

Satellite idea might fly

by Mike Freeman

When Boeing announced plans in September to discontinue its high-profile Connexion in-flight Internet venture, the Carlsbad, Calif., company ViaSat saw a potentially lucrative contract essentially grounded.

But the satellite equipment maker, which built onboard modems and other avionics for Connexion, is maintaining its foothold in aviation by setting its sights on business jets.

AIR WAVES - ViaSat technician Ken Reahr tests a business jet satellite system in Carlsbad, Calif. ViaSat's systems will be installed on large Gulfstream jets. CNS Photo by Crissy Pascual. ViaSat will supply equipment for a satellite-driven broadband-in-the-cabin service offered in partnership with Arinc, a Maryland company that specializes in aviation communications. The systems will be installed on large Gulfstream jets. The company also has a deal to provide the systems to Dassault for its Falcon 7X long haul jet beginning this year.

The \$12 million contract is not a huge deal for ViaSat, a defense and commercial satellite equipment maker with \$433 million in sales in 2005.

But it does place the hardware firm among a handful of companies still betting they can make money

providing Internet access to aircraft.

While they're focused on business jets today, ViaSat and its competitors think it's just a matter of time before onboard Internet rebounds on commercial airlines, despite Boeing's decision to pull the plug on Connexion after roughly a \$1 billion investment.

Boeing was "kind of noisy on the way out," said William Sullivan, managing director of mobile broadband systems for ViaSat. "They basically said there was no business there. We don't agree with that."

For now, ViaSat is being deliberate in its approach to in-flight Internet. It's focusing its sales efforts on large, expensive business jets to start.

But eventually, the company hopes to migrate back to the passenger airlines, if and when they begin offering the service.

"We're being careful about how we move toward the commercial airlines," Sullivan said. "But we're very interested in that. In my opinion, at some point my computer or my mobile device will be connected when I'm on an airplane. Our objective is to be well-positioned to capture our share when that comes along."

Besides providing onboard equipment, ViaSat operates the satellite network, including a station in Carlsbad that sends signals from the ground to the planes. Arinc is like the Internet service provider, providing the Internet link and handling billing.

High-speed Internet access on corporate jets is an emerging market. But it's expected to grow fast as demand for business jets continues to soar.

"With both service and hardware, the market could top out at \$100 million a year," said Robert Thompson, senior director of business services for Arinc. "Roughly a third of large Gulfstream business jets are coming off the line with this system on it, and I anticipate Dassault Falcon will reach similar percentages."

Unlike Boeing's Connexion service, which failed to get enough aircraft signed up to make the investment pan out, pitching Internet access to business jet owners is an easier sell.

"We chose the business jet market because they generally have deep pockets, are quick decision makers and are quick adopters of technology," said Thompson.

ViaSat's niche is speed. The system, called Skylink, can deliver download speeds of 3 megabits to up to 10 megabits per second - equal to or better than cable modems.

"The technology itself, the network we extend to the aircraft, allows these corporate aircraft to really become a remote office," Thompson said. "My executives are caught on this plane for four hours, but they're banging away on the network and doing everything they would be doing at the office at similar speeds."

ViaSat's system is the fastest Internet service on the market today for corporate jets. Competitors, including London-based Inmarsat, offer essentially dial-up connection speeds, although Inmarsat plans to roll out a faster in-flight service this year.

ViaSat cut its teeth in aviation by supplying onboard modems and other equipment for Boeing's Connexion. Boeing signed up about 150 aircraft on 12 foreign carriers for the service, which provided unlimited broadband access for passengers for about \$25.

No U.S. carriers - potentially the largest market - signed up. Boeing's overhead also was high. More than 500 employees worked in Connexion. And Boeing purchased expensive satellite capacity to offer global coverage - despite having had only a few flights tapping into the satellites in remote areas.

Tim Farrar, president of the consulting company Telecom, Media and Finance Associates, forecast it would take 1,000 planes for Connexion to break even.

Even though Connexion failed as a business, passengers who used it raved about the service, said Mark Dankberg, chief executive of ViaSat. Business jet customers have a similar reaction, so he believes customers will "push" aircraft manufacturers to make the service available.

Farrar agrees, particularly for large business jets. "It's definitely an interesting opportunity for them over the next couple of years to get a foothold and grow that business," he said.

But Farrar added that other services are slated to roll out in the next year or so that will challenge satellite-based systems such as ViaSat's. One example is AirCell of Louisville, Colo., a ground-based network that aims to bring cell phone service and Internet access to jets at less cost than satellite-based systems.

"I think the challenge is with AirCell and other services coming into the market in the 2008 time frame," he said. "They will be relatively cheap. They won't offer the high data rates or unlimited access for a flat fee, but they will offer communication to a cell phone or Blackberry, and that's really 80 percent of what people need."

ViaSat's system is not cheap. The equipment and antenna cost between \$275,000 and \$350,000, with installation running about \$100,000 more. The monthly fee runs an additional \$4,500 for about 20 hours of use.

But for buyers of \$40 million aircraft, the expense of the system is almost incidental, contends Thompson of Arinc.

Because a dish the size of a small pizza must be mounted on a corporate jet, ViaSat is only targeting large corporate aircraft such as the Gulfstream IV for now. These jets are designed so the dish can be installed in the tail. Midsize or small corporate jets would have to mount the dish on the fuselage, which creates drag, boosts fuel costs and is generally unattractive to the jet's owner.

Â© Copley News Service

Satellite idea might fly by Mike Freeman