

Vadim Belov - Intersputnik

Giovanni Verlini, Editor of *Satellite Evolution Asia (SEA)*, spoke with **Vadim Belov**, Director General of Intersputnik.

► **Established in 1971** under the intergovernmental agreement on the establishment of an international system and organisation of satellite communications, Intersputnik is an international intergovernmental organisation headquartered in Moscow, Russia.

The Organisation's mission is to contribute to the strengthening and development of economic, scientific, technical and cultural relations by communications as well as by radio and television broadcasting via satellites; co-operation and co-ordination of efforts of the member-countries in designing, establishing, operating and developing an international satellite communications system.

Intersputnik can be joined by the government of any state which shares the Organisation's principles of activity. Today, Intersputnik has 25 member countries.

Question: What is Intersputnik's current position in the satellite markets of the Asia-Pacific region and EMEA? What is your activity beyond Russia and the CSI? Vadim Belov: Intersputnik boasts a long history. This organisation managed to overcome

a serious crisis in the global satellite services market and continues to retain a solid position.

Over the years, Intersputnik has had close partner relationships with customers from all over the world, endeavouring to establish long-term business contacts. At the same time, apart from customers and partners we have been co-operating with for a long time, we are also expanding our customer base. For example, not so long ago we signed a large-scale, long-term contract with Boeing.

Historically, we have been working closely with the 25 Intersputnik member countries from all across the world. Therefore, most of our contracts are international including agreements with the CIS countries. Intersputnik has regional representatives in India, Bulgaria and the CIS countries. At present, we are analysing their performance in order to improve the structure of this institution of regional representatives. We are also going to focus on the Asian region and Africa. Our position in the Middle East and Africa has become stronger of late, among other things due to the joint project with Gilat Satcom Ltd. – one of our long-term partners.

In the future, we intend to enter new segments of the satcom services market. At present in the Asia-Pacific region Intersputnik is working to implement a number of interesting and promising projects that will make our presence in quite noticeable.

Q: How do you position yourselves in the



Vadim Belov, Director General of Intersputnik

marketplace? What is your trait as a satellite operator?

VB: I believe I have already answered part of this question. However, I would add that we position ourselves as an international organisation with a well-established name in the business community. Traditionally, we have close business and partner relations with telecommunications operators not only in the member states but also in other countries. We are constantly entering new regions as an international institution. In the near future we are going to pay more attention to Intersputnik's participation in international projects under the aegis of both the UN and other international Non-Governmental Organisations (NGOs) and international financial institutions, including humanitarian and charity missions in the developing countries. For example, we cannot but be involved in educational programmes in Africa and Asia aiming at the establishment of satellite tele-education, as well as telemedicine, networks in those regions.

Intersputnik is an organic player in the global commercial market, but we also deal with global, social and humanitarian programs as an international organisation that uses all the advantages and authority that come from being an international institution. Besides, what makes us different is that we try to enter market niches that are not of special interest to major operators. Apart from strategic business goals we have to plan the policy of our company as a policy of an international organization – quite an important task for us.

Q: What is your view on the Intelsat-PanAmSat merger recently announced?

VB: Fixed telecoms can hardly develop with-



Getting ready to launch an Intersputnik's satellite. Photo: ILS

out mergers and acquisitions of satellite operators providing the basis for stable growth, enhanced efficiency and lower operating risks.

In 2004, Intelsat, PanAmSat, Eutelsat and SES Global earned over 55 per cent from transponder leases but the debts of some of these companies nearly equalled their sales proceeds for seven years, hardly the predicament of companies invulnerable to a takeover manoeuvre.

Operators just have to expand because of the growing cost of satellites and the importance of global coverage. They have to share risks and overcome national trade and economic barriers due to the uncertain situation in the global market. One of the means to keep one's position, withstand competition and enter new markets is to get even more consolidated, or in certain cases go private.

The merger of the two largest international companies was logical and predictable, and, as a result, a new powerful player has appeared on the global satcom marketplace. Moreover, I am sure that this process will continue.

Q: If I am not mistaken, Intersputnik was

originally founded as the Soviet answer to Intelsat. Can we expect Intersputnik to follow on Intelsat's trail?

VB: I am not sure that Intersputnik was just a direct answer to Intelsat. It was a specific moment in history when each political and economic bloc established its institutions in its own interests and in specific economic conditions. Now times have changed. You cannot say that somebody gets consolidated against someone else or in response to something. I am sure that consolidating improves business and relations between partners and competitors. This is a positive process in a new economic situation. Our Organisation has changed too and we are thinking of new forms of co-operation and business. Will Intersputnik follow on Intelsat's trail? I cannot exclude it, but our development will be driven by the interests of the Organization and its members to whom we are responsible.

Q: In recent years, pricing of satellite transponders has been a central issue in the region's industry. What is the trend at the moment: are we getting back to healthier prices?

VB: Pricing in the satcom market has always

been a key business component. I do not agree with the assumption that this issue has just come up: in the past the cost of transponders was too high. This led to a slump, specifically, in Asia and Africa and the consequences are still here with us. I think that today the industry has overcome the crisis of oversupply of satellite capacity in the conditions of limited consumer demand. The market is rather dynamic and the industry is growing steadily, which is reflected in capacity pricing.

Today, as anyone would know, prices are negotiable for any specific case applicable to a given customer. And price has always been a confidential issue with any major operator, and we are no exception of course.

In the past the price of transponder capacity was a mean average figure taken practically from all across the world. However, in the fixed satcom industry price depends on a number of factors such as frequency bands, coverage areas, transponder power, redundancy, term and volume of capacity leases. At the same time, some other factors are no less important – such as a unique beam or transponder switching technology, exclusive coverage, teleport services, etc. There are factors that affect the price of trans-

Intersputnik's new full-scale service for trans-national corporate customers

The Intersputnik International Organisation of Space Communications is launching a full-scale service to establish and operate international corporate satcom networks. This new product was presented for the first time at the international telecommunications forum InfoCom'2005 in Moscow.

Intersputnik is going to offer international corporate users a full service package for the establishment and operation of dedicated networks connecting regional offices and company branches. This package includes the design, supply and installation of equipment, lease of satellite resource, intermediate maintenance and administrative support.

"Now that production centres are being relocated from Europe and America to the least developed countries and given the rapidly growing industrial market in Russia, Eastern Europe and Asia, companies badly need broadband corporate networks with a vast geographic coverage. It is evident that satellite communications is the most appropriate solution," says Vadim Belov, Intersputnik Director General. "Our organisation is a unique operator of international satellite communications networks. Intersputnik's founders are the governments of quite a few developing countries in Asia and Europe. Intersputnik's intergovernmental status and long-standing flawless reputation in these markets make our organisation a reliable partner and guarantor of quality for trans-national corporate customers."

Intersputnik intends to provide a set of services for the establishment of international corporate communications infrastructures in co-operation with authorised regional partners that have the required resources and telecommunications licenses in their regions. In the first place, Intersputnik's partner network will be deployed in the member-countries and in other countries that are of interest to Intersputnik's corporate clients.

In all of its international corporate projects, Intersputnik is planning to act as the leader of the alliance and co-ordinate co-operation among the partners. To guarantee uniform service quality and integrity, the relationship between Intersputnik and its partners will be governed by Service Level Agreements.

To establish corporate networks, Intersputnik will use the resource of state-of-the-art Russian and foreign geostationary satellites within the Intersputnik system. Most of the corporate projects will use Ku-band to cut equipment costs.

Hardware will include distributed-control systems or systems with inexpensive hub stations to establish regional network fragments using various satellites. In the near future, Intersputnik will invite bids to choose a standard engineering solution for international corporate networks.

At Infocom'2005, Intersputnik introduced its Russian partner Isatel Ltd., a system integrator that has all necessary licenses for telecom service provision in the territory of Russia. Isatel will support Intersputnik's international corporate projects by installing and servicing the ground segment in Russia as well as in the CIS in co-operation with local licensed operators.

Earlier, Intersputnik and Isatel signed a partnership agreement on the provision of full-scale satcom services based on the joint use of facilities and solutions. Today, both companies are working on a number of corporate projects. In the near future, Intersputnik plans to sign similar direct agreements on co-operation with regional partners in the CIS, Eastern Europe, the Middle East and Asia. ■



*An artist's impression of the LMI-1 satellite.
Photo: Intersputnik*

ponder capacity, and as a consequence prices differ greatly. Over the past few years, the difference between maximum and minimum transponder lease rates have become more marked.

Q: So what is the current situation in the market?

VB: There has been a noticeable drop in lease rates experienced over the last four years practically in every region in the world. In Europe, prices are at their highest due to successful business of the region's major duopoly – SES Astra and Eutelsat. The lowest rates are charged in Africa and the Middle East due to growing and very tough competition in the DTH market against the background of the stagnating global telecommunications market. In Asia, operators offer more capacity, especially in Ku-band, than the market can absorb. This oversupply has led to growing competition and lower prices. In general, video broadcasters have become commercially more successful than other providers of satellite communications services.

Q: How do you approach the pricing problem?

VB: It is understandable that customers do not wish to pay extra for technical features they do not actually require. However, we take a different stance: we focus on providing not only capacity but also various services in a 'package' and offer solutions that include terrestrial infrastructure. In practical terms, this means that we have to establish new alliances and partnerships.

Q: How do you see the future market for C-band and Ku-band capacity?

VB: In the coming years more than 50 per cent of transponder capacity will be used for TV and video. The growth of satellite video broadcasting will be driven by the introduction of multi-channel TV platforms and independent on-air and pay-TV channels.

New types of TV channels will remain to be the main source of revenue for satellite operators. This is why I think that the market share of Ku band will continue to grow because Ku-band is the main band for broadcasting. Most probably video broadcasting will be the fastest growing market in the Asia-

Pacific region and South Asia leading to a greater demand for Ku-band. Therefore, our company is exploring our potential in this marketplace. Still I think that C-band transponders will continue to be in demand and this means that the prices for C-band capacity will be relatively stable.

Q: Which areas and applications do you see as emerging in telecoms?

VB: The emergence of digital technologies brought about in-depth transformations in the telecommunications industry. Conventional voice services are giving way to interactive services, the Internet, data and mobile communications.

Today, products and services are being increasingly diversified – with IPTV being just the last one of a number of examples. Today as never before satellite communications is becoming a cornerstone of digital video and audio broadcasting as well as the 'universal service'. All operators including Russia-based companies face new challenges in terms of implementing the concept of the universal service that can not be overestimated. Hundreds of thousands of communities lack any communications at all. Obviously, it is only satellite that can bridge this gap. I am convinced that satellite communications and VSAT technologies can play a pivotal role in this field. The number of interesting applications is countless: direct-to-home, hybrid communications, multiservice networks, Wi-Fi and WIMAX, to name just a few.

Q: Which applications do you find of par-



An artist's impression of a satellite to be developed under Intersputnik's small satellite program. Photo: Intersputnik

ticular interest?

VB: I find WiMAX to be extremely interesting. In principle, this is the same process as that used earlier with cable networks, while the algorithm is that used for IPTV. Similarly to cable, the satellite feeds the signal to the terrestrial infrastructure, while the only difference is that the 'last mile' is wireless. Content is delivered to the mobile ground network interface in C-band or Ku band using any available satellite capacity.

Q: Which areas and applications do you see emerging in broadcasting?

VB: Digital broadcasting, both audio and video, are no longer innovative applications.

Q: What about HDTV?

VB: Despite initial skepticism within the experts community, HDTV is developing steadily - some countries have even approved national HDTV programmes. On the whole, the prospects for HDTV the world over, and in Russia in particular, are very promising. This seems to be confirmed by the positive experience of HD programme producers and the growing interest of customers for higher quality content.

In Russia, for example, on-air digital HDTV will be introduced within the framework of a federal programme of converting analogue ground TV broadcasting to digital by 2015. An HDTV test network will be deployed in Moscow by the Russian TV/Radio Broadcasting Co. in 2006.

Q: Do you think HDTV will be an opportunity for Intersputnik?

VB: Intersputnik is diversifying its business not only geographically but also in terms of services and products, and at present we are focusing on HDTV. The projected growth of demand for this service cannot but be accompanied by demand for satellite capacity. This is the reason why in our plans we reserve capacity that will be needed to meet these requirements. We are about to launch HDTV, interactive TV, multiservice and multimedia projects. By the end of this year, HDTV and an interactive TV channel may be transmitted by one of our satellites.

I am confident that the Russian market will show growing interest for this type of service and that this application will rapidly develop starting from 2006. As I already mentioned this will boost demand for satellite capacity. I believe that this particular market segment shows clearly that co-operation with customers and partners in the satellite industry is much more important than just standard provision of capacity.

Q: At present there is a lot of noise surrounding IPTV. What is your view?

VB: Video over IP is a relatively widespread application in the developed countries. There is no need to pay attention to some of the

noise surrounding IPTV: it is just another innovative product, which is the reason why it attracts attention and disputes.

In Russia, several test projects are in progress. I think that one of the primary tasks of new types of service is to minimise ISP service prices and offer the required number of broadband links. I am sure that this task will be fulfilled very soon. Video over IP solutions have emerged thanks to the Internet and the diffusion of broadband. Compared to conventional 'television', video over IP does not need any extra cable infrastructure or maintenance. Efficient utilisation of any IP network makes it increasingly profitable. Another plus is the interactivity of IPTV. This is what distinguishes such systems from other digital video networks. Maybe it is the interactivity that will eventually modify the business models of modern video broadcasting and video rental. The advantages of the

“ Efficient
utilisation of any IP
network makes it
increasingly
profitable ”

video over IP technology and its global growth is evident.

The Russian market will certainly follow on this trail toward full-scale digitisation of video broadcasting. Presently, video over IP is a widely used application in the corporate sector, and consumer sector statistics are fairly optimistic too. In my opinion, the main problem encountered by operators is of a regulatory nature – the service being a unique mix of telecom and broadcasting. At the same time, I do not think this is a problem that it is going to hamper the development of this market. Given the availability of interesting content and quality new services such as video on demand, the Internet and TV games, the potential of this business will inevitably grow.

Intersputnik's coverage is global and we

are able to deliver IP video content and operate as a provider of services to the end user. It is evident that our company can bring added value to its partners. This is a type of partnership where a company is adding value to make content accessible to subscribers or viewers thus expanding the customer base. I expect that the operators that are establishing video over IP networks will pursue a much more aggressive marketing policy.

Q: On a different level, a trend that seems to be emerging within the satellite industry is the delivery of satellite services direct-to-the-user (satellite radio, DMB, etc). Is Intersputnik currently involved in this area? If not, do you plan to be?

VB: At present, Intersputnik does not provide any services to the end user, but we are considering several options to diversify our business and establish new forms of co-operation.

I would not exclude that the company will enter new market segments because it is our job to follow state-of-the-art telecommunications services.

Q: Do you have plans to expand your satellite fleet? If so, when and how?

VB: One of Intersputnik's main assets is the right to use co-ordinated orbital slots that cover very interesting regions from the viewpoint of marketing and customer demand prospect. We consider a joint project to launch and use a satellite in our orbital positions in co-operation with partners we are currently selecting. Such projects have already been a success in co-operation with Lockheed Martin Corp.

Q: What are your goals for the next five years?

VB: A regular Board meeting of the Intersputnik International Organization held in Bangalore elected me as Director General for a term of four years in accordance with the Organization's Charter. The session also approved Intersputnik's strategy aimed at business development and diversification, definition of new forms of business, establishment of alliances with partners. Our goal is to fulfil the tasks set by the Board for the next four years. ■

About Intersputnik

Intersputnik provides integrated communication services to broadcasters, telecom operators and corporate customers via the LMI-1 satellite of the Lockheed Martin Intersputnik joint venture as well as Russian Express-A and Express-AM series satellites. Under corresponding agreements, Intersputnik provides marketing and sales of satellite capacity and telecom services of the Eutelsat system that includes 23 communication satellites as well as those of the Gascom system (Yamal-200-series satellites). The Intersputnik system incorporates over 150 ground stations for trunk links and more than 1,500 VSAT and TV distribution terminals. ■