



The Director's Report

From: Richard DalBello

December 16, 2002

The Satellite Industry Association Director's Report, prepared in conjunction with CompassRose International, is a weekly executive update covering current satellite industry issues.

Your comments are appreciated. Please contact David Cavossa at (703) 739 – 8358.

Member News

The Satellite Industry Association (SIA) in conjunction with the Pacific Telecommunications Council will host a "Satellite CEO Roundtable" at the 2003 Pacific Telecommunications Conference (PTC). The Roundtable will take place in the PTC "Super Session" to be held on Wednesday, January 22 from 10:30 - 12:00 in Honolulu, HI. Roundtable participants will include Connie Kullman, CEO, **Intelsat**, Randy Brinkley, President, **Boeing Satellite Systems**, Dean Olmstead, CEO, **SES-Americom**, Peter Jackson, CEO, **Asiasat**, C. Patrick DeWitt, President, **Space Systems/Loral**, and Victor Kwok, President, **APStar**.

Dow Jones reports that **Hughes Electronics Corp.'s** DirecTV unit last week said it plans to close down its phone-line broadband Internet service and will cut back on the marketing of its satellite Internet offering. DirecTV said Friday that it plans to wind down the terrestrial broadband operation, dubbed "DirecTV DSL" over the next 90 days. Hughes took over the DirecTV DSL service in April 2001 when it acquired Internet provider Telocity Inc. The service, which runs over high-speed DSL phone lines, currently has about 160,000 subscribers. Hughes will continue to offer its DirecWay satellite-delivered broadband service, which also has about 160,000 subscribers, but said it won't aggressively recruit new customers, in an effort to save cash. In a recent interview, Jack Shaw, Hughes's chief executive, said it was likely the company would be forced to shelve initiatives to offer the 11 million residential customers of its DirecTV service a link to the Internet using satellites.

Space News announced today that **Intelsat**, NRTC and Liberty Media Inc. are in talks to lead a \$200 million investment in the previously stalled WildBlue satellite-broadband project. In the proposed agreement Liberty Media would take a 35% stake in the company, Intelsat 30%, NRTC 15%, and the remaining capital would be provided by private investors.

The sale of Eutelsat comes as a battle looms between two U.S. satellite operators to take over Eutelsat. **Intelsat** and **PanAmSat Corp.** are both expected to submit competing formal offers to acquire their European rival. IN addition, Finmeccanica SpA, of Rome, an aerospace and defense conglomerate, is preparing an offer for the 23.6% of Eutelsat owned by France Telecom, which like several other Eutelsat shareholders is seeking to cash in its Eutelsat stake to reduce its debt.

Boeing will continue to boost NASA scientific missions into space through at least 2009 under a launch service order awarded to Boeing Launch Services (BLS), Inc., for as many as 19 Delta II launch vehicles to support NASA and NASA-sponsored missions. The procurement, an extension of the existing NASA Launch Services contract with BLS, calls for 12 firm launch service orders with options for seven additional launches to support Earth observing and interplanetary exploration missions. The launch services are scheduled to begin in 2006 and are manifested through 2009. If all options are exercised, the contract could be worth as much as \$1.2 billion.

Satellite Today reports that during the opening session of SATELLITE 2002 Europe last



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week, **Boeing Satellite Systems** President Randy Brinkley unveiled his plan for simpler, more flexible satellites that would offer customers in-orbit versatility and new applications. Brinkley said a new type of spacecraft with flexible antennas and other fungible capabilities will become the wave of the future for the industry. Flexible digital payloads, using software uploads, will be capable of adapting to changing business needs and emerging opportunities, Brinkley said.

Satellite Today reports that **EchoStar Communications** has agreed to pay a \$600 million termination fee and walk away from

the merger with **Hughes Electronics Corp.** and its highly coveted DirecTV Inc. satellite TV unit. Echostar Chairman Charlie Ergen battled for over a year to get the merger through the Department of Justice and Federal Communications Commission. And despite very strongly worded rejections from both agencies, EchoStar and Hughes still submitted a revised proposal last month that would have set up a competitor to the merged company by turning over orbital slots to Cablevision Systems Corp. As part of the settlement, Hughes relieved Echostar of a provision in the merger agreement that required EchoStar to buy Hughes' 81 percent stake in satellite operator PanAmSat for \$22.47 per share.

Other News

Dow Jones reports that **Deutsche Telekom AG** has agreed to sell its 10.9% stake in satellite operator **Eutelsat SA** to Italian publishing group De Agostini. The transaction is said to be valued at \$213 million. Industry sources further stated Deutsche Telekom will get roughly \$153 million in cash from the sale. Deutsche Telekom is selling assets to lower its \$67 billion dollar debt burden. The company had long said that Eutelsat doesn't fit with its main business.

Attempts to salvage the Astra 1K satellite following the failed Nov. 26 launch of a Proton rocket proved unsuccessful and the spacecraft was de-orbited safely over the Pacific Ocean last Tuesday. Detailed consultations between **SES Astra** and its partners led to the conclusion that the rapid degradation of the satellite left them with no alternative except to ensure its safe destruction, SES officials said. Discussions previously had occurred about a potential recovery of the satellite. The satellite had been placed into low-Earth orbit during a failed launch, rather than its intended geostationary orbit.

General Motors Corp.'s **Delphi Corp.** and **XM Satellite Radio** announced that the first portable XM satellite radio will hit store shelves at Best Buy and Circuit City next week. The Delphi XM SKYFi Audio System - the boom box with the SKYFi receiver - retails for \$229.99. The system contains a pair of high-quality speakers with an integrated high gain antenna and a port for the SKYFi receiver. It can be powered by an A/C adaptor to create a countertop/bookshelf XM system for the home or office, or used with six "D" batteries as a portable radio. XM listeners who already own the SKYFi receiver can purchase the boom box portion alone for \$99.99, the companies said.

The H-IIA rocket has now performed flawlessly in three tries said officials at **Mitsubishi Heavy Industries Ltd.** Mitsubishi believes four versions of the H-IIA will be available by 2004 to meet a variety of industry launch needs. The Japanese have built the Tanegashima Space Center as a launch facility for the H-IIA. Privatization of the rocket will leave Mitsubishi in charge of most key administrative functions. However, Japanese law does not allow private companies to conduct launches, so Mitsubishi will have to



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turn the launch over to the government. H-IIA already has two launches planned for 2003, and three each in 2004 and 2005. The rocket

can be launched up to eight times a year and is available for commercial missions.

FCC News

- The Satellite Division of the FCC's International Bureau has approved the transfer of geostationary satellite orbit, fixed satellite service Ka band space station licenses from TRW, Inc., to Northrop Grumman Corp as part of the defense contractor's \$7.8 billion acquisition of TRW.

- The FCC announced several changes in the leadership of its Spectrum Policy Task Force (SPTF). Peter Tenhula, who is currently the Co-Director, will take over as Director. He will replace Paul Kolodzy, who will leave the FCC to become Director of the Center for Wireless Network Security at the Stevens Institute of Technology in Hoboken, New Jersey. Fred Thomas, Chief of the Spectrum Coordination Branch in the Office of Engineering and Technology, will become a Deputy Director of the Task Force. He will retain his existing responsibilities in OET, including his role as FCC liaison to the Interdepartment Radio Advisory Committee (IRAC).

Upcoming SIA Meetings and Events

December 19, 12:00pm – 3:00pm – SIA Annual Board of Director's Meeting @ ICO/Ellipso Offices, 1133 21st, NW, Washington, DC 20036, 8th Floor.

December 19, 3:00 – 4:30pm – SIA Regulatory Working Group Meeting @ ICO/Ellipso Offices

January 22, 2003 – “Satellite CEO Roundtable” Discussion at Pacific Telecommunications Council (PTC) 2003 Conference, moderated by Richard DalBello @ Honolulu, HI

February 25, 2003 - SIA/SBCA 2003 Satellite Leadership Dinner at the Folger Shakespeare Library, in Washington, D.C.

February 26 -28 – PBI “Satellite 2003” Conference and Exhibition