

COVER STORY

The Changing Business of Teleports

by Virgil Labrador

Teleports are the backbone of the satellite industry. Providing the ground segment of satellite services, teleports, are a vital and indispensable link in the satellite value chain. The World Teleport Association (WTA) defines teleports very broadly:

“Teleports are the “intermodal hubs” of the broadband world — gateways that connect satellite circuits with terrestrial fiber optic and microwave circuits. Bridging the gap between land and sky, they allow broadcasters, cable-casters, and public and private network operators to outsource a non-core function that is critical to their businesses. Teleports deliver time-sensitive television and radio programming to audiences around the globe. They provide remote and underdeveloped regions with high-

quality Internet and enterprise network connections. For nearly three decades, they have pioneered in the export and import of the weightless cargo: information.”

The teleport business has been undergoing major changes in the last few years. Once limited by regulatory and technology constraints to provide only certain services, teleports now are providing a wide variety of services. New players have also entered the teleport business. Once the domain of entrepreneurial small operators, teleports are now big, vertically integrated businesses.

To get an idea of the size and extent of the teleport business, the WTA just released its a survey of the global teleport industry called *Sizing the Teleport Market*. The survey is the first study to look at the size

benchmark surveys of the teleport business.

The survey identified 830 commercial teleports in 150 countries which operate 11,800 antennas. An astounding 63 percent of teleports are in North America and Europe. The total global revenues of the teleport sector are over \$12.8 Billion, of which nearly \$ 8.6 Billion come from teleport and value-added services and the remainder from the resale of satellite and fiber capacity.

The survey also notes that the commercial teleport sector spends nearly \$2.7 Billion annually on capital equipment including a wide variety of transmission, control, computing systems as well as cabling and connection products. The teleport industry employs approximately 27,000 people worldwide.



Ascent Media's Antenna Farm in Northvale, NJ. (photo courtesy of Ascent Media)

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The WTA's "Teleport Benchmark" last year concluded that the big companies in the teleport business are getting bigger and growing at a faster rate than medium and small companies.

The WTA Benchmark study also provides an annual list of "Top Teleport Operators" and curiously, five of the top ten are satellite operators, namely, Intelsat, PanAmSat, Telesat Canada, Space Communications Corp. and Telenor Satellite Services. Over the years, satellite operators have been heavily investing in teleport facilities. Recently, US-based satellite operator, SES Americom, purchased service provider Verestar, which owns substantial teleport facilities worldwide and Intelsat purchased COMSAT General.

The "Teleport Benchmark" reports that three major trends driving the industry are: financial recovery, consolidation and service diversification. Other key findings include:

Scale is Important: The larger the company the more it gets in terms of revenue from its facilities. For example, large operators (those with revenues of \$70m or more annually) generate an average of \$34.5m in revenues from every teleport and \$1.5m per antenna, compared to \$3m per teleport and \$598k per antenna for small operators.

End-to-End Solutions will Dominate: 100 per cent of respondents to the WTA survey in 2004 agreed that end-to-end solutions will dominate the future of the industry.

Teleports Are High-Value Sales Channels. For companies that sell products and services through teleports, the 2004 study confirmed

the importance of the teleport channel. The large operators in the 2004 sample sold or resold \$82m in transponder capacity and \$24m in fiber capacity per year. The average midsize company in the survey sold \$12.4m worth of transponder capacity, while small operators resold

\$1.8m per year in satellite usage. presents a \$24m annual sales opportunity.

Top Five Markets: , the top five markets for the teleport industry will be (1) enterprise networking, (2) video backhaul for TV contribution and distribution, (3)



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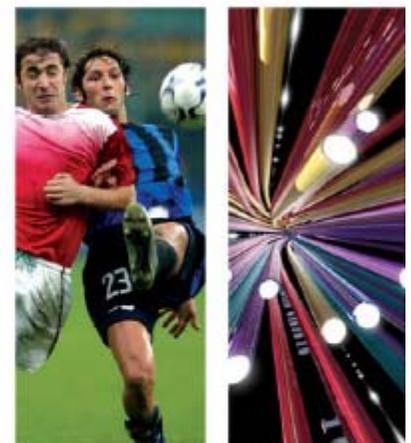
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enterprise video & audio (BTV), (4) government and military, and (5) Internet content hosting and distribution.

Both the WTA survey and the Benchmark report may not bode well for smaller operators--a fear that Robert Bell, Executive Director of the WTA allays. "The entire industry is increasing being driven by niche application players and there is still a continual influx of new entrepreneurial service providers," he said, citing a niche operator, CapRock Communications, which specialized in the oil and gas industry as an example.

"What we are seeing now is an evolution of a more complex marketplace where there is room for lots of many players. I think the market has become more healthy and dynamic as it has ever been because we have more layers in it and more companies with different strategies," Bell added.

Bell explained that it would not be sufficient to provide plain vanilla uplinks anymore to compete in the new market place. "Everybody's business will even be more complicated to manage--and managing this sector forward would require people with very strong business skills," he said.

Stephen Tom, a teleport industry veteran who was former WTA Chairman and now is the executive director of the Pacific Telecommunications Council, agrees with Bell that it would be more difficult for a new entrant into the teleport business. He advises those thinking of entering the teleport business to "validate a unique market strategy in a unique applications niche or geographic setting. They must also have exceptional relationship with their customers and provide excellent service."

So, while the teleport business has undergone some consolidation and seen greater participation by satellite



New "Sizing the Teleport Market" Research Study from WTA

WTA has published the world's first research study that sizes the teleport sector of the global satellite communications industry. The study provides global, regional and country data on revenues, geographic distribution, purchasing power, labor requirements and other key statistics. ***Sizing the Teleport Market*** is available free

to members of World Teleport Association and is for sale to non-members. The study depicts a sector operating in 150 countries, generating US\$12.8 billion in annual revenue, operating nearly 12,000 antennas and investing nearly \$2.7 billion per year in capital equipment. It includes breakdowns by region, country and metropolitan area.

For more information go to www.worldteleport.org

operators, the consensus seems to be that there is enough room for everyone. Especially with the variety of services that teleports can provide today.

David Sprechman, CEO of GlobaCast North America said that the industry has changed just in the last two years since he came on board. "To me, it is clear where this industry is going—it going from content distribution, which we have been doing for many years, to content management."

No matter what technologies are driving the teleport business, "at the end of the day, the customer doesn't care how we get it there, as long as it gets there in an

efficient and cost-effective manner," said Bell.

One thing is certain--that the teleport business has changed, but from all accounts it will continue to grow and flourish. **SM**

Virgil Labrador is the Managing Editor of SatMagazine. He was formerly marketing director of the Asia Broadcast Centre, a full-service teleport in Singapore then owned by the US broadcasting company, CBS. He can be reached at virgil@satnews.com

