

competitive threats, Venturi sees most of satellite's challenges existing internally.

"The two threats to the health of our business are lack of bandwidth and high costs. We can solve both issues by being efficient with our bandwidth, which in turn, means lowers costs. If we can do this, we can grow in the future instead of just being along for the ride. We can play the dominant role," Venturi said. "However, it is important that we realize that large connectivity networks can't be satellite exclusive.

Satellite is a method of delivery. So, we need to think of ourselves as end-to-end providers instead of just satellite providers. We need to break out of the mold and go beyond satellite if we want to serve new applications."

Van Herck disagreed with Venturi's claim that satellite's problems exist on the technology side. "Our satellite services have been well received against our 3G competitors in Europe. That shows the technology side. The real issue is on the political side, where telecoms have

strong political power. They have been blocking us and are still blocking us. They do this because they know that they don't get a return on investment on their infrastructure costs and we outperform 3G. I also think that the key to cutting costs lies with reusable frequencies."

Coming from a U.S.-based perspective, Venturi agreed with Van Herck that satellite has serious disadvantages in the political realm. "The U.S. Broadband Stimulus, for example, is a threat to the industry, especially to

companies that have built business models around it. We didn't articulate or explain our potential properly to congress. We could have had a bigger seat at the table. We let a threat generate and now it's close to reality. However, there are still opportunities for satellite to compete in broadband stimulus. The average cost-per-megabit to a satellite is \$2,000 and we need to cut that in half. Lower cost points will be much more competitive and effective in our efforts to drive innovation." ■

Satellite Players May See ITAR Relief Latest U.S. Government Moves Provide Hope

SAM SILVERSTEIN

After dealing with the frustrating process of obtaining licenses from the U.S. State Department in order to export spacecraft and related equipment for more than a decade, the satellite sector is cautiously optimistic the tide may soon turn in its favor.

The Obama administration has placed export reform high on its list of priorities, suggesting that satellites may be in line to be removed from the U.S. government's list of munitions, said William Reinsch, president of the

National Foreign Trade Council. Satellites are subject to the often-cumbersome International Traffic in Arms Regulations, known as ITAR, because of their government designation as weapons.

Such a change could make it easier for satellite companies to gain approval to sell their products to non-U.S. customers or launch them on foreign rockets, Reinsch said during the "ITAR 2011 and Beyond: Moving Toward Necessary Change" session.

"White House staff have

climbed aboard the train and support this," said Reinsch, noting that the industry has long pressed the government to change the rules, which were imposed on the satellite sector in 1999 by Congress amid a furor surrounding U.S. national security. During the years, "ITAR reviews [have been] frequently announced, occasionally begun and never completed," but the odds that the satellite-export regime will change have improved, he said.

The addition of satellites

to the munitions list meant that the State Department assumed responsibility for deciding whether to grant permission for a U.S. satellite to be shipped outside the United States or sold to a non-U.S. company. The Commerce Department previously had been in charge of satellite exports.

California Rep. Dana Rohrabacher, an influential Republican whose district includes many space companies, is in favor of removing satellites from the U.S. government's munitions list, said Tony

DeTora, legislative assistant to Rohrabacher. "This is a White House priority, and we are interested in seeing it succeed," DeTora said.

The debate regarding whether to change how satellite exports are regulated pits people who believe that sending spacecraft out of the country could compromise U.S. national security

manufacturing capabilities grow around the globe.

"The time has come to look at the impact the legislation [that moved satellite exports to the State Department] has had on this industry," Schlegel said. "It's a Cold War-era system that doesn't work well. ... It doesn't allow for the competitiveness of U.S. industry in the 21st century."

chief of the space and missile technology division at the State Department. Tying the economy to national security could provide the "wobble room" to modify the licensing system, he said.

John Ordway, a partner with the law firm of Berliner, Corcoran & Rowe, said he is optimistic that the political environment has changed sufficiently to allow the government to rewrite satellite export rules. "Within the bounds of the law, there is flexibility at the State Department," Ordway said. "I think things are going quite well."

Reinsch said the industry is not asking for the government to drop the licensing requirement for satellites, only that it not treat spacecraft as if they were munitions. He said the logic behind the idea that satellites are weapons does not hold up to scrutiny. "It is intellectually absurd to say these things are weapons when they go to one place and they're not weapons when they go to another place."

Patricia Cooper, president of the Satellite Industry Association and moderator of the panel, said it is difficult to prove that ITAR has led to a loss of U.S. jobs or manufacturing capability. But she said actions taken by companies

in other countries show that they are seizing on the idea that buying American can be risky.

Virtually every part of a satellite is subject to ITAR, and the regulations come into play whenever a non-American comes into contact with a spacecraft or information about it. This includes launching satellites on foreign launch vehicles and holding discussions with insurance industry representatives outside the United States, said Cooper. Non-U.S. manufacturers have responded by marketing "ITAR-free" satellites that are completely free of U.S. components, she said.

If the government does move to change the export system for satellites, one thing would almost certainly not change, officials said. Satellites were moved to the State Department's munitions list and subjected to ITAR partially out of concern that satellite companies were providing sensitive information to China, and restrictions on exports to China are likely to remain, DeTora said.

Schlegel shared that view. "China is the big red elephant in the room," and the only way to get traction for the industry's push to change the licensing system is to leave satellite exports to that country off the table, she said. ■

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– Tony DeTora, legislative assistant to Rep. Dana Rohrabacher (R-Calif.)

against those who believe that the real losses are measured in American jobs and competitiveness.

Nancy Ziuzin Schlegel, director of global security policy for Lockheed Martin, said restricting U.S. companies from exporting their products actually has undermined national security by providing an incentive for non-U.S. manufacturers to develop capabilities they previously did not possess. The satellite industry also has argued that the United States is losing high-paying jobs to other countries as satellite-

DeTora said the tough economy means people's ears always perk up when the subject of jobs is on the table, and this could help tip the balance in the industry's direction. "Jobs are a key issue now. People are willing to talk about almost anything if they think it has prospects for job creation," DeTora said.

Indeed, U.S. national security strategy has shifted and now includes the national economy as one of its pillars, said Anthony Dearth, who oversees U.S. satellite export licenses as