PARIS -- Swedish Space Corp. (SSC) is purchasing 100 percent of its longtime joint-venture partner in satellite operations, Universal Space Network of the United States. SSC expects the all-cash transaction to provide a more coherent service offer to customers and open fresh markets to SSC's other divisions, SSC General Manager Mikael Stern said Jan. 21.

In an interview, Stern declined to disclose the terms of the purchase. He said SSC's space-operations division reported about 350 million Swedish krona ($43.2 million) in revenue in 2008.

In a separate Jan. 21 interview, Tom Pirrone, vice president for customer development at Universal Space Network (USN) said the company's 2008 revenue was about $15 million, with 2009 revenue expected to approach $20 million.

For 2009, SSC expects its satellite operations division to increase revenue to more than 500 million Swedish krona, assuming the purchase of Universal Space Network, based in Horsham, Pa., and Newport Beach, Calif., is approved by U.S. regulatory authorities before midyear.

A key government review will be managed by the Committee on Foreign Investment in the United States, an interagency body chaired by the U.S. Treasury Secretary.

Pirrone said the U.S. government, meaning NASA, the U.S. Defense Department and other agencies, accounts for 50 percent to 60 percent of USN business. He said the company has briefed its U.S. government customers about the sale and has seen no negative reaction.

"We have briefed all our key customers and the reaction has ranged from ambivalent to very encouraging," Pirrone said.
"If we had had any indication that this would be a problem, we would have" reconsidered the transaction.
SSC and Universal Space Network agreed in the late 1990s to join forces to form PrioraNet, a global network of ground stations used to track satellites as they are maneuvered into their final operational orbits, and to control spacecraft during their operational lives.

The network includes satellite control stations in Sweden, the United States, Chile and Australia that are owned by SSC or Universal Space Network, as well as stations in Europe, New Zealand, India and South Africa that are regularly contracted by Prioranet.

Stern said the business typically features multiyear contracts, which provides a measure of protection against the current worldwide economic downturn. He said 80 percent of SSC's forecast revenue for 2009 is already in the company's backlog, as is 60 percent of the expected revenue in 2010.

The decision to sell Universal Space Network followed a yearlong discussion between the two companies about whether they should continue their current partnership, or adopt a 50-50 ownership structure or some other ownership formula to ensure that the two were acting as one entity in seeking business from satellite owners.

SSC already owns about 12 percent of Universal Space Network, which is majority-owned by private-equity investment fund Warburg Pincus.

Pirrone said Warburg Pincus is an example of a private-equity investor that is willing to give a start-up company time to grow before seeking to exit the investment. In USN's case, Warburg Pincus stuck with the company, including participating in a refinancing round, for about nine years.

The SSC/USN satellite operations business is mainly two types of services. The first is to operate a satellite during its so-called launch and early operations phase (LEOP), which ends when the spacecraft manufacturer hands over control to the satellite owner after in-orbit checkout. LEOP operations typically last from several weeks to several months.

The second service, which provides multiyear contracts, is regular satellite operations for a satellite's entire service life.

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The major satellite fleet operators take control of their own satellites, but over the last 15 years the number of one- and two-satellite operators has not diminished in the telecommunications business despite a consolidation among the largest fleet operators.

Pirrone said some small satellite operators, typically those whose national governments have financed the satellite, want to retain operational control if only to serve as what Pirrone referred to as "a hood ornament" for a program whose political backing was more important than its financial viability. But others are willing to outsource operations.

The diversification of satellite owners has been more pronounced in the Earth observation sector, where the reduced cost of building an observation satellite has placed such assets within the reach of many nations. These satellites need to be in contact with ground stations around the world.

"The whole purpose of USN at its origin was to be an enabler of programs," Pirrone said. "We were hoping that low Earth orbit would be a killer app. It never came to fruition, but the idea of smaller satellites is catching on."