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News Analysis

Market Trends

Vital Statistics

Products/Services

Executive Views

Industry Resources

Calendar of Events

MarketCasts

## A Conversation with Globecomm Systems CEO David Hersberg

by Lou Zacharilla



**New York City, December 20, 2010**--The founder of of Satellite Transmission and NetSat Express, which specialized in IP satellite connectivity (at a time when people thought "IP" was a typo for Hewlett-Packard) and, since 1994, the CEO of Long Island-based Globecomm Systems, David Hersberg has earned his stripes as the dean of satellite industry executives.

I respect anyone who has been inducted into the satellite industry's hall of fame. It is the pinnacle of career achievement and a high hurdle to get over. The criteria for selection alone will eliminate most mere mortals from further consideration. Yet as the committee begins its deliberations for the March 2011 induction ceremony at the Stellar Awards Reception on the opening evening of the Satellite conference in the USA, I know that more worthy people will be found and inducted.

There have been 11 induction ceremonies to the HOF. But in my view the SSPI Hall of Fame Class of 2003 was a rarified, diverse group which represented the width and depth of the international satellite industry. The Society's eighth induction included four people. The foursome represented a Fellow of Britain's Royal Television Society, the Executive Director of the Japanese Space Exploration Agency, the former president of Canada's Space Agency (and a recipient of NASA's Public Service medal) and an unassuming guy from Albany, New York with a terrific sense of humor who then, as now, managed to put his stamp on every American satellite program.

He worked on the first artificial communication satellite (Project SCORE) as well as the Courier program at a time when another pioneer, John F. Kennedy, was in the White House. Courier is the basis of every communications satellite that has since come into being. He developed patents for facilitating two-way Internet via satellite, as well as for earth terminal architecture that remains the baseline for today's systems. That was then, when he was a "rookie." He also involved himself in world affairs when he worked on the Hotline between Moscow and Washington, which went live after the two nuclear superpowers nearly turned-off the lights of human civilization. Perhaps this project gave him an innate sense of how important the pursuit of peace through technology is. Many years later, he helped the government of Afghanistan install a hybrid fiber/satellite communications network which will, in the fullness of time, enable that country to "pen the doors for business and not conflict.

Unlike a lot of other folks who receive international awards for their achievements, this inductee had no royal pedigree or a government ministerial title. He was – and remains – that uniquely American creation: a serial entrepreneur who does what he loves to do, and has

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done well by doing good. Along the way he became one of those people simply known by his first name: "Dave." His success at every level of business and his enthusiasm for building his company are uncommon enough, but what separates him from the pack is his uncanny ability to never let it go to his head. As we head into 2011, with all of its promise and its conflict, I asked my friend to do what he does best: look ahead.

Excerpts of the conversation follows:

**Lou Zacharilla (LZ):** *Dave, in the November issue of Space News you said that Globecomm Systems is "not for sale."*

**David Hershberg (DH):** Actually I said, "Unless we can get a deal like CapRock!"

**LZ:** *Of course you were kidding.*

**DH:** If you say so.

**LZ:** *But what appeared to be a serious note, you added that "the big guys" are looking for a service component to better position themselves for government contracts. Why are the big guys looking for service components and, as you head into 2011, what does the future look like for your company's growth?*

**DH:** Our future really looks good. The combination of infrastructure and network managed services allows customers to select a single company for a complete solution. The new FCSA procurement from the government, we believe, will be structured in a way that reinforces this. The service business also allows us to be able to predict our earnings and revenue more accurately because we have less churn.

**LZ:** *You also have the stability of multi-year contracts.*

**DH:** That's right. The service business also allows us to leverage our worldwide network and facilities. That's why we make these investments. We make these assets work hard and they deliver.

**LZ:** *You also have expanded into different verticals. I suspect this is a good hedging strategy?*

**DH:** We are very enthusiastic about our prospects in just about all our verticals, including Wireless, Media and Government. We have developed new software products for the enterprise market for learning and corporate communications and monitor and control.

**LZ:** *Diversification might appeal to an acquirer but, as you say, you are not for sale. How about acquisitions?*

**DH:** We continue to look for synergistic acquisitions.

**LZ:** *We talk a lot about how the satellite industry and leadership competencies for people have changed. During our panel in Paris (World Satellite Business Week) we discussed the importance of innovation. How will new developments such as SpaceX and ViaSat-1, when they become viable, impact the financial dynamics of the business?*

**DH:** First they are great risks as much as they are innovations, which I commend. They should impact the dynamics positively. I am very hopeful that the ViaSat-1 and Hughes Jupiter projects will provide space segment that is competitive with fiber and allow us to address new markets with the convenience of direct connectivity of WAN's to the customer quickly, but with the reliability and virtues of satellite.

**LZ:** *Of course the Jupiter project is near and dear to you. Hughes awarded to Globecomm a contract for the provisioning of Ka-band gateways on the commercial side. This is seen as a very big deal in the industry. How will the Ka-band market play itself out in 2011? Is there any aspect of it that is looking, potentially, like "fool's gold?"*

**DH:** Only if someone is foolish enough to miss the opportunities. No. I think we are looking at the next wave. Globecomm is certainly looking forward to both commercial and government use of Ka-band to expand its infrastructure market. We have staked our bet as well. We have developed both strategic and tactical Ka-band products. We believe the demand is there, and with DVB-S2 we can provide reliable Ka-band communications.

*LZ: So you think that the demand, the technology and the rationalization of risk have converged to make this an inevitable market event?*

**DH:** Gee, you sound more like an economics professor every time I talk to you! But, yeah. That's basically what's going on. I don't see a reversal. It's a matter of getting the birds up.

*LZ: Globecomm is a financial supporter of the Intelligent Community Forum, a think tank that I started to help communities around the world, including those in developing nations, better realize the means and the power of access technologies like satellite and broadband. I think we both agree that, for developing nations, access of this type presents an economic development opportunity that may have never before existed. What is your view of the future of satellite in the developing world? You guys have done a lot of work there.*

**DH:** It is also inevitable as living standards rise and communication becomes more widespread and knocks down barriers that have held economies back. Our initial service business, NetSat Express, was started with a plan to provide Internet service to developing countries. We were a little ahead of our time and it cost us in the wallet. But the facts were always the same. We believed then - and we believe now - that there is a great need for broadband service to bridge the knowledge gap in developing countries and become the engine for growth. There is still a great need for satellite to provide Internet, media, wireless backhaul, etc in these areas, despite further penetration of fiber and increased economic activity. Satellite will always have a role in large nation whose population is spread over a large land mass, or "telecom islands."

*LZ: Or literal islands. What is holding back more national infrastructure investments like the ones that were made in Fiji, Afghanistan, or more recently Sierra Leone where Globecomm worked its magic to successfully provide wireless managed services?*

**DH:** Money and stable governance. There are still chronic problems with financing growth in many countries, but we see opportunities developing in the far east and Africa.

*LZ: Most of your government business is for foreign aid, diplomatic communications and non-military users. This is in support of communications for peaceful means mainly. Going way back, you helped develop the historic "Hotline" between Moscow and the USA after the near-miss of the Cuban Missile Crisis in the 1960's. What is your take on the Wikileaks story and what does it say about the power of communications technologies that, in many, ways our industry has enabled?*

**DH:** After the September 11 attacks on the United States, the government initiated a program to make information available across the many agencies that needed it to protect the nation from another attack. Unfortunately the protection scheme for this data didn't foresee the problems that have developed. There's a lot of data out there and it's pretty widely distributed now to a lot more people. I will say as a general comment and to help plug satellites that a satellite wide area network can be controlled a lot easier than a terrestrial network. The reason is that a terrestrial network will touch many networks, in many geographies, which exponentially increases the risk. To answer your question, I believe peace is better than war and certainly will do what I can to make sure our company supports the cause of peace. But it is a

dangerous world out there.

**LZ:** *It is. Speaking of dangers, beginning this month, World Teleport Association is conducting a large survey to study how teleport operators view the satellite operators they do business with in terms of technology, operations and commercial practice. You have been one of the more vocal CEOs with regard to this key relationship. A lot of it is, frankly, critical of the satellite operators who are making it difficult for teleport operators. Since we are still around the holidays, what can you say that you like about the operators' behavior in 2010?*

**DH:** Hmm. Well, I have been in this business for over 50 years and I have always admired the integrity and professionalism of most of the people I have dealt with over those years. That is the main reason I have enjoyed working in the satellite communications industry. It is filled with really good people. It's common sense, Lou: in the long run if you treat your customers and suppliers fairly it always pays off. If you don't, you get the opposite effect. That is simply a law that has been in force for most of human history.

**LZ:** *But with regard to satellite operators, have things changed?*

**DH:** It is not quite the same over the last few years and we have had our problems. Sometimes we are working on what we believe is an unfair playing field. Thankfully, this is not true in most cases and I still can't think of any other business I would rather to be in. How's that?

**LZ:** *It sounds genuine. I think it is true and I also think the channel conflict issue is going to be resolved over time.*

**DH:** It should be resolved soon. Staying with your holiday theme, we would like to give them more business that enables a peaceful world. You have to stay focused on the big picture and the long-term. This is the satellite business after all.



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