



Galileo's Implementation Set to Boost European GPS Applications Markets

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Galileo, Europe's contribution to the Global Navigation Satellite System (GNSS), is creating a buzz in the Global Positioning Systems (GPS) applications market. With its advantages of signal reliability and integrity, it is poised to drive European GPS applications markets. Unlike its US counterpart, Galileo is envisioned as being independent of military control and is expected to be harnessed for widespread commercial and civilian purposes.

High project costs notwithstanding, the Galileo system is expected to gain a groundswell of support, as well as bringing critical strategic, commercial and economic benefits to Europe. Recent analysis by Frost & Sullivan pegs annual revenues at up to EUR 515 million (at 2001 prices) by 2020.

Galileo has been positioned as a complement to the US GPS system. A potential lack of policy coordination between the EU and the United States, however, threatens to result in the regionalisation of GNSS applications standards and inhibit the full development of GPS/Galileo applications markets.

"GPS/Galileo applications markets will only be able to reach their full potential if there is desired coordination between the EU and the United States on interoperability of the GPS and Galileo systems," explains Frost & Sullivan Research Analyst Patrick Collins. "The two parties must focus efforts on agreeing to such standards. Otherwise, global applications markets will remain fragmented and regional in nature."

Traditional navigation capabilities alone are now regarded as insufficient motivation to enter GPS applications markets. Companies will, therefore, have to shift their game plan from providing traditional navigation capabilities to offering new value-added services customised to suit specific end-user needs. For instance, GNSS technology is already being used innovatively in areas such as inventory and fleet management to acquire efficiencies.

"As more services utilising GPS data appear on the scene, market participants are likely to be able to add value to their offerings and revenue to their balance sheet," reiterates Mr Collins.

The declining cost of navigation equipment such as handheld devices is also expected to catalyse the GPS applications market. This trend is expected to propel certain application markets from their current perceived premium status into the mass market.

"The market revolution is going to come from the bottom up in GPS markets. Bottom-end chipsets are likely to continue to get smaller and cheaper and this is expected to fuel growth in low value high volume markets. However, this growth does not necessarily mean high revenues for companies, unless costs fall in line with market expansion rates," adds Mr Collins.

Promising GPS end-user applications sectors include aviation, emergency services, location-based services, telecommunications, telematics, leisure, maritime, road traffic management and surveying. Several of these markets are expected to reach a growth rate of 18 per cent by 2012.

Aviation, in particular, is expected to be a stellar performer in terms of revenue. This sector, however, faces the possibility of disagreement between the EU and United States regarding international standards for air traffic management. These issues will have to be resolved to catalyse market growth.

Markets for recreational handsets are likely to remain highly aggressive. Against a backdrop of falling chipset costs and reduced power consumption, principal participants are expected to continue manufacturing innovative products.

Emergency services GPS applications are set to expand as technology becomes more cost-effective, with a growth rate of 16 per cent forecast in 2012. Countries undertaking significant road traffic management schemes (such as Germany) are expected to provide sizeable, state-led growth for GNSS-based road traffic management solutions.

Despite an expansion in the range of applications for GPS-related technology, the number of major entrants into the GPS arena is expected to remain static. Most new competitors tend to be larger companies such as Sony or Toshiba. With their considerable R&D budgets, these companies are likely to be able to integrate the commodity GPS component into their products

Adds Mr Collins: "Despite the emergence of niche opportunities, companies are likely to have a hard time gaining the necessary commercial know-how, which will signal a potential trend towards commercial partnerships between smaller and larger enterprises."

"The future for GPS/GNSS markets remains uncertain but ultimately bright. The widening array of GNSS applications markets should see GPS and Galileo firmly established as a fifth utility," he concludes.