

# As Good As It Gets for Earth Imaging

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**T**here is cause for optimism in the Earth imaging and geospatial industry for 2006. A solid economy, the emergence of mass markets and industry maturation all point to a banner year for business.

## Picture Set for Growth

The macroeconomic market environment that geospatial firms will encounter in 2006 looks favorable indeed. Expect U.S. and international military expenditures on geospatial products and services to grow in response to continued geopolitical conditions and increased reliance on commercial imagery. Governments around the world are becoming accustomed to budget line items related to imagery and mapping. The outlook for world economic growth is healthy through 2006 and into 2007, with world Gross Domestic Product rising between 3 percent and 4 percent in 2006 despite high energy prices and ongoing weakness in the Euro zone. Because governments collect a lot of taxes on marginal earnings, the major customers of the geospatial industry will show robust demand. This is especially true for domestic state and local governments, which will remain in a bullish acquisition and expenditure cycle.

## Remote Sensing Sees Straight

The remote sensing industry will enter 2006 right-sized, with two major U.S. owner-operators. As ORBIMAGE swallows Space Imaging's assets, it will compete with only DigitalGlobe in the high-resolution commercial remote sensing market. Given the symmetries between ORBIMAGE and DigitalGlobe, expect an interesting skirmish for market position. Both firms have first-generation imaging satellites in orbit; both have NextView contracts with the National Geospatial-Intelligence Agency (NGA) to finance and construct their next-generation birds; and both will see dramatic increases in sales revenue after launching these highly capable systems. Customers

and applications developers alike can now build reliable partnerships for a long-term supply of imagery source materials. With the NGA's retired Air Force Lt. Gen. James R. Clapper Jr. playing the role of industry anchor tenant, the firm's income statements will facilitate the financing of an ongoing constellation of remote sensing satellites, and provide solid returns to investors.

## Monetizing Where?

Spatial search is beginning to drive demand for imagery and geospatial data. The much-ballyhooed investments by Google, Microsoft, Yahoo and even Amazon in imagery are indeed a portent of good things to come. 2006 promises to bring scads of new applications and users to the geospatial doorstep. And no one

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even knows what the killer apps will be in the search market yet (although there are some good hunches).

Although at times it may eerily feel like the Internet euphoria of early 2001, this time the players have a much more sober view of the prospects and uptake rates in the mass market. And the search providers have established eyeballs, business models, revenue streams, and gobs and gobs of beautiful cash on their balance sheets. Counting cash and near-cash assets at the end of 2005's third quarter, here is the litany: MSFT \$40 billion (!), GOOG \$7.5 billion, YHOO \$3 billion and AMZN \$1.4 billion. Cash, oh lovely cash, come to Papa over here in the remote sensing industry! One might surmise that aerial and satellite imagery coverages which are both comprehensive and recent are now at a premium.

## Think Land: They Stopped Making It

Some markets develop ever so slowly, then they reach a tipping point and the sector hits maturity in just a few years. This seems to describe the market for land information at the ownership level.

It is a basket of related sub-markets, including cadastral and land registry systems, titling, parcel mapping, and information related to property insurance, mortgages, deeds, real estate transactions and taxation. The customer space spans federal, state and local governments, Fortune 500 firms, and financial institutions all the way down to brokers, individual investors and property owners. If you want to have a seat in the land information industry, you should get into the game quick, before the music stops.

Even the monolithic multilateral aid and financial institutions that support international development are getting the picture. They now understand that individual property ownership is a pre-condition for widespread formation of capital in fledgling market economies. The value stored

in homes that owners take for granted is but a dream for the majority of the world's population. Though a Guatemalan farmer may have assumptive ownership and uncontested use of his land, it's entirely another matter to buy or sell the land or borrow against it. A lot of government infrastructure must be in place to securitize land—to make it fungible—so a mortgage can be issued and its rights enforced. Base and parcel maps, cadastres, property titling and land registry systems, and institutions and legal frameworks are a necessity. It is now widely understood that land reform and economies with broad participation have the precursory requirement of land information infrastructure. The high-dollar funded international projects in this sector are mounting, and U.S. firms are under-represented in their pursuit.

Yes, the business outlook for Earth imaging and geospatial information is highly favorable in 2006, with economic risk scenarios at low likelihood through 2007. Now is the time for industry leaders to take action—merge, acquire, invest, build and grow. This is as good as it gets. EJ