intersputnik.com**

The Cloud with the 'Satellite' Lining

by Martin Jarrold
Director of International Programs, GVF

As noted in my column last month, the program for the recent GVF Oil & Gas Communications conference in Kuala Lumpur included a session entitled **Cloud Computing and Future Oil & Gas Industry Networking**. This was the first time the topic of the *Cloud* had been introduced to any of the GVF-EMP vertical market-focused series of conferences, though not the first time that a *Cloud*-related topic had been included in one of the GVF's horizontal-market events – specifically the **MENASAT Summit** held at the time of the Satellite MENA exhibition during the first quarter of 2010, where satellite Wide Area Network (WAN) optimization was investigated from the point of view of improving bandwidth-usage efficiencies.

The move to include this topic was in recognition of the fact that in ICT the move from client server to *Cloud* is a paradigm shift requiring detailed attention by the satellite solutions provider community. A paradigm shift involving, according to many analysts, as much as more than one-third of global enterprise IT budgets being expended on *Cloud* services.



Dedicated conference programs designed to analyze and examine over-the-Internet provision of dynamically scalable, and virtualized, resources in the form of web-based tools and applications, are essential to fully appreciate the wide range of implications of the *Cloud* for the satellite communications industry.

The National Institute of Standards and Technology (the U.S. federal technology agency that works with industry to develop and apply technology, measurements, and standards) defines *Cloud* computing as **"a model for enabling on-demand network access to a** shared pool of configurable computing resources (e.g. networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.**"**

The most important point here is that *Cloud* computing operates on a shared pool model, meaning that in the context of a satellite networking environment, network application resources are centralized, with few, if any, of such resources being provided locally. This has implications for all remote end-user working environments where it is the very ubiquity of the satellite footprint that contributes to defining the networking efficacy of satellite-based ICT solutions.

Understanding the *Cloud*-satellite communications interface requires that the key advantages and benefits of the *Cloud* are understood. These include: speed of network deployment; enabling of faster collaboration; greater data control and reduced storage on remote – and so more vulnerable – devices; and, the inter-relationship of reduced disruption in the adoption of new functionality and scale within a shared *Cloud* infrastructure, and lower costs.

In the context of a satellite service provision environment, service availability, as reflected in SLA uptime guarantees, is key for end-users with mission critical applications hosted in the *Cloud*. Additionally, such applications may be very bandwidth hungry, thereby making bandwidth management a critical factor too. Thus, satellite service provider offerings,

Continued on page 17

Satcom Africa 2011

Satcom Africa Conference and Exhibition
Johannesburg, South Africa
May 30-June 2, 2011

The opportunities for satellite communications in Africa has never been greater. We saw a glimpse of this in June this year during the World Cup finals held in South Africa. The successful holding of the World Cup in South Africa demonstrated to the world that Africa is coming of age in the world's stage.

Growth in the African communications sector has been exponential, but market penetration for telecommunications still stands at around 40%; only ¾ of households own a TV set; and over a ¼ of households have access to a computer at home. More than anything else this shows the large potential for growth in the African market.

The potential of the African market for telecommunications services has not been lost with satellite operators and service providers who have been establishing a foothold in this market. (photo courtesy of Terrapinn)

The potential of the African market for telecommunications services has not been lost with satellite operators and service providers who have been establishing a foothold in this market. Major satellite operators have expanded their fleet to cover Africa and even regional operators from Asia such as Measat and Asia Broadcast Satellite have joined in the fray.

SatCom Africa, now going on its 14th year, is the forum for operators, developers and users of satellite technology to come together to find solutions to the problems, do business and form strategic alliances. SatCom Africa is the largest satellite communications conference and exhibition focusing specifically on the needs of the African continent. It brings together end-users and suppliers of satellite technology to find cost effective and reliable communications solutions.Satcom Africa will be held in Johannesburg, South Africa from May 30-June 2, 2011.

Africa's largest gathering of key players in the communications sector saw top names and key players converged yet again for an unbelievable business-networking event. 2010 hosted a greater show of international and local solution providers; African broadcasters; ISP's and telcos.

All-round, 2010 was a successful show where delegates learned new strategies and forged new relationships while sponsors and exhibitors met senior buyers face-to-face and acquired new leads.

Satcom Africa is Africa's definitive satellite communications event with a core mission: To promote development and improvement of connectivity across Africa by providing a platform where ideas can be shared and sound business can be done.

SatCom Africa will focus on:

- Remote and rural access
- Backhaul
- Network integration
- Accessing new markets
- Regulation
- Broadcasting
- Internet usage and uptake

For more information on Satcom Africa contact Tatum Willis at phone +27 11 516 40 or e-mail at tatum.willis@terrapinn.co.za More information on the event can be obtained at their website at: www.terrapinn.com/2011/satcomza/

What they are saying about Satcom Africa:

"Spot on. Fast, furious and fascinating!"
Jason Simpson, Head of procurement, Cable & Wireless Communications

"A wonderful and very educative experience"
Silas Mudekhere, Programs Director, National Council for Science and Technology / AfyaNet Kenya

"Informative and extremely relevant to my area of work – the broadcasting industry"
Umikywo Yengwa, Platform Specialist, MultiChoice Africa

Vital Statistics

High Defintion TV Has Room to Grow

A large part of the DTH world is yet to realize the full potential of High Definition services. The technology has only just been introduced in Africa, South America and South Asia. HD services have become old news for the Western world, they will grow at a staggering 25% CAGR over the next 10 years. In absolute terms DTH operators will add over 93 million HD subscribers between now and 2019, according to NSR. This translates into 13% of DTH subscribers that opt for HD services today growing to well over 51% by 2019.

Source: NSR. (www.nsr.com)

The Cloud… from page 15…

reflecting end-user demands, are increasingly transitioning to a TDMA environment, wherein shared network models suit the "bursty" nature of *Cloud* computing. Multiple end-users sitting on shared networks gain the advantages of resource pooling of satellite bandwidth to meet their *Cloud* computing demands.

In Dubai, in February 2011, the Satellite MENA exhibition will incorporate the **GVF MENASAT Summit 2011** entitled **'New Drivers, New Dynamics: MENA Communications Markets, Applications & Technologies'**. This **Summit** program will incorporate *Cloud* computing-related content (see www.gvf.org/satellite/index.cfm?item=mena2011), as will the next GVF event in the series **Broadband Maritime** (please visit www.uk-emp.co.uk/4th.BMSEA.Sg.2011/).

As previously announced, a **MENASAT "Call for Papers"** is open to the satellite industry, in order that the very latest industry initiatives, such as relate to *Cloud* computing, and other cutting-edge product provisions and service deliveries, are reflected in the **Summit** program. Proposals for presentation themes/topics should be submitted to the author, also the Chairman of the **MENASAT Summit** at martin.jarrold@gvf.org.

Shortly after the Dubai Summit, the GVF **Broadband Maritime Series** will hold its fourth international conference in Singapore. The **'Broadband Maritime Offshore & Oceanic 2011: Information & Communications Networking Mobility South East Asia'** conference – **BMSEA 2011** – will take place at the **Marina Mandarin** hotel on **15th & 16th February 2011**.

The overall program for **BMSEA 2011** will cover the following key themes: The Maritime Communications Marketplace | Segmenting the Maritime Communications Sector | Spectrum Shift: Deployment of New Global Broadband | The Maritime Communications Platform: Ocean-Going ICT | Communications Networking for Efficient Fleet Management | Regulatory of Communications Inshore & on the High Seas | *Cloud* Computing & Maritime Industry ICT: The Satellite Communications Interface | ICT on the Bridge: Data Capture, Analysis & Reporting Systems | Maritime Satcoms Terminal Equipment: Supply-side Challenges & Developments | Maritime Antenna Technology: Stabilized Design Parameters & Case Studies | GVF Installer Training for the Maritime Communications Market | Safety & Distress Maritime Communications Systems & the Broadband Environment | Navigation & Weather Data Streams: Real-time Integrated Broadband Access.

For further information regarding the **BMSEA 2011** program, and the availability of speaking opportunities, please contact me at martin.jarrold@gvf.org. Alternatively, visit the conference site: www.ukemp.co.uk/4th.BMSEA.Sg.2011/.

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The Satellite Markets 25 Index™

Company Name	Symbol	Price (Dec 16)	% Change from 2-Weeks Ago	52-wk Range		% change from 52-wk High
Satellite Operators						
Asia Satellite	1135.HK	13.00	-6.34%	9.80 - 14.90	↓	6.85%
Eutelsat Communications	ETL.PA	27.58	6.78%	22.20 - 29.70	↓	7.14%
Hughes Communications Inc.	HUGH	39.80	3.78%	21.19 - 43.94	↓	9.42%
Inmarsat	ISAT.L	680.00	4.13%	603.50 - 831.00	↓	18.17%
SES Global FDR	SES.F	17.93	-0.06%	14.50 - 19.01	↓	5.66%
Satellite and Component Manufacturers						
Boeing Company (The)	BA	64.31	-0.08%	53.10 - 76.00	↓	15.42%
COM DEV International	CDV.TO	2.17	5.85%	1.61 - 3.98	↓	48.49%
Lockheed Martin Corporation Com	LMT	69.83	2.39%	67.68 - 87.18	↓	19.91%
Loral Space and Communications	LORL	75.45	1.09%	26.35 - 85.16	↓	11.40%
Orbital Sciences Corporation Co	ORB	17.61	7.71%	12.66 - 19.63	↓	9.88%
Ground Equipment Manufacturers						
C-COM Satellite Systems Inc.	CMI.V	0.33	10.00%	0.26 - 0.35	↓	14.29%
Comtech Telecommunications Corp.	CMTL	27.30	-8.94%	20.19 - 38.39	↓	28.89%
CPI International, Inc.	CPII	19.34	0.42%	10.65 - 19.39	↓	0.26%
EMS Technologies, Inc.	ELMG	18.73	-1.21%	12.01 - 19.99	↓	6.30%
ViaSat, Inc.	VSAT	43.51	5.43%	26.04 - 44.08	↓	1.29%
Satellite Service Providers						
Gilat Satellite Networks Ltd.	GILT	5.22	7.41%	3.95 - 6.25	↓	16.32%
Globecomm Systems Inc.	GCOM	9.23	10.14%	6.52 - 9.44	↓	2.22%
International Datacasting	IDC.TO	0.39	41.82%	0.23 - 0.36	↑	8.33%
ORBCOMM Inc.	ORBC	2.67	1.14%	1.64 - 2.90	↓	7.93%
RRSat Global Communications Net	RRST	7.03	0.29%	6.71 - 12.50	↓	43.76%
Consumer Satellite Services						
British Sky Ads	BSYBY.PK	45.57	1.65%	30.54 - 47.39	↑	16.64%
DIRECTV	DTV	39.32	-5.32%	29.83 - 44.61	↓	11.86%
DISH Network Corporation	DISH	18.21	-1.41%	17.32 - 24.16	↓	24.63%
Globalstar, Inc.	GSAT	1.45	-7.64%	0.86 - 2.11	↓	31.28%
Sirius XM Radio Inc.	SIRI	1.3550	-3.21%	0.56 - 1.61	↓	16.15%

The Satellite Markets 25 Index™ is a composite of 25 publicly-traded satellite companies worldwide with five companies representing each major market segment of the industry: satellite operators; satellite and component manufacturers; ground equipment manufacturers; satellite service providers and consumer satellite services. The base data for the Satellite Market Index is January 2, 2008--the first day of operation for Satellite Market and Research. The Index equals 1,000. The Satellite Market Index™ provides an investment benchmark to gauge the overall health of the satellite industry.

INDEX	Index Value (Dec. 16)	% Change 2 Weeks Ago	% Change Jan. 2010	% Change Jan. 2008
Satellite Markets 25 Index™	1247.36	+2.56%	+19.90%	+17.34%
S & P 500	1241.23	+4.30%	+10.04%	-13.92%