



MILITARY SATELLITE MARKET

To Remain Strong Around Globe

By Mark Holmes

With a backdrop of a new U.S. presidential administration, the beginning of a shift in troop strength from Iraq to Afghanistan and a global economic recession, 2009 likely will be anything but dull in terms of military satellite communications. While the United States military will continue to drive commercial satellite communications demand, the rest of the world will be spending money as well. Here, we take a look at what might happen outside of the United States as well as what impact events in the United States may have on other countries and their military satellite communications strategies.

"The major unclassified European military satellite efforts will come from France, Italy, Germany and the United Kingdom; however, continued consolidation and international cooperation among the various military satellite programs will keep production numbers far below those in the United States," says John Edwards, senior aerospace and defense analyst, group leader — international military markets, Forecast International. "The major production efforts in Europe, Israel and Japan are expected to account for about eight military communications satellites, 16 military reconnaissance spacecraft (including electronic intelligence), and another three spacecraft in the global positioning category. I am forecasting that the world's major satellite programs will

produce around 95 dedicated military satellites within the next 10 years, meaning that satellite production in Europe, Israel and Japan should account for about 28 percent of this forecast," Edwards says.

Andrea Maleter, technical director, Futron Corp, adds, "While the U.S. Department of Defense has been the highest profile and largest military user of satellite communications, other countries have extensive capabilities and are also expanding them. In Europe, beyond NATO, the U.K. Ministry of Defence's Skynet/Paradigm program and SpainSat, there is an enhanced role emerging for the European Defense Agency as well as other individual national defense programs. In Asia, the new Japanese space policy explicitly provides for the first time for a military space program, and Australia is considering similar programs."

Prashant Butani, a satellite analyst at Northern Sky Research (NSR), believes it is unclear whether there will be an increase or decline in this overall market. "Developments and policies around the globe will dictate demand and spending levels, so the degree to how much the decline or increase in the market will be is not clear. For instance, there is a definite pullout in Iraq, which affects demand negatively, but there is also a move to increase the U.S. presence in Afghanistan," he says. "It will be a matter of time to see the net effect of both these initiatives. If one

were to consider developing economies such as Brazil, Russia, India and Mexico, there are civil programs that warrant satellite communications capacity, and there is a latent need for military satellite communications capability, which by itself would have brought in considerable growth had it not been for the economic slowdown which puts most of these programs in question."

EXPECTED TO WEATHER ECONOMIC STORM

Edwards highlights a number of markets where there could be potential growth in the military space arena. "Some notables are Japan, Israel, Germany and Spain, which are all fielding systems in the next 10 years," he says. "The Bundeswehrsats (SATCOMBw) is a high-priority program for Germany. The Bundeswehr had previously relied on leasing capacity on existing commercial communications satellites, and the unilateral development of the Bundeswehrsats, a global broadband communications network, illustrates how important the program is to the German military. It breaks from the traditional approach of engaging in multinational European efforts for military satellite development.

"France and the United Kingdom have Syracuse 3 and Skynet 5, respectively, and the fact that these systems are operational limits military comsat production in those



two countries over the next five to 10 years," says Edwards. "I also expect the proliferation of military satellites to push into Turkey and other NATO countries looking for a homegrown edge."

NSR sees Africa, with the newly created U.S. Africa Command, to see growth as communications capabilities are built up, and South and Central Asia also could be growth regions because of various military activities taking place throughout the region says Butani. "Certain countries such as Israel, Australia and Germany (to a certain extent) have programs in place that will generate hardware requirements in the near future, but hardware vendors will have to be thorough in their market research before exploring newer economies, as most programs here will probably not see the light of day in 2009," he says.

Edwards adds, "Unlike the market for commercial systems, military markets are less exposed to risk when it comes to the whim of the consumer, which in this case is the military itself. Therefore, manufacturers of these systems – especially in the United States – can look forward to a strong military satellite market."

IMPACT OF OBAMA ADMINISTRATION

The United States is still the big power in terms of military satellite communications, and its military space strategy could have a knock-on effect around the world, but Edwards says trying to forecast what the Obama administration will do and what impact that will have on military spending around the globe is difficult. "We are all curious to see what course President Obama will take and what we can expect

in terms of military space. Cuts are coming, that much is for sure, but I think that a lot of the doom and gloom vis-à-vis drastic cuts to the overall defense budget

are unfounded," he says. "I do expect programs like Future Combat System and missile defense are in for a whack in the FY10 and FY11 cycles; however, I

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