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## **Satellite Phones Now Connect the World, at Sky-High Prices.(Iridium L.L.C.)(Brief Article)**

**Insight on the News**, Dec 21, 1998, by [Eli Lehrer](#)

Iridium LLC, the first satellite cellular-phone system aimed at consumers, was launched in November at a cost of \$5.7 billion, one of the largest private infrastructure efforts in history.

Seven-dollar-per-minute phone calls are coming to a portable phone near you -- and some are calling them a bargain. A system called Iridium, which officially went online Nov. 1, promises to provide the world's first practical satellite phone system for consumers.

Unlike ordinary cellular phones that rely on local transmitter networks, satellite phones can make and receive calls anywhere on the globe. Although military and government users have used such technology for years, "portable" satellite phones available to civilians were briefcase-sized units that cost as much as \$30 per minute. The phones also imposed a lag time as long as 30 seconds between bits of conversation.

Iridium LLC, a new company created by Schaumburg, Ill.-based Motorola Inc. in combination with 25 business partners, started launching a network of low-Earth-orbit satellites in 1996. The "constellation" of satellites, in place since September, will pass off the calls from satellite to satellite until they can be beamed back to Earth. Combined with roaming agreements with cellular providers all over the world, the satellites will allow phone calls from inaccessible locations such as the summit of Mt. Everest or the middle of the Sahara. In addition, the phones will work in more civilized places where cellular service exists, but U.S. providers don't have local contracts.

Re-sellers of Iridium's services -- called gateways in the company's parlance -- will set a varied rate structure that extracts a heavy price, however. For calls carried on a cellular network, Iridium clients will pay a 25 percent premium over ordinary users. When the phone has to search for a satellite, rates will broach \$7 a minute. Like all satellite phones, Iridium phones won't work indoors and may have problems in the handful of large cities that lack cellular networks.

Initially, Iridium phones will cost about \$3,000, though few stores have them in stock yet. (Internet retailers are ready to take orders.) Electronics giants Motorola and Kyocera, which have licensed the technology, are shipping or preparing to ship thousands of handsets to stores by the end of the year.

"This isn't going to be something that everyone is going to rush out tomorrow and buy," notes Joseph Humphrey, dean of the School of Engineering at Bucknell University in Lewisburg, Pa., and an expert on satellite communications. "It's going to grow slowly. Iridium has a reasonably limited capacity and even if it's hugely successful, it isn't going to be that everyone on Earth has an Iridium phone in his back pocket."

Indeed, Iridium bears great risks by being the first to market consumer satellite phones. At more than \$5.7 billion, Iridium is one of the largest private infrastructure efforts in history. "They have a lead over all of their competitors," says Humphrey. "On the other hand, they had to pay the huge capital costs."

A competing company called Globalstar, which makes more use of existing networks and will sell services and handsets for far less than Iridium, expects to go online late next year. Unlike Iridium, Globalstar may not work in every location all the time but it should deliver similar services for less.

For the time being, Humphrey sees portable satellite phone technology finding its application for niche uses. "It's easy to see how it might be used for things like distance education, and then it's on to a broader consumer use," he says. "For the moment, there are certain people in international business and certain people involved in exploration of dangerous places or certain kinds of rescue missions who will find this technology invaluable."

One "adapter user" of Iridium is Richard Issacs, senior vice president of the Lubrinco group, a security firm involved with high-risk protective services. "We tend to occasionally find ourselves in strange places with a lot of cranky people around, and it's good to be in touch," says Issacs, who adds that Iridium phones are desirable because they are designed to defeat eavesdropping.

"It's not that they are going to let us do all of these things that we didn't do before, but having an Iridium phone will give us a feeling of security," says Issacs. "It promises to be quite useful."

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