

# Creating the World's Leading Satellite Company

An Interview with Joseph R. Wright Jr.,  
Chairman of the Board, Intelsat, Ltd., Pembroke, Bermuda



Joseph R. Wright Jr.

**COMPANY BRIEF** *Intelsat is the world's largest fixed service satellite provider, enabling people and businesses everywhere in the world to have constant access to information and entertainment. Intelsat (www.intelsat.com) offers customers around the world a greater business potential by providing them access to unrivaled resources with ease and peace of mind. Its service offerings include leased services, channel services, and hybrid managed solutions, which are utilized by an extensive customer base, including some of the world's leading media and communications companies, multinational corporations, Internet service providers, and government and military organizations.*

lem situations. I have seldom worked with a company whose business was "steady state" and that shouldn't be changed. Someone once said, "If all you have is a hammer, each nail is an opportunity." I guess that could be me. As I said, PanAmSat was in trouble five years ago. It was 81 percent owned by Hughes and GM, which were not going to provide any further funding, while at the same time, it was proposing to spend substantial capital on new satellites. There was no more room to maneuver. PanAmSat was also a "stepchild" in the larger scheme of Hughes' business. So the feeling was that Hughes was seriously considering breaking up PanAmSat for satellites and slots. I was reluctant to take the job if that was going to

**EDITORS' NOTE** *At press time, Intelsat was expected to conclude the acquisition of PanAmSat on July 3. Upon completion of the acquisition, Joseph Wright becomes Chairman of Intelsat. Prior to taking the helm at Intelsat, Joseph Wright was the CEO of PanAmSat, the global satellite communications company, from 2001 to June 2006. Previously, Wright was Chairman of GRC International. From 1989 to 1994, he was Executive Vice President, Vice Chairman, and Director of W.R. Grace & Co. In the '80s, he served under President Ronald Reagan as Deputy Director and Director of the Office of Management and Budget and as a member of the Cabinet as well as Deputy Secretary of Commerce. He was one of a few individuals to receive the President's Citizen's Medal. Prior to that, he was President of two Citibank credit-card subsidiaries and early in his career, he was one of the youngest partners in the history of Booz Allen Hamilton. Wright currently serves on the boards of Scientific Games Corporation and Terremark Worldwide, is a member of the Federal Communications Commission's Network Reliability and Interoperability Council as well as the Media Security and Reliability Council. In addition, he serves on the President's National Security Telecommunications Advisory Committee.*

**What was your proudest achievement as CEO of PanAmSat?**

PanAmSat itself has a proud history with young, high-tech, high-energy employees, but it had serious operating and financial problems. These problems were made worse by a very uncertain ownership situation. We were able to stabilize all of that, turn the company around, and merge with Intelsat, creating the most prestigious satellite company in the world. I've been told that it could be a great business school case study.

**So you became CEO at a troubled point in PanAmSat's history. Why did you feel it was the right position for you, and that you could turn it around?**

First of all, I love turnarounds of prob-



be the case. Liquidation is for lawyers, not executives. Only when Jack Shaw, then CEO of Hughes, made it clear we'd have a chance to turn PanAmSat around, did I take the job.

Within the first two weeks of becoming CEO, my first action was to send out a simple memo to all of the company's employees outlining my "game plan." It was only a couple of pages long. Simply put, it laid out the few major steps we had to take to turn the business around. And it sent this message to our executives: "This is what we're going to do. If you want to join me, fine. If you don't, I hope you have a good life." About 25 percent of our executives left and the rest of them have been there ever since. There's no question that what we did was fairly dramatic. But, not only did we turn the company around, we transformed it into one of the best managed and profitable ones in our industry, with an EBITDA [earnings before interest, taxes, depreciation, and amortization] today close to 80 percent, while we also sold the company four times, went private, and then public, and raised substantial capital twice. It has been a good five years, but we had to start out of the box fast. There's no time for "studies" in turnarounds. This was my kind of environment.

#### **So how exactly did you go about turning PanAmSat around?**

As I said, in 2001, PanAmSat was planning to invest around \$2 billion on new satellites over the next five years, was spending \$200 million annually in operations, investing close to \$50 million annually on developing a video-streaming project, had to repay almost \$2 billion in debt to Hughes in four months, and was having serious fleet reliability problems. To make matters worse, some of our major customers were almost rebellious. We had missed our quarterly guidance to our public shareholders almost every quarter for years. It was not a pretty picture. We had to move fast. I laid out a simple plan – speed and complexity don't go well together.

The first thing we did was to reduce our operating costs by 30 to 35 percent and lower our head count from around 860 employees to around 600. That wasn't easy, or popular, but necessary. Next, we eliminated almost all of the new product expenditures that were not focused on near-term market opportunities. We closed two large teleports and reduced the headquarters' office space by half. We put a full-court press on improving fleet reliability and customer service. We focused on expanding and solidifying our base, the large video customers. In addition, we reduced our satellite construction plans by announcing that we would not build any more risky "greenfield satellites" to open up markets and we would launch smaller satellites to meet today's markets at half the \$250 million price. That was heresy at the time. And, finally, we made sure that our shareholders and



bankers knew that we were focused on increasing margins, improving cash flow, and meeting our financial guidance targets every quarter. We had to regain credibility – and regain it we did.

#### **Where did you find people capable of this kind of turnaround?**

Our management team consisted of great entrepreneurs. We had high-tech, young, and extremely bright professionals at the forefront of the industry helping us, but they needed to start acting and operating like part of an organized, disciplined company with responsibility to its shareholders. So we focused on what we are good at – video and network services – and de-emphasized everything else. We "focused, focused, focused," and said we were going to be the best-managed company in our business and provide the highest level of service possible. And we began to believe it – as did our customers and shareholders. So I'm very proud of all our people. They did a great job.

#### **What is one word that you would use to describe the company's performance?**

That's easy: "Focus." We had problems with the fleet and our customer service, and we solved them. We doggedly pursued higher margins and cash flow. We concentrated on the markets we knew well and became number one in these areas.

We did not have an extensively diverse agenda, so we did it well. Finally, we knew that we would need to merge with another company some day to get to the next level, and obtain the capacity for growth – and we did it. We were very focused.

#### **What made you feel that this was the right time to combine with Intelsat?**

The timing was perfect. The two companies complement each other as well as any that I have ever seen. Intelsat has a long tradition of technical competence in designing and operating the largest satellite fleet with great flexibility for coverage around the world. Most of the services that it provides are international, with 25 percent in the United States, primarily to telecom customers and network services. It is the largest satellite leaser to the U.S. government. PanAmSat, on the other hand, is well known for innovation, reliability, and customer service. Approximately 60 percent of its services are in the U.S., primarily to media customers and the government.

So it's almost a perfect complementary match in terms of operations, market coverage, and customers. The new company will be the largest satellite provider, with over 50 spacecraft in our fleet, supported by an expansive terrestrial network of leased and owned fiber and eight owned teleports to

media, network services and telecom, and government customers. It will distribute approximately 25 percent of all television channels worldwide, will carry more high-definition TV [HDTV] than any other satellite operator and will transmit to 100 percent of U.S. cable systems. You can't match that anywhere else in the industry.

Finally, PanAmSat was reaching the point where a merger with another satellite operator made important strategic sense, in order for it to gain market position and satellite capacity for growth. So it is a great combination of companies and capabilities for all concerned.

### **Where are the strongest growth opportunities for the combined PanAmSat/Intelsat?**

First of all, the U.S. market for high-definition TV [HDTV] will continue to grow. Satellites are perfect for distribution of high-definition and other video programming, and we are already the market leader in providing these services.

Outside the U.S., service providers are launching direct-to-home [DTH] video services that use fixed satellite services such as Intelsat's to deliver their programming to their subscribers. We already host 27 of these DTH platforms today, and expect that to continue to be a good growth opportunity for our company.

As companies increasingly 'go global,' and generate more and more data to operate their companies, they build satellite-based private data networks. This is one of the fastest growing sectors of our industry. We provide satellite services for companies that operate in numerous countries and use satellites to connect remote locations into a single network.

Also, the U.S. and other governments will continue to use satellites for military and civilian activities. Their communications capacity will have to be much greater in four to five years. Satellites are also the only way that organizations like the Centers for Disease Control and Prevention can send images from remote areas of the world to the U.S., where they can be analyzed for a diagnosis, or from a battlefield for expert opinions on severe injuries.

Lastly, disaster relief for emergencies such as Hurricane Katrina requires satellites because, at 22,300 miles above the earth's surface, our spacecraft can send clear images, information, and communication to first responders and emergency workers, and are almost terrorist- and hurricane-proof.

### **Should satellites play a larger role in our disaster-relief efforts?**

Absolutely. It's vital to include satellite capabilities with those on the ground. It was proven, beyond a shadow of a doubt, that our terrestrial communication networks failed both in 9/11 and Hurricane Katrina. Our first responders were not able to coordinate their efforts in order to save lives.

There was no reason for this. One of the main problems has been that local networks, which include firemen, policemen, hospital workers, etc., are designed so that other people cannot use them. This means they can't talk to each other and are not designed to handle the "peak volumes" that happen in emergencies. Once they go down, all communication stops.

That's where the satellite comes in. While we didn't have time to plan for the event, both Intelsat and PanAmSat responded extraordinarily well during Hurricane Katrina, in my opinion. Intelsat reconfigured capacity and donated service to help cellular providers, such as Cingular and Nextel/Sprint, as well as long-distance carriers MCI and AT&T,

vans with automatic satellite positioning, which are located today in the high-risk areas. If those vans cannot get in by road, there are over 40 "hardened" network packs that can be dropped in by helicopter or aircraft to provide full communication links. And if we cannot fly in, we have an inflatable antenna, weighing 55 pounds, which can be walked into a disaster area and set up within 30 minutes. We've tried to think of every way possible to avoid the communication snafus of 9/11 and Hurricane Katrina. This is a high priority for us.

### **Now that you are Chairman of the new Intelsat, will it be difficult for you to turn the reins over?**

Are you kidding? That will be one of my great pleasures. The first thing I've



reestablish their networks. It also helped provide capacity for emergency services via mobile vans for relief agencies, as well as mobile offices and command centers for the Department of Homeland Security and the Federal Emergency Management Agency [FEMA]. PanAmSat provided satellite capacity to 40 of the Red Cross sites in the region, provided connectivity to FEMA, the Coast Guard, the Navy, and the Army Corps of Engineers, and brought in mobile communication centers. Both companies responded within a matter of hours, and they were one of the main reasons that first responders and emergency workers were able to reestablish communication.

We have to do a better job of planning for the inevitable in the future – and FEMA is doing that for this hurricane season, as are we. PanAmSat has built more than 70 mobile communication

always done in any company is to make sure my successor is in place. In this case I'm lucky. Dave McGlade, the CEO of Intelsat, is one of the most competent international executives, having run a large cellular phone company in Europe and knowing the cable, television, broadband, and cellular businesses as well. Jim Frownfelter, the new COO, was the President and COO of PanAmSat and is, in my opinion, the top operating executive in our industry by far. Jeff Freimark, the new CFO, has more than 30 years' experience as a CEO, CFO, and CIO, and Phil Spector, the General Counsel, is widely known as one of the individuals responsible for the transition in 2001 from a government organization to the private sector.

This is a great team. I'm going to enjoy being Chairman and handing over the reins. It's time, and I've done my job at PanAmSat. ●