

U.S. Satellite Industry Dominates Despite Overcapacity

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The market for commercial communications satellites is expected to be worth \$25.4 billion over the next 10 years, according to Forecast International's recently completed analysis "Commercial Communications Satellites: 2005-2014."

Also anticipated within the next few years, is the long awaited rebound in the commercial communications market. Fueling this recovery will not only be the growing market for the application of key technologies and services to the commercial consumer but also government reliance on commercial capacity.

Forecast International predicts that 224 commercial communications satellites destined for geostationary or medium Earth orbit will be constructed over the next 10 years, at an estimated total value of about \$25.4 billion.

The low-Earth-orbiting (LEO) market, comprised of satellites primarily for providing mobile communications, will see production of just 29 spacecraft, worth only about \$114 million. However, LEO production may shrink even more, depending on whether programs such as Orbcomm proceed with their production plans as expected.

"Manufacturers of commercial communications satellites have seen better years than 2004," said John Edwards, the report's author.

Of 12 new commercial communications satellite ordered last year, eight

were non-competitive sales, that is, they were either almost guaranteed to go to a certain manufacturer due to issues such as export restrictions or due to orders that were placed as part of earlier transactions.

While sales did not tank as in 2002, with just three satcoms sold, 2004's order book was a substantial drop from the previous year's total of 17 orders.

"The drop in orders from 2003 to 2004 raises eyebrows, especially after the less-than-spectacular start of the new millennium; however, the demise of the U.S. satellite industry has been greatly exaggerated and the order numbers from last year tell the tale," said Edwards.

"Nine of the 12 commercial communications satellites ordered, or 75 percent, went to U.S.-based manufacturers."

"The commercial satellite industry is not as strong as it could be, but the problems are industry-wide and are by no means exclusive to the United States," Edwards said.

Combined commercial GEO satellites ordered in 2002–2004 equaled 32, which is far less than the 37 satellites ordered in 2000 alone. A lack of consolidation within the industry, in either the U.S. or Europe, has created overcapacity, which in turn has created downward pressure on prices.

Providing much-needed bandwidth to governments has sustained satellite operators and manufacturers over the past few years. However, looking to the future, these industries are also developing innovative products and services in an effort to attract new customers.

For example, to boost sales of commercial satellites, manufacturers have applied new technologies to their platforms, increasing performance.

However, emerging technologies in the satellite industry are a blessing and a curse. While they have increased the power and service life of satellite platforms, ironically, they have tempered production of new spacecraft.

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