

Two strategic deals

In the last month, 2 of the 5 commercial satellite operators in Europe have changed ownership; Deimos Imaging was acquired by Urthecast (Canada) and yesterday Blackbridge announced that the business which formerly traded as Rapideye would be sold to PlanetLabs (US). Both these deals are "industrial" or strategic, meaning it is not just a question of changing financial ownership. What does this mean?

After these deals, Europe is essentially left with 2 companies which offer satellite imagery; Airbus and E-geos/Telespazio. Neither of these companies owns the satellites they operate but rather have exclusive rights to distribute data commercially. Whilst SPOT 6 & 7 are owned by Airbus, the Pleides satellites are owned by CNES, ownership is shared between Airbus and DLR for TerraSAR-X and the satellites operated by DMCii have many owners whilst Cosmo is owned by the Italian government and data rights lie with Telespazio.

Hence the only two independent operators in Europe have been acquired by North American operators. It seems to be a strong vote for European technology and constitutes a strong, positive message concerning the future market, but the European backers of both Rapideye (which went into bankruptcy in 2009 before selling to the Canadian investment fund Blackbridge) and Deimos have preferred to see a capital return rather than continue to be present in the EO market. As far as I am aware these are both 100% exits and neither retains a stake in the enlarged businesses.

Does it reflect a lack of vision from European companies or are the reasons more fundamental? It demonstrates a dependence on public investment which is not the case in North America. Both Planetlabs and Urthecast are private companies backed by venture capital. They are taking risk to enter the emerging market for commercial EO services with the vision that this will be one key element in the Digital market. Recall also the presence of Google which acquired the Skybox Imaging business last year.

Whilst the NGA has recently announced that it wishes to open discussions with the "new operators" such as Planetlabs and Skybox Imaging, they depend almost exclusively on imagery coming from DigitalGlobe which holds a unique position in the market and underpinned by anchor tenancy contracts with the US government. Nevertheless, DigitalGlobe is a private company, backed by private capital even if it is dependent on government contracts. It is free to take commercial decisions which, even if they may be influenced by them, are not blocked by government policy.

I should hastily state that I do not necessarily see it as a problem that European companies have non-European owners. Personally, I believe in the strength of an open market and external investment can be a "strength" rather than a "weakness" but it does mean that future investment decisions could favour non-European technology. The key objective is still jobs and revenues in Europe and our actions should be oriented to ensuring that this remains the case.

I have stated before that I strongly prefer the anchor tenancy approach as part of a public-private partnership to the shared investment approach adopted in Europe. I think this view is supported by the two acquisitions which are market transactions unhindered by state investment. In Europe, despite Copernicus being a European programme, policy is determined by a few nations with own interests at heart. This means that whilst the EU market may represent 450m people, it is fragmented into 28 parts unlike the US where there is a single, 250m people market.

At the same time, the attitude towards and availability of risk finance is much more conservative in Europe. A culture of risk-taking and private investment is needed and paradoxically, European government policies will need to change to enable this to happen. This is also evident in the highly fragmented market for value added services where over 95% of the companies concerned have less than 50 employees. These companies will be squeezed out of existence or will also be acquired by non-European companies.

The recent proposals from the EC to establish legislation on the distribution of high resolution imagery, despite their claims, would not have addressed this problem which requires the EU to act as a single customer not as a single regulator. The EO services market is still dominated by government interests but the different approaches adopted in the US and in Europe are having a strong impact on this market. Talks must now start about what action can be taken in Europe to ensure that European companies do remain players in this emerging part of the Digital Market.