

**Jaan A. Loger, Director of InnoVision
Sandy Jacks, NGA Program Manager for Commercial Imagery
Press Conference
National Geospatial-Intelligence Agency
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Burpee: Good morning. Many of the faces I recognize. I'm Dave Burpee, the Public Affairs Officer for the National Geospatial-Intelligence Agency. I want to welcome you on behalf of our Director, United States Air Force Lieutenant General Retired James R. Clapper, Jr. and our Deputy Director Joanne O. Isham.

Today we're here for a single subject press opportunity on NextView ORBIMAGE. This will be on the record. There are bios in the press kit that provide background. We are transcribing it and hopefully we'll have a transcript on the web site later today. For that purpose, let me say for that that our spokespersons today are Mr. Jaan A. Loger and he's the Director, InnoVision and Sandra S. Jacks, Program Manager for Commercial Imagery.

They will open with some short remarks and then take Q's and A's until a little bit after 11:00, an hour, or until we run out of questions, whichever comes first. If you have followup questions or requests for any information, we'll be available at (301) 227-2057 or 3105.

When we did this last time, the transcript was not able to pick up your questions so I've asked Jaan and Sandy if they could summarize your question and repeat the essence. It will be helpful for transcript purposes if we don't get a long question.

Did everybody sign the roster? If not, please do so afterwards. Any questions about that or anything else before we get started?

Okay, then. I will turn the podium over to Jaan and Sandy.

Loger: Good morning. Just a very short statement. You clearly recall about two years ago we set out on a program on the basis of direction from the DCI and supported by a national security policy to strengthen the U.S.-based commercial space-based imagery industry. We let a contract to DigitalGlobe about a year ago, and this now is the last phase of that overall program. We've ordered a contract to ORBIMAGE, Incorporated in Dulles, Virginia, for the second NextView contract. It was a tough fight but it was won by them. And we can get on with the

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business of making sure that the industry is robust in a few years, which was the purpose of this whole program.

With that, we'll start taking questions.

Q: What made it tough, and what was the edge that --

Loger: Tough because it was a good set of proposals by the people, and when you have a good set of proposals you have to work your way through them, and it's tough. That's what I meant by tough.

Q: And what made ORBIMAGE better?

Loger: I'm not going to go into that. The factors that were --

Oh, there's a big sign that says repeat the question.

The factors that were utilized were the same ones we used in the previous procurement we did a year ago which started with business case, schedule, technical, management, past performance in doing this kind of thing, and security, which is frankly a pass/fail thing, and price. The classic elements of a procurement. It was a best value procurement so we had to judge between the technical and overall merits of the non-cost case against the value they were providing on the money side and make the call.

Q: How does this differ from previous procurements?

Loger: In fact we worked very hard to make it not be different from previous procurements.

Ah, the question was -- How does this differ from the previous procurement?

We purposely tried to make it not be different than the previous procurement. We're trying to put in place -- One of the reasons we went to vendors is that we want to have a competition available to us in a few years time, and we very purposefully worked at not disadvantaging anyone. So there was no difference.

Q: You said this was the final phase. Does this mean there will be no more?

Loger: By that I meant we had a plan to make sure the next generation pictures are available when the time comes, when the current generation starts to fall out of the sky. We think with what we've done now with these two awards we have a robust

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response. That has nothing to do with is there more that could be done in the future? Absolutely not. We will take that on as it comes. There are other venues of commercial opportunities that we have potentially. We have not thought about them, but if they were we would consider working that too. But right now the next few objectives are complete.

Q: What's the timeframe do you think for having those deployed?

Loger: Right now, well, the ORBIMAGE one's going to go up by the end of, is going to be providing photography by the first quarter of fiscal '06. Correction. DigitalGlobe the first quarter of '06 and ORBIMAGE the second quarter, '07. We're a year behind so we're a year behind.

Q: With regards to the national policy toward stronger U.S. suppliers, does having two suppliers satisfy that need? Or do you see a need to have even more than two?

Loger: When we first worked this over a year ago we concluded that two was sufficient on two grounds. And just to repeat that, one, as I said is the need, the desire for competition. And the other one is a frankly a risk prevention measure on our part. The business is still young and not necessarily robust. We recognize that the government is the major consumer of space-based imagery and so therefore we make up a market which is always interesting. And so given that it's a risky business we want to make sure that at least one survives, to be brutal about it, so we've got a better chance with two starting off, that one survives than if only one outfit starts. We think two is about as good as we can afford to do, frankly. I can't go up to the Hill and explain why we need three or four.

Q: Space Imaging has indicated, they use the word fundamental, that winning this contract was fundamental to their business case. So what can you say to that? Do you have any comments on that?

Loger: I have to tell you, I have only a superficial understanding of the essence of that statement, so I would prefer you discuss that with Space Imaging. I have nothing I can usefully add to that discussion.

Q: Will you consider changes to any of your other programs to give Space Imaging more work, such as altering the apportionment of your ClearView?

Loger: No. They are clearly a vendor on ClearView and we continue acquiring images from them. This is no way influences

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any other relationship we have with Space Imaging. But that's a two-way statement.

Q: Do you expect this to be a refinement of technology or an entirely new technology?

Loger: We expect it to be -- The biggest thing we care about is that the resolution quality and mission performance improve as you would expect to a next generation commercial product. That is the case just like it was with DigitalGlobe. We get down to around half-meter resolution images, we get multi-spectral, and those are the kind of things you expect from the next generation and we're going to get them.

Q: But do you expect that's going to require a new technologies or refinements of existing technologies?

Loger: The question was do you expect that this will be more new technologies or a refinement of existing or current technologies.

I think it's more the latter, I don't consider this to be a huge jump in the technology. It's like going from [inaudible] and silicone.

Jacks: How we put our requirements together was what type of imagery we wanted. We really focused on the requirements for the imagery. How they satisfy it, that could be new technology, it could be refined technology, reuse of old. How they could best satisfy our requirements.

Loger: That's a more subtle answer. The point was we as a consumer of images, we don't care if they get somebody up there in a big balloon taking pictures. But we just care that the stuff is there, reliable, and [inaudible] fair price.

Q: Your release said that the contract runs through 2008 and you're saying --

Loger: Fiscal 2008.

Q: Fiscal 2008, and you're talking about having a satellite up the second quarter 2007. There's not a lot of window for operations in the first contract award. How confident are you that they can meet that schedule for getting the satellite up?

Loger: If we weren't confident that they could get the satellite up in the time they said they would do it, the bidders wouldn't make the cut. Remember, business case, schedule.

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Separate. Usually the schedule element and business case are part of a typical government procurement as part of the technical or management evaluation factor. We separated them out on purpose. Schedule is a thing of importance to us. So we're confident. We think it's low risk that they'll make their dates.

Q: Which in fact is more the driving factor? Is it that the existing satellites are going to start dropping out of the sky and therefore the time, or is it the need for improved clarity and the equipment that you want to update?

Loger: The question was which is more driving, the probability of existing satellites dropping out of the sky or quality improvement.

I have to tell you, it's actually the same story we gave you two years ago. We need both. You're looking at this gap potentially happening and we just don't want to see that because we have increasingly become very reliant upon -- At the direction of the DCI, we have to start doing our mapping products on commercial space-based imagery. There's a tremendous amount of value to this. We have a very large business in that area. We can't be sitting down there a couple of years from now saying whoops, it's gone.

But if you're going to do this thing you sure as heck are not going to take the same old -- I'm not going to say it in a derogatory way. You would like to see improvements in the pictures you're buying.

So they're both strong factors and I think both important factors in how we could convince all of our overseers and customers that it was a thing that could work well for the nation.

Q: If you get both of the NextView satellites up on schedule and working [inaudible], would that diminish the poor imagery problem of the current generation? Because DigitalGlobe and Space Imaging are pretty young and will last beyond. They'll still be working fairly well barring an anomaly.

Loger: Let me give that over to my friend, the Program Manager for Commercial Imagery.

Jacks: Space Imaging launched in 1999. DigitalGlobe in 2000, and then we know that ORBIMAGE just launched last year. The average life span of a commercial satellite is about five to seven years for planning purposes so there is some overlap, but there's a real possibility that they won't be there when we need them, at least in the amount of imagery that we can purchase. We

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don't believe one satellite's going to supply enough imagery to us. So that's the reason that we wanted to start now. It's a long-term effort to get this system in place and be able to get the imagery, so we started now to ensure that we have a robust source out in that timeframe.

Q: Where do you go from here? The companies have been saying since they started the anchor tenant, the government anchor tenant, and in a span of a year and a half or almost two years you've committed the ClearView funds, committed the NextView funds. It seems like it's all designated now. What happens next?

Jacks: We're working on a strategy just to continue. The single-most important factor of commercial imagery is that it's unclassified, and as those requirements may increase, it's having more and more utility in our coalition and coproduction efforts, we're looking at that, pulling it into a long-term strategy. What happens after NextView? That's things that we actively look at now.

We plan to have a long, long relationship with the commercial vendors.

Q: So what happens then?

Jacks: Future procurements. Future procurements and the strategy to do that. What comes after. We have two companies now. We look at the life span, we plan out in the future when we may need to start another procurement, another acquisition effort to continue this.

Q: Is that something you would want to do as a year-to-year buy, or are you looking at just sort of --

Jacks: What we would like to have happen is have the vendors become completely sufficient on their part where we're only out there buying imagery, and get out of the advance relationship. We would like them to always be there and thinking ahead and launching more advanced systems that could meet our advanced requirements. So that's what we look at. The years will decide that, whether they become viable and do that or if we have to continue to be some type of Other Transactional Authority investor in the R&D portion.

Loger: That will be something that the government in the future -- We've got some time. Right now the plan is when the period ends at the end of fiscal '08 we're going to have another competition akin with ClearView. We're hoping we don't have to start considering another procurement to underpin, if you will,

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the future of the community in the phase beyond NextView.

Q: That's well within the FYDP, as the '06 budget is being considered that's smack in the middle of the FYDP.

Loger: Yes.

Q: So how are you planning? Are you planning more on the conservative side saying we will invest in R&D or are you taking a more optimistic path?

Loger: I believe right now, and the question is how are we planning since we're covering a POM which is beyond the end of the NextView delivery, how are we planning on investing.

Right now we are planning that we will not be investing in the necessary R&D arrangements for the generation after NextView.

Q: What is the multiple of increase in terms of resolution that you expect to get out of these relative to the kind of resolution that you have now?

Loger: We want to get to the half-meter class right now. The birds that they're flying go from about .62 to one meter, ground meter.

Q: -- license to build, that they can go down to .25.

Loger: Yes.

Q: But a couple of them have said there's not really a commercial case for that investment yet. Is there a need from your perspective to go down to .25 yet?

Jacks: Our objective requirements were to push the technology and we would like to see them get below .5. Whether they can get to .25 is to be determined. But we would certainly like to have them, if they can't reach it now, to look at the future and try to achieve that.

Loger: I do believe also as an aside, that if your current design gets you below .5, let's say down to .4, you automatically had to be shooting for the .25 license because you're not supposed to be below .5.

Loger: That's why they have those licenses now.

Q: I don't mean to harp on Space Imaging but --

Loger: Harp away. [Laughter]

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Q: They said after the negotiations broke down earlier this year between the two of you that they felt, and I believe NGA also said there was too much risk associated with that proposal. Did the proposal change? Did they present it to you subsequent to --

Loger: I would say to you I don't want to go into any of that because that's source selection sensitive. What happened last time, whatever they said is a matter of the record. I'm not going to get into -- They will say what they want to say about their proposal. I will say nothing about it.

Q: Can you give us any sense of, when you talk about the value, weighing technology, cost, all those things that you talked about before, what tipped one over the other? Nothing?

Loger: I will not do that.

Q: How many vendors were there that were being considered?

Loger: Two vendors bid.

Q: Are there more out there that you had discussions with?

Loger: This is a full and open competition. We dropped it on the table, if you wanted to pick up the loaf you could pick it up and if you didn't, you didn't. So yeah, there's plenty of vendors who could. Originally you may recall we had a request for information form for the entire community, back two years ago, we had what, 33 vendors that --

Jacks: That were contacted.

Loger: Thirty-three that were contacted, then a subset of those put in statements of interest. But when the dust cleared out, we had a couple of bidders on each round.

What does that mean? The only way I care is if you put your proposal on the table and put your money where your mouth is. Otherwise interest doesn't mean anything to me, frankly, as the source selection guy.

Q: My turn to harp on something.

Loger: Harp! [Laughter]

Q: You said you were confident of the schedule they had. How involved will NGA or the government be in staying on these companies and monitoring the manufacture of the satellites, and

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are there penalties if they don't get up by the date?

Loger: The question is how hard we'll be monitoring the activities of these contractors to ensure that they deliver what they said they would in time.

Obviously this is not a technical agreement, so in the pure program management perspective it is not, we don't have the authorities as a program manager to demand huge amounts of input. Now that said, we are in a sense, and I want to be careful with the use of the word. We're an investor with these people. Not in the sense of owning a piece of equity, but in the sense of a prime customer, cornerstone customer who wants to be assured of the product they will deliver to us. And in the sense of an investor they have, as you may know, extensive visibility into the workings of the program because they want to know that their moneys' being spent well. And oh by the way, specifically in answer to your question, we will make payments upon achieved milestones. So as any good investor would, okay, if you're going to build me the product, show me the product prototype and then I'll give you the money for the next phase. It kind of works like that.

Q: When is the first milestone?

Loger: When was the first --

Jacks: Yesterday when we signed the contract. [Laughter]

Q: What's the initial money?

Jacks: We won't speak to that.

Q: On timing, DigitalGlobe has a year ahead, a head start. Do both of these contracts end at the same time?

Loger: Yes.

Jacks: Yes.

Q: So DigitalGlobe will have an extra year of providing imagery and receiving money for that imagery without a competition per se.

Loger: Yes.

Q: The competition is at the end, is FY08.

Loger: Uh huh.

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Q: What is the next milestone?

Loger: Frankly, I don't remember.

Jacks: It will be some type of design review.

Loger: Exactly, it was something you would recognize fully as yeah, okay. By the way, in general the milestones are tending to be the kinds of milestones you expect from a well-run satellite program.

Q: Do you know when that is?

Jacks: Yes.

Q: When is it?

Jacks: I'm not going to share that. We're still in negotiations and I don't want to really get into discussing the contents of the contract.

To answer a little more on your question on visibility. We anticipate placing an NGA employee in the footprint of the vendor. We have one currently at DigitalGlobe, so we are planning to do the same thing at ORBIMAGE. We will have monthly program management reviews in addition to reviews of major milestones all through the developmental cycle.

And you asked about penalties. It's almost a self-penalty on the industry if they don't deliver when planned because they don't get the money for the imagery that they would provide us. So if they're late in meeting that FOC, what we call final operating capability, they don't get paid for imagery until they start producing so they penalize themselves by being late.

Loger: I think I'd like to emphasize that last one also. Because we're only one of the people who are investing in this industry, their life is on the line as a company. So it's not simply oh gosh, they didn't deliver the system, those dirty, rotten contractors, and they go on about their business. It is literally, I think in both cases, this is an essential element of their existence as a corporation. So we have a huge incentive on their part even aside from providing them money for successful performance. That's more than the normal incentivitation would be for a contractor.

Q: You said there are areas you're still negotiating. Now the phrase "still negotiating" was used a lot with Space Imaging last spring, too.

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Jacks: It was used with DigitalGlobe.

Q: And DigitalGlobe as well.

Loger: Yes.

Q: There's not a danger that we could be facing another Space Imaging situation?

Jacks: No, not at all. None of these are show-stoppers. None of these are majors. They're just minor areas that need to be worked out.

Loger: Usually in a contract like this with significant content in the development side, there's always a "what did you mean by that?" kind of stuff whereas the previous one with Space Imaging, was "no kidding, is there a there there?".

Jacks: We would not have awarded had there been show-stoppers.

Loger: Right.

Q: What is it that you need to do, do you think, in order to get this greater resolution? How do you -- I know it's a performance-based contract, but what types of things do they need to do? Is it optics, is it software? What is it that allows resolution improvements generally?

Loger: Speaking not of this specific submission, but in general the easiest and the best way to get resolution is optics. Bigger optics, better resolution. The devices that are typically used in these types of satellites for the focal plane are pretty much well within the state of the art of the last decade. That's not an issue. No kidding is: how big a glass can you put up there and keep the whole thing agile so it can take the amount of pictures you need to take with it? It's that trade that these companies make whenever they get a design point.

Q: So it's just the size of --

Loger: Pretty much. There are some details. But the first order is, the bigger the camera, the better the shot.

Jacks: Plus there are going to be hardware changes and software changes. So it's everything and how they fit it together.

Loger: Right.

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Jacks: The other thing is the altitude they fly.

Loger: Yeah, the altitude they fly. That's a trade too, because if you get lower you get better pictures but you can see less. You have less what they call revisit. It's sort of like where you want to be for your product. They get to determine that whole set of parameters themselves.

Now I can't be silly and say they ignored our requirements, because heck, we are, as you pointed out, currently the prime customer for most of these things, but the fact of the matter is they set all the parameters of design of these systems. We do not influence that in any way.

Q: It allows them to build something that can have larger optics and still keep it in the sky for as long as it needs to.

Loger: Once you get it over the atmosphere you can make it the size of the moon. In fact the moon's really cool, being up there for hundreds of millions of years without falling once. So I'm not being trivial. Size is not an issue. The trade there would be frankly -- I used to do some of this for a living. The trade there would frankly be how much it cost to launch it and maneuver. The bigger the glass, the harder to maneuver. Bigger booster, more cost. It's a simple trade. But they make it. They're doing everything. They're launching, putting it in orbit, operating it, bringing down the bytes, keep sending us the bytes against our request to purchase.

Q: Is there any change in the actual quality of the glass itself? Or is it more just the size of the glass?

Loger: Glass quality in terms of optical purity I think is pretty good. I'm not up on the latest design. What's going on in the state of the art today as a general rule is the glass is getting lighter. The structures for how to get effectively an optics that works and weighs less is the current evolution and the development of telescopes. The larger the piece of glass is, still the question is rigidity. If you think it out too much or make it too lightweight then it gets floppy and that's not good. So there's a lot of engineering trade space, but it all involves the optics. Not all. I'm getting a little flip. Most of it involves the optics and orbit.

Q: I'm just curious, between the two contracts, are there any substantive differences in terms of the parameters on tasking rights, anything like that?

Loger: Again, I'm not going to comment on that case. Both of them satisfied our needs for tasking.

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Q: They're not like carbon copies of one another?

Loger: No, they're not carbon copies, but it's a classic, you know, you get a license from Microsoft that's got one kind of, what do you call it, YOLA agreement. That's what we're talking about. What's the language, how can we use it. Each one's got their own little nuances, but I --

Q: It's not like DoD for example in managing their EELV providers, they have to kind of constantly feed the beast on one side and feed the beast on the other. There's none of that going on.

Loger: No.

Q: What do you anticipate once these are launched, the percentage, maybe not percentage, but more proportionate use, whether government use or commercial use?

Loger: Each one has got their own business projections for the future which we evaluated. Obviously the trend we want to see is a robust, non-governmental market. We don't mind being a major customer. We don't want to be the only customer. And we'd like to see where they can make enough money to keep themselves operational and in fact replacing as the satellites fall out of the sky. So we want to see a strong -- To do that they need a strong market. Because if you take the ClearView kind of revenues and say where do I get enough money to build the next-generation satellite? Obviously the answer up to this point has been there's not enough there. So we want to see that commercial market grow such that they can in fact survive on their own and reinvest.

Q: Proportionally, I think it would be hard to predict a percentage, but you're thinking a half, a quarter?

Loger: I can't tell you because everyone's got their own business model, honestly.

Q: When you say robust, what is it that you're talking about? Is it still a very tiny portion of it? I'm trying to get some sense.

Loger: I don't know if I want to go into that too much. I don't want to start messing with their business models. Right now obviously we're the majority customer. Right, Sandy? On American commercial space products. We want them way beyond that in commercial.

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Q: You'd rather not be the majority.

Loger: I'd like to be half or less, but that's really kind of Sandy's call.

Jacks: We want our requirements met. We basically gave them requirements on quantities, quality. We want those met in whatever portion of their satellite time is satisfied at, that's what we need.

Loger: But we also would like not to be like a vampire -- suck them dry so they don't make money any other way. Then we get back to the same place we were now which is we're not seeing a new generation being built, invested in on its own. So we know that model didn't work today so how is it going to work tomorrow? That's one of the reasons we still have planning to do. As Sandy said before, how do we get to that point? Right now the point we have doesn't hit. We can't tell you where it is. That's really in the hands of the vendors.

Q: At what point do you need to have more of the refinement on the strategy to actually start laying in the funding you need and getting --

Loger: We would hope not to have the scramble we had two years ago and last year. I don't have a good answer for you, frankly.

Q: Has General Clapper given anybody sort of a report to me by date?

Loger: No.

Jacks: Not by date.

Loger: We would be blowing our responsibilities if we didn't start thinking about that but we have to give this a chance to work to see what's going to happen. And frankly, I'm not good at predicting markets. I'm not sure who is. They can always predict Monday morning, but the Saturday night is awful hard to predict the market by.

Jacks: I want to make one correction. I think at one point we said Other Technical Agreements, should be Other Transaction Agreement. Just so we've got the right --

Loger: That's the official phrasing used in the Federal Acquisition Regulations.

Burpee: Thank you all for coming. At the outset we gave

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some phone numbers you can use for followup. Certainly you're welcome to do that. We'll have media folks available the rest of the day, all next week. They are our standard numbers.

Thank you very much.

(END)