



Navigating Opportunity

Futron Corporation Demand for trans-Atlantic and trans-Pacific satellite capacity has ebbed and flowed with the changes in the global marketplace. A review of the history of this market demonstrates the need for satellite operators to be nimble and adapt to the swings in long-haul demand.

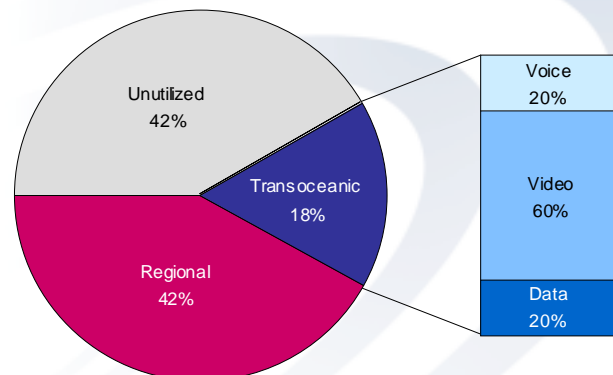
Before the advent of high capacity fiber-optic cables, point-to point trunking applications were the bread and butter of the international satellite business. With the majority of inter-continental traffic carried via satellite, orbital slots offering trans-oceanic coverage were extremely valuable.

With the roll-out of submarine fiber across both the Atlantic and Pacific oceans, bulk telephony traffic began migrating rapidly to cable. At the same time, there was an expansion in the numbers of satellite operators interested in serving trans-oceanic routes, in particular for video content delivery and data networking. Then, in the 1990's, the unexpected escalation of Internet traffic fueled a resurgence of demand for trans-oceanic capacity. Projections of unlimited growth in Internet traffic, coupled with the continuing demand for global video content delivery, led to a range of satellite companies operating in mid-ocean slots.

Internet growth, while significant, has not matched the projections of the late-1990s. The simultaneous explosion of trans-oceanic fiber optic capacity has led to the migration of most point-to-point applications away from satellite. What once constituted a core area of demand for satellite has become limited to niche markets and now represents only 8% of total satellite demand.

These niche markets are more than sufficiently served, with 39 satellites currently serving the trans-Pacific and trans-Atlantic markets at an overall utilization of 58%. Of this utilized capacity, 60% is serving regional landmass markets rather than trans-oceanic routes.

Nevertheless, there are hundreds of active applications to the ITU for mid-ocean slots. Given the shifting nature of these markets, it is unlikely that many of these will find viable business opportunities. Operators can, however, maximize the value of these locations by deploying a mix of capacity to meet the different opportunities. This could mean use of smaller, lower powered satellites to capture the basic trunking demand, with a few higher powered satellites for video applications and government networks. Flexibility will be key, as these markets seem to be moving with the tides in the oceans they cross.



Current Usage of Trans-oceanic Satellite