

**Operators**

Inmarsat and Solais get S-band

**Services**

DirecTV merge with Liberty

**Launchpad**

Sea Launch refi  
imminent

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## **HITCHING A RIDE**

### **THE RISE OF HOSTED PAYLOADS**

The definitive news source on raising finance

## Commercial space open to government

The line between governmental and commercial space missions has become increasingly blurred, and Intelsat's US\$167m agreement to host a UHF payload on its Intelsat-22 for the use of the Australian military is a sign that this trend is going to grow in the coming years.

As with all matters of expenditure at the current time, space missions must be seen through the prism of the global economic downturn. Commercial satellite operators are seeking alternate means of revenues, while governments can no longer afford to free up budgets for costly space projects.

Don Brown, vice president of Intelsat's hosted payloads division, told *SatelliteFinance*: "I think you will see increasing use of this model worldwide. It is not just military payloads – government space programs are filled with budgetary and societal pressure, and hosted payloads are a way to mitigate those pressures and gain faster access to space."

At this point, it is the largest operators that are best placed to augment commercial revenue through hosting government payloads, simply because they have large-scale replacement programs constantly ongoing. In Intelsat's case, they have 11 satellites in various stages of procurement or production. This amount of hardware gives these operators the freedom to be flexible in hosting and tailoring payloads of various different purpose and specification to a targeted customer.

However, the process of hosting payloads should ease as the market matures. "At this stage of the development of the hosted payload market place you don't see generic mini-hosted payloads," said Brown. "We're at the early stage of hosted payloads as a product that is part of the operator's portfolio in the commercial satellite industry."

Another issue that any operator looking to host a government payload is one of frequency co-ordination, both with neighbouring satellites and with the commercial transponders on its own spacecraft.

Intelsat's policy when evaluating these projects is to ensure that the hosted payload can pose no risk whatsoever to the commercial mission.

There is a chance that manufacturers might have concerns about the growth in this market, for fear that it reduces the number of governmental contracts they can compete for. Brown and Intelsat's argument is that the kind of hosted payloads that are most lucrative for the commercial operators are those that would not necessitate a full-blown spacecraft, but would instead themselves be part of a multi-payload

mission. Another potential blocking point to the development of the market lies in the political realm. There will be governments loath to entrust a mission of vital national interest to a foreign or commercial satellite, or those that wish to place payloads that breach security regulations of the operator's home nation.

However, as Brown pointed out, this is merely a reflection of the wider space industry. He said: "In order to get the benefit of the economies that hosted payloads represent, you need to operate on a global basis."

### Liberty's end game

John Malone, the chairman of Liberty Media, is never far away from the headlines and never far away from the next big deal. The latest in a long line of M&A transactions could see a significant shift in the satellite services sector in North America.

This month Liberty announced its intention to undertake a tax-free transaction that would see its Liberty Entertainment subsidiary merge with the country's largest DTH broadcaster DirecTV. Liberty said that the reason behind the deal is to clarify DirecTV's capital structure and eliminate the stock overhang.

The move prompted a raft of speculation over whether it was a precursor to a larger M&A transaction. Those rumours were given legs when Liberty Media's CEO Greg Maffei said that following the spinoff transaction, DirecTV could well be an acquisition target, especially from the country's telecoms operators looking to bolster their triple-play offering. Maffei argued that the more simplified ownership structure of the new DirecTV would make a potential acquisition much more viable.

Meanwhile, Liberty's other satellite investment, Sirius XM, has been busy seeking to prevent any potential takeover bid. The satellite radio provider has proposed a 'poison pill' stockholder rights plan that would prevent a hostile takeover of the company by significantly diluting the voting and economic ownership of a new investor.

Notably, this plan does not alter the US\$530m investment agreement between Sirius XM and Liberty that was agreed on February 17 and which has seen Liberty become the satellite radio provider's largest shareholder with 40% of the share capital. Liberty's investment provided Sirius XM with a stay of execution on its debt obligations and prevented EchoStar, which had been aggressively buying up the debt, from making a takeover move. The poison pill plan has been seen by many as a barrier to EchoStar making a second takeover bid.



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## Asia

### Australian military signs Intelsat deal

**Intelsat** has announced that it has contracted Boeing to build a new satellite that will cover the Indian Ocean region from the 72E orbital position.

A large amount of the capacity on the Intelsat 22 spacecraft will be sold to the Australian Defence Force (ADF), which is investing US\$167m in leasing a specialised UHF payload that will be used for military purposes.

The satellite will launch in the first quarter of 2012 and will also carry 48 C- and 24 Ku-band transponders. The C-band will offer coverage and cross-connectivity to Africa and Asia, while the Ku-band will include a mobility beam that connects South East Asia to the African coast via the Indian Ocean, which will link into Intelsat's strategy to expand its maritime and aeronautical applications.

This satellite is the first of a batch of satellites Intelsat is believed to have contracted to be manufactured by Boeing. A launch provider has yet to be contracted.

The ADF deal is notable because it signifies how satellite operators can remove the barriers between strictly commercial and government spacecraft to the benefit of themselves and their customers.

Intelsat CEO David McGlade said: "This contract represents a milestone in the development of hosted payloads to support long-term government needs.

"As this ADF program demonstrates, every commercial satellite going into orbit creates opportunities for governments to deploy mission-critical capabilities, with significant cost benefits and quicker time to in-orbit operations."

Military and governmental agencies have leased capacity on commercial-oriented satellites before, but this has either been for short-term use or for the countries of the operators origin, such as the Israeli Airforce's use of capacity on Spacecom's Amos satellites.

The new Intelsat-ADF deal marks an evolution in that it involves a US-based company preparing and handling a specific payload integrated into a commercial satellite to be used and paid for by the military of another country.

As the economic crisis makes it increasingly difficult for even the richest countries to fund high-end stand-alone military space projects, it is likely that more deals along these lines will come to pass, as it represents greater value for investment.

### ProtoStar faces fresh coordination difficulties on two fronts

The satellite operator **ProtoStar** has run into a fresh round of controversy regarding the launch of its second satellite, which is due to occur on May 16.

Concern has been raised that the broadcast signal of the

ProtoStar 2 satellite, which is nominally intended to be placed at the 107.7E position, has not been coordinated with any of its neighbouring satellites.

One satellite that could be subject to interference by the activation of the 27 Ku-band transponders that form part of ProtoStar 2's payload is SES New Skies' NS11 spacecraft, which is situated at 108.2E.

An SES spokesman told SatelliteFinance: "We have no comment, other than to say we have absolute priority and that we are defending our rights in orbit."

The situation echoes the difficulties surrounding ProtoStar's first satellite, ProtoStar-1, which was launched last July without full coordination with its neighbours, raising the ire of the satellite operator AsiaSat and, more ominously, AsiaSat's regulatory sponsor, China.

That particular row has seen the fully-functioning PS-1 satellite almost completely hamstrung in its ability to operate. Its C-band payload has not been activated for fear of legal repercussions threatened by the Chinese administration, and its Ku-band is now reportedly also offline.

Furthermore, the administration of Belarus, which operates under the umbrella of the Moscow-based organisation Intersputnik, has come under heavy pressure from China to withdraw its filing for PS-1, a filing which ProtoStar obtained at extremely short notice last July.

ProtoStar-1's original sponsor, Singapore, withdrew its filing just weeks before the launch of the spacecraft.

The expiration of Singapore's agreement with ProtoStar over the use of the filing was cited as the reason, but SatelliteFinance sources have indicated that Chinese pressure was also a major contributing factor.

The extent of information provided to the International Telecommunications Union over the launch of ProtoStar-2 appears to be minimal in comparison to ProtoStar-1, a process which the ITU was kept well informed despite its controversy.

An ITU representative told SatelliteFinance that the ITU had not been given any formal information from any administration regarding the orbital positioning of ProtoStar-2.

According to Resolution 49 of the ITU's Radio Regulations, the organisation should be supplied with this information prior to any satellite launch.

The uncertainty surrounding the deployment of ProtoStar's satellites means that the company and its assets have become the subject of attention from buyers looking to snap up functioning in-orbit spacecraft.

One interested party SatelliteFinance spoke to was taking a preliminary look at ProtoStar-1, and was particularly interested in the possibility of moving the satellite from its current problematic orbital position to a new spot where it could potentially generate more revenue.

ProtoStar may be forced into some kind of sale to satisfy its investors.

When the company acquired, refitted and launched ProtoStar-1, it took out US\$250m in funding, which comprised US\$160m of senior secured convertible notes sold to