

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

**In the Matter of
Fourth Annual Report to Congress on
Status of Competition in the Provision of
Satellite Services**

IB Docket No. 10-99

COMMENTS OF ILS INTERNATIONAL LAUNCH SERVICES

The Public Notice of the Federal Communications Commission dated July 22, 2010 requests comments on the proposed scope of the report to include various components of the satellite industry, as proposed. The Notice acknowledges that the *Fourth Report* would expand on prior reports to include certain “input suppliers” in 2009. ILS International Launch Services Inc. (ILS), a provider of commercial launch services, comments at this time to the advisability of expanding the scope of the report to include analysis of the launch services sector (which includes launch vehicle manufacturing). ILS does not believe that it is advisable to include this sector in the referenced report for three reasons: 1) The evaluation of launch services is beyond the scope of the FCC’s mandate for this report in calendar year 2009. 2) The correlation of competition in the launch services sector to pricing of communications services to US consumers is not documented, or analytically demonstrated. 3) There is ample evidence already existing within the public record to demonstrate a competitive launch services market in 2009.

ILS respectfully submits that the level of competition among commercial launch services is beyond the scope of this annual report. Congress, pursuant to the Communications Satellite Act of 1962, as amended, seeks a report only on the competition in the market for domestic and international satellite services. Specifically at footnote 7 on page 4 of the first Annual Report

and Analysis of Competitive Market Conditions with Respect to Domestic and International Satellite Communications Services issued March 22, 2007, the FCC stated: “We do not evaluate the satellite manufacturing or launch sectors, nor do we assess non-communications satellite applications, as we view these as outside the scope of Congress’ request.” The scope of this report is limited, as demonstrated by the fact that it already excludes other key forms of satellite communications services, such as direct-to-home and mobile, which encompass a large portion of the commercial satellite and launch services market for the United States.

To our knowledge no comprehensive study has been undertaken to prove any impact of the pricing of launch services or satellites, which fluctuates according to market conditions, with pricing of satellite communications services. Before the FCC undertakes an expansion of scope of the report on satellite services competition to include launch services, such a correlation should be analyzed, demonstrated, and understood.

Notwithstanding the above arguments, should the International Bureau proceed with an expanded scope for the *Fourth Report*, we believe that the public record already includes data to demonstrate that there was a healthy level of competition in the launch market in 2009. There now exists a streamlined and reliable supply structure, which has taken ten years to establish through painful market rationalization. The launch demand forecast can and is being met by existing capacity. We offer the following brief summary of a healthy, competitive launch services market:

- 1) Current U.S. government data and analysis confirm that effective competition exists in the launch industry. Per the Federal Aviation Administration’s annual review of the

commercial launch sector, there were 25 internationally competed commercial launch events in 2009 spread among multiple providers (see Figure below).¹

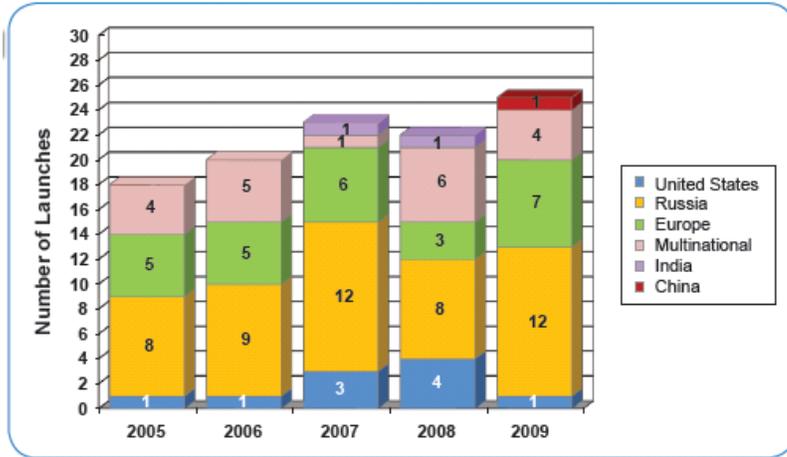


Figure 15. Five-Year Worldwide Internationally Competed Launch Events (2005–2009)*

* An internationally competed launch contract is one in which the launch opportunity was available in principle to any capable launch service provider. For Figure 15 only, this definition precludes government sponsored payloads launched commercially (some have been licensed by FAA/AST) when government policy prohibits open competition for the launch. The definition also does not cover payloads captive to their own launch providers (a distinction that is made by either a country or launch service company), test payloads, dummy payloads, or small secondary payloads.

2) In 2009, commercial launch services were available on the following vehicles:

- US – Atlas V, Delta II, Delta IV, Falcon 1
- Russia – Proton, Soyuz, Dnepr, Rocket
- Europe – Ariane 5
- China – Long March family
- Multinational – Sea Launch (Zenit 3SL), Land Launch (Zenit 3SLB)
- Japan – HIIA, HIIB
- India – PSLV, GSLV

¹ Federal Aviation Administration. *Commercial Space Transportation: 2009 Year in Review*, January 2010, page 21.

In addition to the above listed launch systems, additional launch systems were competing in the marketplace in 2009, including SpaceX's Falcon 9 (US) launch system and Orbital's Taurus II (US) launch system, which shared the award of a large NASA commercial launch contract, and a European version of Soyuz to be launched from French Guiana, which won a large multiple launch contract for deployment of a significant segment of the Globalstar system. Furthermore, Sea Launch is scheduled to emerge from bankruptcy later in 2010 and re-enter the commercial launch marketplace adding yet more market competition.²

On August 23, 2010, four major satellite operators ("Satellite Commenters") jointly filed comments in this docket focusing solely on the competitive market for launch service providers, and not on the status of competition in the provision of satellite services. The materials submitted by the Satellite Commenters (i.e., the Center for Strategic and International Studies Report) is largely a vehicle for the viewpoints of these commercial operators rather than a data driven analytical report.³ For example, ILS provided evidential input and comments to the report, highlighted in Appendix A, which were largely ignored by the report authors. We disagree with the basic premise of the CSIS report and in any event this FCC forum is not the appropriate venue for seeking change to longstanding government policy which has allowed for a competitive commercial satellite launch services market while protecting U.S. national security by prohibiting (absent a Presidential waiver) Western satellite launches on the Chinese Long March system.

² It could be argued that the June 2009 Chapter 11 bankruptcy filing by Sea launch is further evidence of a competitive launch services market. Disclosed in their bankruptcy filings were over \$1.4B in operational losses, which generally would not occur in a non-competitive market.

³ Given that the Satellite Commenters submitted the CSIS Report, ILS respectfully submits its critique of that same Report. It is attached to these comments as Appendix A.

Respectfully submitted,

/s/ Thomas P. Tshudy

Thomas P. Tshudy
Vice President & General Counsel
ILS International Launch Services, Inc.
1875 Explorer Street, Suite 700
Reston, VA 20190

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APPENDIX A

ILS View: July 2010 The Center for Strategic & International Studies (CSIS) Report: “National Security and the Commercial Launch Sector”

Editorialized Study Does not Contain Data or Fact-based Analysis

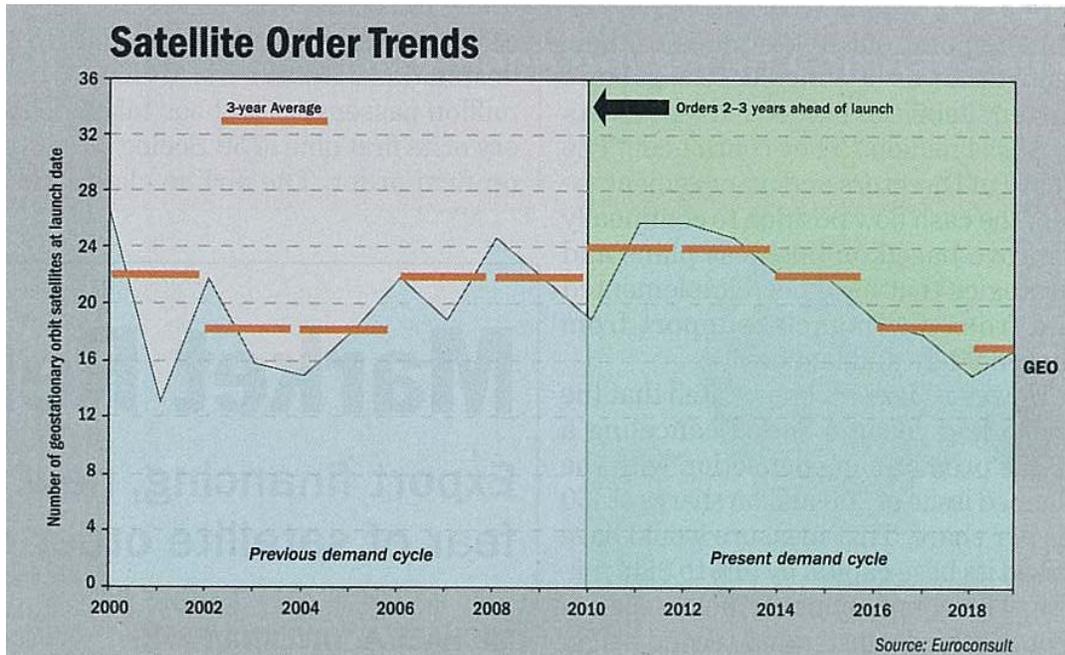
CSIS released a report in July 2010 regarding national security and the commercial satellite market. The report addressed the serious subject of US National Security and the growing use of commercial space based telecommunications services by the US military. While there is a growing need to understand the threats and vulnerabilities and to develop policy surrounding the use of commercial telecommunications for US National Security and military purposes, the report itself does not assess all levels of the value chain in telecommunications services nor the US Governments procurement processes and the US National Security implications. The study focuses very narrowly on Commercial GEO launches and was not based on factual data-driven analysis. For example, the report provides no data or analysis of US National Security requirements and the linkage to commercial launch services. Instead, CSIS used selective input from interviews with unidentified participants. As a result, it cannot be viewed as a valid tool to evaluate any comprehensive industry performance or drive policy action on US National Security or competition analysis.

Bottom Line: Assured Access to Space Requires a Healthy Commercial Launch Sector

Given the report focus on commercial GEO launch, there appears to be a clear lack of understanding or appreciation of the significant financial losses (in the billions of USD) that have occurred in the commercial launch industry in just the last ten years due to overcapacity and below cost prices. The report provides significant criticism of the Lockheed Martin/Boeing joint venture and the Air Force management of the Atlas V/Delta IV program for the US government. No substantive reference is made to the significant financial losses in commercial launch that these companies incurred and the consequential publicly stated decisions by the companies not to support money-losing propositions in commercial launch. Secondly, recommending regulatory relief to allow the Chinese Long March system into the commercial launch market to launch Western satellites without a full debate in the report of the US National Security implications and consequences appears to lack rational objectivity.

We believe that commercially healthy and financially viable launch providers who launch on a regular tempo with sustainable cost and pricing structures are the key to reliable access to space for all users of commercial bandwidth, including government customers. The demand for

commercial launch services is currently at a peak with providers and industry analysts predicting decreasing demand over the next several years (see Figure below).⁴



Existing supply is accommodating the peak with the all launch suppliers ready and waiting for payloads to launch. In a period of decreasing demand, increasing launch capacity will weaken the stability of the industry and lower the health and reliability of access to space. This is precisely what happened a decade ago when new players entered the market in a period where demand was falling or overly optimistic forecasts of growth did not materialize.

In summary

We strongly disagree with the CSIS report premise that access to commercial launch is a significant problem today or in the foreseeable future. In fact, the recommended policy actions would likely weaken the commercial launch industry. Further data and analysis can be provided to support our conclusions and observations that:

- Telecommunications services to the US public or the US Government are not at material risk of disruption due to a commercial launch failure.
- Existing Commercial Launch Services are affordable and of significant value to the Global Telecommunications Operators.
- Launch demand can and is being met by existing capacity in the market.
- Rationalized supply structure is a reliable supply structure and it has taken 10 years to occur through normal market mechanisms.

⁴ Euroconsult as printed in [Aviation Week & Space Technology](#) September 13, 2010: page 27.

- Driving launch prices down with “artificially” induced additional supply will damage the launch industry.
- US National Security is not threatened by existing commercial launch supply nor is there any demonstrated linkage.
- Introducing Long March into the commercial market will increase National/Global Security risks.