

Romain Bausch, satellite innovator

Romain Bausch, president and CEO of satellite operator SES Global, is a rare executive in the industry in that he didn't start out as an engineer, a lawyer, or in sales or marketing, the more normal routes to success, but as a Luxembourg civil servant in its Finance Ministry. It helps, of course, that SES Global grew out of the Luxembourg-based Société Européenne des Satellites, which had the bright idea back in the mid-1980s to build and launch a broadcast satellite for Europe.

Bausch, like many a busy executive, admits he spends too much of his time accumulating frequent flyer miles and, to compensate, joins friends cycling around the tiny Grand Duchy. But Bausch says it would be wrong to

Chris Forrester spoke to Romain Bausch, CEO of SES Global, to find out what marks him out from the crowd and to gain his thoughts on the company's future

describe him as a former banker.

"In the UK or France or Germany, the ministry of finance might have hundreds if not thousands of staff. In Luxembourg, we were not only much smaller, but our responsibilities went far beyond that single ministry. I was for some years Luxembourg's Commissioner to RTL, where we held an investment, so I was very much involved in the media because of their TV and Radio interests.

I was closely involved in many different elements of the media and I was also the first chairman of Europe Online and at the same time I became involved with SES so these various, highly diversified, activities at the ministry put me in a good position to get to know more about SES."

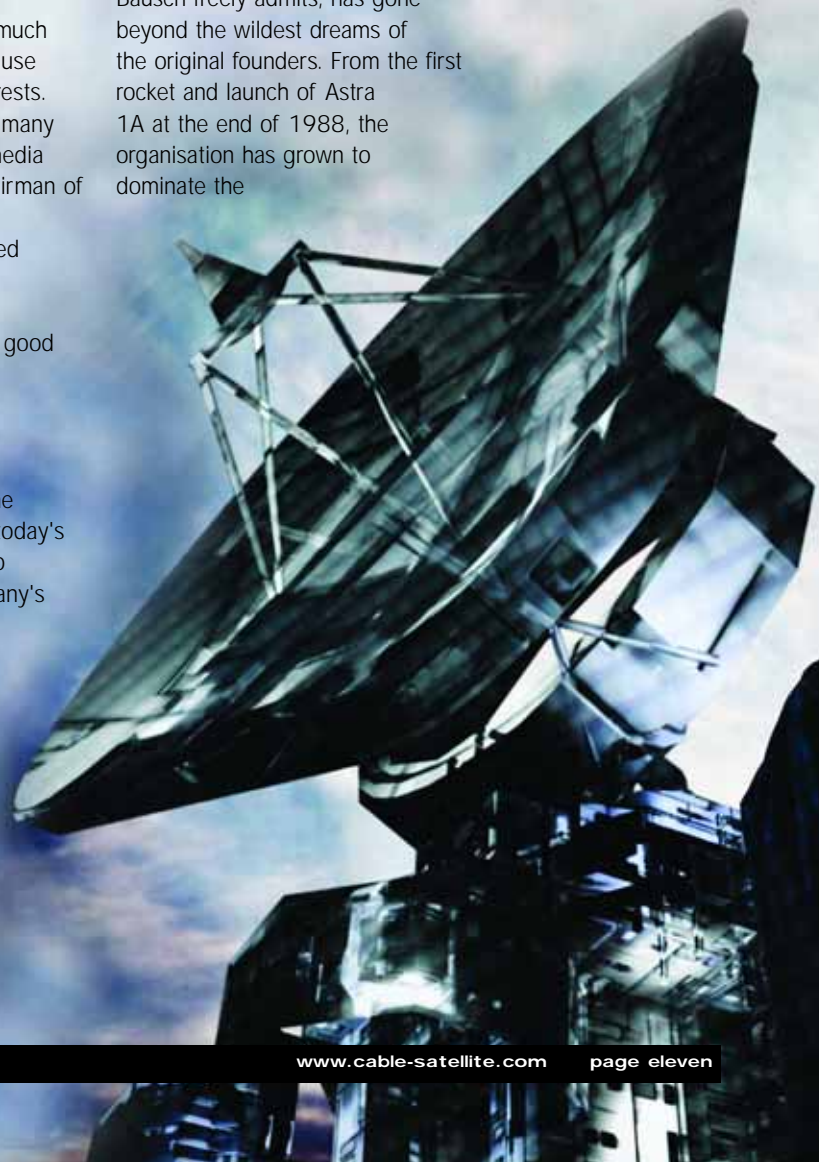
Bausch holds an MA in Economics & Business Administration, and while he is far too modest to claim today's success as his own, it is no coincidence that the company's expansion has occurred on his watch.

The SES success story

Luxembourg is a small land-locked country (total population of about 450,000) that has long had a history that used radio - and subsequently television - to earn advertising cash from France, Germany and

Britain. Radio Luxembourg ("The Station of the Stars"), for example, had been a justifiably trendy source of popular music since the 1930s having been founded by a pair of French radio pioneers. It was, therefore, perfectly natural that that entrepreneurs should try the same technique with satellite TV.

The SES success story, as Bausch freely admits, has gone beyond the wildest dreams of the original founders. From the first rocket and launch of Astra 1A at the end of 1988, the organisation has grown to dominate the



Romain Bausch: CV

- Born July 1953
- Administrator General in the Luxembourg Ministry of Finance
- Member of the Board of Directors of Société Européenne des Satellites (SES)
- Vice-Chairman of SES' Board of Directors
- Chairman of Société Nationale de Crédit et d'Investissement
- Government Commissioner to Compagnie Luxembourgeoise de Télédiffusion (CLT)
- Government Commissioner to Banque Internationale à Luxembourg
- Chairman of the Economic and Social Council (Luxembourg)
- Joined SES in May 1995 in the CEO position
- Appointed President and CEO of SES GLOBAL in 2001

Bausch, on SES' future:

"My role now is to keep the company focused especially in the video sector and ensuring that all elements of the value chain for our customers are in place. We need to keep satellite DTH competitive to the other distribution methods. This is not a problem in markets like the UK or France but in countries like Germany there are big gaps and we either have to fill the gaps ourselves in the value chain or ensure that others fill the gaps so that satellite remains highly competitive."

"It's the same in Eastern Europe, where developments of satellite will not be as smooth as in Western Europe. So SES will continue to encourage initiatives and make investments that are not limited to the infrastructure, but that are also going into distribution in order to ensure that video and radio is efficiently delivered by satellite over the next 15 to 20 years."

"We never forget that from the moment a satellite is planned, we have to look twenty years forward at the state of the market at that time. We need to make sure that a business will still exist 20 years down the road."

globe with 100%-owned divisions operating over Greater Europe (SES Astra), North America (SES Americom) and its latest acquisition SES New Skies. SES owns significant stakes in operations over Asia (AsiaSat), Brazil (StarOne), Canada (Ciel), Mexico (QuetzSat) and over Scandinavia (SES Sirius).

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SES operates under what some have described as a 'Federal' system, permitting a considerable degree of autonomy within its individual divisions. "There are other differences in the way we operate compared to our rivals. We like to see ourselves as a grouping, almost a family of regional satellite operators. We continue to believe that our video markets in particular continue to be regional markets, and having strong regional players in Europe, Scandinavia, the US and so on as well as with SES New Skies, each allows us to optimise our sales and marketing effort on a highly focused basis.

"None of our competitors have the sort of configuration where they could enjoy such tightly targeted regional activity. Intelsat and PanAmSat with their US base have to integrate from that base; Eutelsat is very much focused on Europe, and perhaps EMEA.

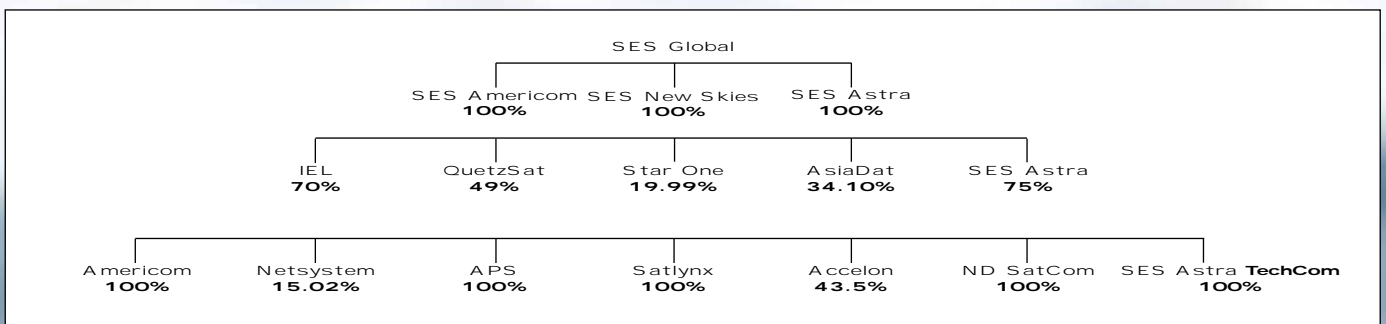
"So I would not say that we have opted for a different organisation scheme to our competitors, but I would say that our competitors look differently at the market and they have not succeeded in building something comparable to SES."

There's more consolidation likely, says Bausch, specifically identifying

the Asian region where there are currently 26 independent satellite operators, many operating just one or two satellites. "Consolidation is a permanent feature of our business," he adds, although stresses that SES Global's future ambitions need not be limited to Asia. SES already has a 34% economic interest (but 50% control) in Hong Kong-based AsiaSat. SES has also admitted to looking closely at Canada's Telesat as a potential acquisition target.

Signal encryption and project 'Dolphin' Which is not to say that SES is without challenges. Its current 'big problem' is undoubtedly Germany, where it is under examination (with a couple of major commercial broadcasters) by Germany's powerful Cartel Office. That investigation wrapped just before Christmas, and not in SES Astra's favour. We asked Bausch whether he regretted the German plan, which in essence calls for encryption of all digital satellite transmissions.

"No, definitely not. The reason that I remain convinced that Germany needs a competitive



distribution platform for all kinds of digital TV content by satellite is because we need to ensure that satellite remains competitive in the German market, when competing with cable and DSL services.

Today, there are 16 million DTH homes in Germany and it's very clear that somebody has to offer a platform to make sure that the German TV viewer gets a content line-up that's as interesting on satellite as it might be on cable or DSL. So that's what the Dolphin project is all about."

His argument is sound, and the consensus is that Dolphin (now branded 'Entavio') will go ahead. The head of the Cartel Office in a recent interview in Germany said it was his conclusion that the parties will present the project in such a way that the Office will not have to say no. "My point is there will be a Dolphin project, that's absolutely clear," says Bausch.

"The question remains as to how close to the original plan we can stay while at the same time seeking approval from the cartel office or whether there will be some changes. And that's all. As for ARD and ZDF, these are

the public TV channels and these will continue to be transmitted on satellite in the clear. But if RTL, MTV and others ask us to encrypt their signals, we will do so.

"However, if broadcasters want to stay in the clear, they can stay in the clear. Both options will be available but Dolphin will allow all the pay TV operators to stay on satellite with their pay channels. If and when Dolphin is activated, it will permit players like RTL to then distribute their pay TV channels to cable and other terrestrial operators in encrypted form."

"I can also see a new business evolving of delivering IP-based channels direct to the home."

Satellite-to-mobile and other plans

Just recently, SES announced something of a surprise: it would link with arch-rival Eutelsat in a \$165m joint-venture project to tap into the growing interest in satellite-to-mobile. Using S-Band technology on an upcoming Eutelsat W2A craft, the plan is to use satellite to deliver video - and perhaps audio - to mobile phones, receivers in the back of cars and other portable video devices. "This is not in competition with terrestrial infrastructures, but as a complementary service," said Bausch.

Terrestrial repeaters would be used in urban and suburban areas, with satellite providing the gap-filler. While the transmissions would be compatible with DVB-H, he forecasts a rapid standardisation some 18-24 months from now as to receiving units.

The one segment that SES has not - to date - managed to break into is broadband. SES is again trying to kick-start a satellite-delivered service using Astra2Connect as the wholesale platform. "There is one big difference between our previous

attempts and this. This time, equipment costs are well down. We are able to offer, at factory gate prices, the outdoor and the indoor equipment for less than 250 and this is dramatically lower than the systems being considered before," says Bausch.

"I also believe we are well advanced on a plan to see equipment being available, including the dish for home installation, and not requiring an engineer - this would also help keep costs down. We have always thought that there is a market out there, especially in rural areas, to provide broadband to homes and

businesses that simply would not get service otherwise. Initially, we will be focusing on Germany, Eastern Europe and France. We are really confident."

CEOs, of course, are almost obliged to be upbeat, but there's little in Romain Bausch's business plan, or Crystal Ball, to suggest he has much to worry about.

"I strongly believe in our future, and projects like our IP-Prime service that's already well established by Americom. We are building a factory, if you like, of IP channels and now have some 200 available, and 20-odd in HDTV, that are up and running. We have only announced the first batch of contracts because clients are not yet ready to formally announce their start dates but they are in the pipeline and I see satellite playing a very important role in this area. This is a simple repetition of what satellite first started out doing, which was to deliver signals to cable headends.

"I can also see a new business evolving of delivering IP-based channels direct to the home. Why not? This looks like happening in the US and it could happen elsewhere." CSI