

EXECUTIVE SECRETARIAT (O/DCI)

Routing Slip

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D/ Executive Secretary
 29 Oct 1980
 Date

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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

OCT 24 1980

Executive Registry
80-11499/6

Dear Frank:

Thank you for your letter of October 14 concerning the U.S. civil remote sensing program. Please be assured that I will be responding to you in more detail as soon as possible.

Sincerely,

Secretary of Commerce

Honorable Frank C. Carlucci
Acting Director
Central Intelligence Agency
Washington, DC 20505

EXECUTIVE REGISTRY
FILE # L-116

PD 37

OCT 30 1980

Executive Registry

80-1499/7



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

23 OCT 1980

Dear Mr. McIntyre:

Thank you for your letter of September 16, 1980, in which you responded to the "Transition Plan for Civil Operational Land Remote Sensing from Space," and outlined your views on the next steps required to move forward with Administration policy commitments for operational land remote sensing from space. I have reviewed your comments with respect to the Landsat program and your position that most decisions should be made in the context of the 1982 budget process, and am concerned that neither the substantive nor the procedural approaches outlined in your letter will enable us to achieve the President's publicly stated objectives during this decade.

The President has made two major statements with respect to land remote sensing from space. In October 1978, he made a commitment, reiterated in his March 27, 1979, Science and Technology Message, to continue the availability of land remote sensing satellite data during the coming decade. Subsequently, Dr. Frank Press, in Administration testimony before the Senate Subcommittee on Science, Technology and Space in April, 1979, stated that "the Administration is committed to an operational remote sensing system, although yet undefined."

Remaining to be resolved are the major policy issues of what constitutes satisfactory continuity of data and when the operational system should be implemented. In addition, agreements must be reached on pricing policies, the timing and institutional approach to eventual private sector ownership, and the timing and scope of NOAA's market expansion program. In my view, which is shared by the Departments of State, the Interior and Agriculture, the National Aeronautics and Space Administration, and Central Intelligence, these policy issues should be addressed and resolved expeditiously. The FY 1982 budget should then implement the policy decisions so made. In this regard, you state that the provision of additional funding is dependent on thorough programmatic justification and the willingness of users to share in costs. Our programmatic justification is fully and clearly set forth in the Transition Plan and in subsequent submissions to your staff, to the extent such a justification can be

articulated at this point. We have stated, as have users, that they will share in the cost of the system. We have concluded, however, that all these costs cannot be recovered in the short run; nonetheless, in light of the President's Directive, I do not believe that the operational system can be deferred or rejected.

I suggest that we, and the other concerned Administration officials, meet as soon as possible to discuss and resolve the policy recommendations made in the Transition Plan. Those issues that cannot be resolved should be forwarded to the President for his decision.

I would like to review the policy issues that concern us:

1. Continuity of Data During the 1980s

The present authorization of only two Landsat D satellites almost certainly will result in significant gaps in coverage, possibly for as long as a year or more. In addition, the present Landsat D ground data processing system does not provide the reliability and timeliness required for many applications, and implied in the President's commitment.

Users, particularly those involved in the analysis of natural resources data from foreign areas, unanimously believe that these two shortcomings must be overcome before the system can be considered even a limited operational system. Only then will they consider making the investments and developing the capability required to enable them to use the data in operational programs. If these improvements are not made, users have indicated they may purchase data from the French and Japanese programs as they become operational during the mid-1980s.

The Transition Plan therefore recommends authorization of two Landsat D satellites in addition to those now being built by NASA, each equipped with both the MSS and the TM sensors, together with the spare parts to refurbish Landsat D. It also recommends the improvements in the timeliness and reliability of the ground processing system required to meet user needs.

The programmatic justification of users' perceived needs that you requested in your letter, and already provided to your staff, confirms that the user agencies have not yet felt able to commit themselves to the full use of the experimental Landsat data in their operational programs. It is not possible, therefore, to quantify completely the programmatic gains

and losses that would occur from different levels of Landsat performance and satellite coverage. The Administration commitment to an operational system was made with knowledge that this was the case. Rather than spend more resources proving that an experimental system cannot stimulate wide-spread operational use of its data, we must move promptly to make the improvements in the coverage, reliability, and timeliness of the Landsat D system that users have identified as the prerequisites for operational data use and for their willingness to share in the costs of the system.

2. Implementation of the Operational System

With the improvements set forth above, the United States could have an operational system based on Landsat technology in being by about 1983 that meets the users' criteria for continuity and reliability. An enhanced system, optimized with respect to both performance and cost, could be introduced by about 1989.

The Transition Plan recommends prompt initiation of efforts to implement an operational system and then to improve it in a cost-effective manner, including the development of new solid state sensor technology and the initiation of definition studies for an enhanced system, so as to meet user needs better and to maintain U.S. technological leadership in space during the 1980s.

Implementation of an enhanced operational system with solid state sensors will not only ensure U.S. technological leadership in the world data market; it will also extend the useful life of the operational satellites, thus achieving considerable cost savings. Conditioning the timing of an enhanced system on the willingness of users to invest in the system, as your letter proposes, ignores these facts.

3. Pricing Policies and Federal Financing

The Presidential Directive called for the Transition Plan to cover "system financing including pricing policies for the users sharing of costs." The Transition Plan recommends that prices for Landsat D data and data products should be raised substantially but in such a manner and at such a pace as to encourage, rather than discourage, their expanded use. Tentative projections indicate that sales cannot support the system fully until at least the end of this century.

The pricing goals set forth in your letter of total cost recovery over the next five years for Federal users, and over the next ten years for non-Federal users, are, in my view,

unrealistic. Every effort should and will be made by us to increase system revenues through product and data sales, by expanding the market and by increasing prices to the maximum extent permitted by foreign satellite competition and other competing data sources. However, users have made it clear that, without the operational system set forth in the Transition Plan, these efforts will be difficult, if not impossible, to achieve.

I also question the advisability of creating different pricing structures for Federal and non-Federal users, if the differentials are to be large, and particularly when the prices to be charged Federal users are so artificially high as to make Landsat data products uncompetitive with data from other sources.

With respect to Federal financing, I am pleased that you concur with the Plan's recommendation that NOAA initially should budget for the "core" operational system that meets the common needs of the Federal government, and that costs for any special system capabilities should be budgeted by user agencies desiring them.

4. Private Sector Ownership

PD/NSC-54 states that "our goal is the eventual operation by the private sector of our civil land remote sensing activities." Differences of view on the method, timing and extent of private sector involvement exist, largely related to the fact that the system must be mostly financed by the Federal government for many years. Concerns also exist regarding the impact foreign satellite systems may have on revenues from the U.S. system, and the impact private ownership and associated pricing policies may have on U.S. international relations.

The Transition Plan recommends a legislatively established for-profit corporation to take over an enhanced Landsat D system in about 1989, when the new solid state sensor technology should be available. The plan also recommends that private ownership be accompanied by whatever regulations and controls are necessary to minimize U.S. international relations problems.

We continue to believe that our recommended institutional approach is correct. Our view is based on the reluctance of existing private corporations to invest now in light of market, legislative, regulatory, and international uncertainties; and on our judgment that such a corporation would best protect the

public interest in this endeavor, minimize international concerns, and ensure the necessary capitalization. I do not believe a legislatively-established corporation would lead to any higher probability of never-ending Federal subsidies than other options. If a decision with respect to private sector ownership is deferred until later in this decade, as is proposed by S.3169 recently introduced by Senator Adlai Stevenson, Jr., and supported by the entire majority on the Senate Commerce, Science and Transportation Committee, we would want to reconsider our views at that time.

We can, as you suggest, pursue further the possibility of having the private sector take over the system in the near future. But we reiterate that the private sector will not now be prepared to accept that responsibility without greater government subsidy than would occur after larger markets are developed. The question is simply one of who should take the risk; I prefer industry to take as much of the risk as possible.

5. Control over Data Products and Market Expansion

I am pleased that you concur with our recommendation that the system owner-operator should own the Landsat data and data products and condition their dissemination on the payment of appropriate fees.

With respect to market expansion, the Transition Plan recommends the immediate establishment of a market expansion program to train users of Landsat data and data products and to conduct application demonstration programs so that the gap between system revenues and system costs can be closed as quickly as possible. Your letter states that, while there may be a need for some market development by NOAA, you need a firm understanding of what criteria will be used to determine when NOAA should become involved in market development.

NOAA should initiate a market expansion program at the earliest possible time. In the long term, the organization most qualified and motivated to expand the market for Landsat data will be the corporation that will eventually own and operate the system. At this time, however, the necessary investment in facilities and marketing cannot be justified by companies in the field. Therefore, to achieve the pricing goals required to ensure early system self-sufficiency, NOAA must start a market expansion program in FY 1982 that will be phased down as companies decide to enter the marketing arena and will, in any event, terminate when a private owner takes over the system.

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Administration positions on these key issues must be established promptly. The Transition Plan recommends submission of authorizing legislation and the appropriation of about \$150 million in FY 1982 to begin efforts to ensure continuity of data and the development of an enhanced system. Without a coherent legislative and budgetary proposal to present to the Congress and affected domestic and foreign interests, the Administration will lose the initiative and will postpone even further the establishment of a U.S. civil operational land remote sensing satellite system.

My secretary will be in touch with yours to arrange the meeting I have suggested.

Sincerely,

Philip W. Klutznick
Secretary of Commerce

Honorable James T. McIntyre, Jr.
Director
Office of Management and Budget
Washington, D.C. 20503

cc:

Honorable Cecil D. Andrus, Secretary of the Interior
Honorable Bob S. Bergland, Secretary of Agriculture
Honorable Robert A. Frosch, Administrator, National
Aeronautics and Space Administration
✓ Honorable Frank C. Carlucci, Acting Director, Central
Intelligence Agency
Honorable Matthew Nimetz, Under Secretary of State
Honorable Frank Press, Director, Office of Science
and Technology Policy



United States Department of the Interior

32007

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

Honorable Philip M. Klutznick
Secretary of Commerce
Washington, D. C. 20230

OCT 20 1980

Dear Phil:

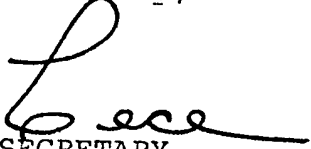
We have carefully reviewed the September 16, 1980, letter from Jim McIntyre regarding the Transition Plan for Land Remote Sensing from Space. In general, we are concerned that the OMB guidance could prematurely raise the prices of data to a level that would severely impact the user community and could seriously delay implementation of any meaningful operational Land Remote Sensing Satellite System.

The Transition Plan provided for needed improvements in the current Landsat experimental system, and, most importantly, provided for the development of a reliable, fully operational land remote sensing system before the end of the decade. In earlier correspondence I stated that Interior was in agreement with the major recommendation of the Plan, and urged that efforts be made to accelerate the time schedule for launch of the core system configuration to avoid the consequences of other countries pulling ahead of the U. S. with an improved and more cost-effective land remote sensing system. I have not changed my views on these issues.

Resolution of the critical policy issues discussed in the Transition Plan (such as, shall the United States maintain leadership in this field, what is meant by continuity of data, defining the speed with which we should move toward an operational system, and the appropriate management structure) need to be made if we are to proceed with implementation of a truly operational, cost-effective Land Remote Sensing System.

I would be pleased to meet with you and other interested parties to further define a process to determine the future of Land Remote Sensing from Space.

Sincerely,



SECRETARY

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The Director of Central Intelligence

Washington, D.C. 20505

37740

DCI/CT 80-0103

October 14, 1980

The Honorable Philip M. Klutznick
Secretary of Commerce
Washington, D.C. 20230

US DEPT OF COMMERCE
OFFICE OF THE
SECRETARY
EXECUTIVE SECRETARIAT
OCT 15 10 34 AM '80

Dear Phil,

Thank you for your letter to Admiral Turner. The following comments are in response to your 3 October 1980 request for our views on the current issues relative to developing a follow-on system to the LANDSAT program.

I note that with reference to the civil satellite remote sensing program the three recent Presidential Directives on National Space Policy have consistently stressed the two major objectives of maintaining U.S. leadership in space science, applications and technology, and encouraging greater private sector involvement in the operation and ownership of the satellite imaging system.

In contrast, the 16 September 1980 OMB letter has focused on the aspect of minimizing the budgetary impact of the civil remote sensing program. In this period where the need for fiscal constraint is critical, the various OMB comments warrant careful assessment. However, the basic position of indicating that the OMB "decision to provide increased funding for this program will be dependent on thorough programmatic justification and the willingness of the users to share in the costs" fails to give any weight to the major Presidential objective of maintaining U.S. leadership in space technology. It also seems to ignore the stipulation in Presidential Directive/NSC-42 that an "adequate federal budget commitment will be made to meet the objectives" of the national space policy. In our judgment, these omissions pose the serious risk of undermining one of the cornerstones of national space policy.

The OMB letter acknowledges that moving on to the LANDSAT follow-on system is "an area where we have little experience." Indeed, some of the subsequent points it makes seem to be predicated upon assumptions that are incomplete, inconsistent, or both. Thus, with reference to NOAA Recommendation 1, OMB is insisting that before the concept of attempting to maintain continuity of data in the 1980s can be accepted, more detailed programmatic justification will be required by the users. As a point of fact, this OMB requirement is being addressed almost exclusively to the federal agency market. It ignores two key points-- that there are other users, both domestic and foreign, and the basic fact that if a remote sensing system does not provide continuity of data, users who have made or are about to make investments of manpower

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and equipment will be forced either to curtail their investment or shift to alternative sources of data. Lack of data continuity is a strong counterforce to market expansion. Establishing continuity of data is a foundation without which the United States cannot maintain leadership in civil space applications.

OMB makes the implementation of NOAA Recommendation 2 to develop specifications in 1981 for the goal of initiating a fully operational system in 1989 conditional upon the willingness of U.S. users to invest. OMB, therefore, indicates that a future, more advanced operational system should be deferred beyond 1989. This position appears to be predicated upon the assumption of a static condition whereby the making of decisions concerning the civil remote sensing program can continue in the future as in the past on the basis of unchallenged leadership and with disregard of competitive foreign programs.

However, the remote sensing field will become far more dynamic in the next few years as U.S. leadership is challenged by the ongoing programs of France and Japan. Current information indicates that the French SPOT program is comprehensive and aggressive. France has scheduled the first SPOT satellite to be launched in November 1983, with operational services to begin in January 1984. The satellite will carry two imaging instruments capable of providing either a 20-meter or 10-meter capability--as compared to 80 meters and 30 meters for the United States. The spectral range will be similar to that of the LANDSAT MSS but will extend only to 0.9 micrometers into the infrared spectrum--as compared with the 1.1 on the MSS. However, the pointing aspect of the SPOT system will afford a stereoscopic capability that will be especially useful for topographic mapping and geological surveys. The French government has announced the policy that, although the 20-meter imagery will be distributed without restriction to all users who pay the appropriate fees, the 10-meter imagery will be released only with the consent of the countries that are imaged. The higher resolutions and the restrictions on the dissemination will have a strong appeal to many countries.

This SPOT program has been under development for a number of years and was approved in late 1977 by the French government which also provides the funding. The stated objectives of the SPOT program are quite broad and include more effective land use management of French territory, facilitating involvement of French companies in the economic development of the developing nations, and providing a technologically sound basis for a subsequent military reconnaissance program. The SPOT system processing objective is to supply some standard products within 48 hours and fully processed products within one week. Various parts of the

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French government's scientific and technical organizations are apparently being geared up to provide additional specialized imagery interpretation and analytical services. The Japanese satellite program can also be expected to be a strong competitor.

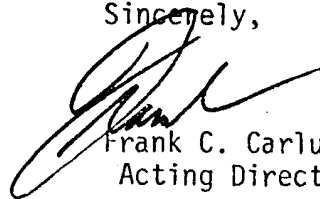
It may well be that not all of these plans will be effected during the 1980s, but these foreign developments emphasize the point that the U.S. civil remote sensing program will be subject to aggressive foreign competition. If the development of its advanced capabilities should be put into a holding pattern, maintaining U.S. technological leadership will become increasingly difficult.

Therefore, there is a need to reaffirm the basic Presidential objectives with reference to the conduct of the civil space programs as they were unequivocally outlined in Presidential Directive/NSC-37--"to increase the body of scientific knowledge about the earth and the universe; to develop and operate civil applications of space technology; to maintain United States leadership in space science, applications, and technology; and to further United States domestic and foreign policy objectives."

With reference to the OMB comment on NOAA Recommendation 3, it should be noted that price levels which are too high will also drive users to curtail their purchase of U.S. satellite products or shift to alternative sources. Again, nowhere does there appear to be OMB consideration of the impact of foreign competition.

To summarize, I believe an inadequate or poorly implemented system of capital investments poses the risk of developing an inefficient or unreliable remote sensing system. This will serve only to further stimulate foreign competition for the international market that previous U.S. investments have basically created. It will also lead to erosion of the current U.S. leadership in civil applications of remote sensing technology from space, maintenance of which is a basic objective spelled out in the Presidential Directives. Since the Europeans and the Japanese are already making major remote sensing advances, satisfying this objective should be a major consideration. Furthermore, a marginal or substandard U.S. system not able to compete with foreign competition also decreases the likelihood of achieving private sector involvement in the future operation of civil remote sensing activities--still another Presidential objective. And, finally, such a system will even fail to meet domestic users' needs for data continuity and reliability.

Sincerely,



Frank C. Carlucci
Acting Director

37887



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

OCT 20 1980

Honorable Philip M. Klutznick
Secretary of Commerce
Washington, D.C. 20230

OCT 20 1980

Dear Phil:

Thank you for the opportunity to comment on OMB's guidance letter of September 18, 1980, on the Transition Plan for Land Remote Sensing from Space.

I agree wholeheartedly that the OMB letter raises a number of critical policy issues. I also strongly agree with you that the issues must be resolved in accordance with appropriate policy procedures.

It is unfortunate that the initial impression conveyed by the OMB letter is somewhat negative. In responding to recommendations in the final version of the Transition Plan, the OMB letter of September 18 echos earlier comments on the preliminary draft of the Plan which were transmitted in an OMB letter dated January 24, 1980. Both OMB letters appear to shift the relevant issues from the framework of policy procedures to the budget process. Our concern is that OMB does not recognize that broad policy objectives must be set first and that consideration of resources necessary to achieve the desired goals and objectives is the second step.

Even though previous correspondence has covered much of the same ground, we propose to defer direct comment on specific points raised by OMB in the letter of September 18 pending additional review within the Department of Agriculture. For example, key issues are continuity of data and financial support for the civil space remote sensing system as it moves from research and development into operational use. The issue of system financing is extremely complex and, in terms of national policy, has profound implications for other Federal data acquisition systems; the solution proposed by OMB, recovery of costs through increased prices to Federal users, may well inhibit successful development of an operational remote sensing system which will serve national civil needs.

In this regard the Department of Agriculture has consistently taken the position that a fair and reasonable price will be paid for data products, provided the system meets our requirements. We are attempting through the AgrISTARS (Agricultural and Resource Inventory Surveys Through Aerospace Remote Sensing) research program to determine the utility of satellite data in USDA programs. Although some Landsat data are currently being used for qualitative assessment of crop conditions, it will be difficult to respond to OMB's specific questions until the research program has progressed, and

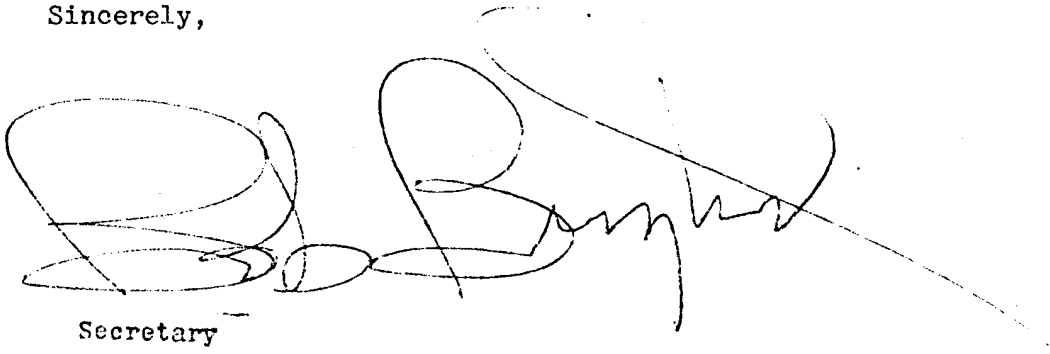
Honorable Philip M. Klutznick

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until the proposed system is in place and has demonstrated the capability to deliver timely and reliable data to users. Because remotely sensed data from space constitute such a unique source of information whose potential has only just begun to be exploited, it is entirely possible that we will be able to demonstrate higher than anticipated levels of benefits in present uses as well as new and unexpected benefits in the global renewable resources and agricultural marketplace.

Let me assure you again of our support to the Department of Commerce and to the National Oceanic and Atmospheric Administration as you prepare to assume management responsibility for civil land remote sensing from space in accordance with policy developed by the PRC on Space and formalized in Presidential Directive No. 54.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip M. Klutznick". The signature is written in a cursive style with large, sweeping loops and a long horizontal tail extending to the right.

Secretary



National Aeronautics and
Space Administration

Washington, D.C.
20546

Office of the Administrator

38031

OCT 16 1980

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Honorable Philip M. Klutznick
Secretary of Commerce
Washington, DC 20230

Dear Phil:

I fully agree with the basic point of your October 3 letter on the Landsat Transition Plan--that we must settle on a policy and then carry it out. It has been my understanding that PD/NSC-54 established a policy and that your Transition Plan was to lay out an implementation approach reflecting the views and needs of the key federal elements involved. It seems to me that further deferrals, further studies (especially those requiring economic assumptions that are inherently suspect until there is relevant operational experience), or further constraints (implied by subordinate policy questions on ownership or pricing) are simply ways to avoid coming to grips with the decision to establish a viable, operational, national program.

It will interest you to note that just the other day Frank Press asked me to come over and discuss Landsat-D status and action plans, and what is the minimally acceptable continuation of the Landsat-D series to meet the President's commitment to data continuity--in short, the near-term technical issues embodied in the Transition Plan. At that meeting, he assured me that he fully supported the President's commitment and was prepared to argue for its implementation in the final budget formulation process. You may wish to discuss his viewpoint directly with him, as Dick Frank and I have done recently.

I urge you to press forward on an urgent basis toward the establishment of a firm national policy of fiscal commitment on transition to an operational land observing system; as always, you can count on NASA's full support.

Very truly yours,

Robert A. Frosch
Administrator

UNDER SECRETARY OF STATE
FOR SECURITY ASSISTANCE, SCIENCE AND TECHNOLOGY
WASHINGTON

Dear Mr. Secretary:

Secretary Muskie has asked me to respond to your letter of October 3 with respect to the Transition Plan for Land Remote Sensing from Space and the guidance you received September 16 from the Office of Management and Budget.

The Department of State considers Presidential Directive PD-54 as the basic policy document on operational land remote sensing. We worked closely in all the studies leading to PD-54 and agree with you that the budget process should not affect the fundamental Presidential commitment to Landsat data continuity and making land remote sensing operational. We therefore support your intention of resolving the policy differences raised in the OMB letter.

The Landsat program has made us an international leader in civil remote sensing. It is imperative that we maintain this leadership by assigning the highest priority to the Landsat D/D' project, with the higher capability Thematic Mapper Instrument in space no later than 1983. I am enclosing a copy of a memorandum the Department submitted to Dr. George Benton, which explains in detail our views on the importance which we attach to the Landsat program.

The pricing policies and the fee structure which will be developed for the operational system will have an important bearing upon its international acceptability. We are planning a joint study with NOAA on the international aspects of a pricing strategy.

The Honorable
Philip M. Klutznick,
Department of Commerce,
Washington, D.C. 20230

-2-

Until such an assessment is completed, the Department would be opposed to making any major changes in the current international user prices and fees.

As the Department has stated previously, the benefits to U.S. foreign policy from Landsat are very substantial. The Landsat program demonstrates to the world community an openness, vitality, and technological superiority, when contrasted with the remote sensing activities of other nations. It is a tangible contribution toward our obligation, under the 1967 Outer Space Treaty, to use outer space for the benefit and in the interests of all countries, irrespective of their degree of economic or scientific development. Developing countries with limited resources have made investments to use this data, and the United Nations and the international community are working exclusively with Landsat data. This program is valuable to the creation of a favorable international climate allowing us to conduct all our space programs without burdensome restrictions and regulations.

Other space powers are recognizing the indirect foreign policy benefits which accrue to the U.S. from this program. France, the European Space Agency, Japan and others, have initiated or are planning their own programs. We should not risk losing our current leadership because of gaps in data continuity, uncertain plans and delays.

You can count on our strong support in your efforts to move promptly towards an operational Landsat program.

Sincerely,

Matthew Nimetz

Enclosure

WE UNDERSTAND THAT THE STATE DEPARTMENT RESPONSE HAS BEEN SIGNED BY UNDER SECRETARY NIMETZ TODAY (OCTOBER 24) WITH NO SUBSTANTIVE CHANGES.

~~SECRET~~

DCI/CT 80-0103/1

10 OCT 1980

Executive Registry
80-1499/5

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: [redacted]
Deputy to the DCI for Collection Tasking

SUBJECT: Letter of Response to Secretary of Commerce

REFERENCE: Letter to DCI from Secretary of Commerce, dated
3 October 1980

1. Action Requested: Your signature on the attached letter of response to Secretary Klutznick's request for your views on issues raised in a recent OMB guidance letter relative to the development of a follow-on to the current LANDSAT civil satellite program. [redacted]

2. Background: As you are aware, three Presidential Directives (PD/NSC-37, PD/NSC-42, and PD/NSC-54) have been generated by the recent review of national space policy. The basic objectives with reference to the civil space programs were indicated in PD/NSC-37 as being "to increase the body of scientific knowledge about the earth and the universe; to develop and operate civil applications of space technology; to maintain United States leadership in space science, applications, and technology; and to further United States domestic and foreign policy objectives." This Directive also provided for encouraging "domestic commercial exploitation of space capabilities" under government authorization and supervision. The two subsequent Directives provided further guidance, essentially concerning the specifics of implementing these basic objectives. Thus, PD/NSC-54 levied upon Commerce the responsibility for preparing the transition plan from the current NASA LANDSAT experimental system to an operational satellite remote sensing program for civil applications. The transition plan was to cover, among other subjects, "system financing including pricing policies for the users' sharing of costs." [redacted]

3. The differing reactions between OMB and the federal user agencies to the Presidential guidance surfaced during the evolution of the formal Transition Plan, which was completed in June. On one hand, the OMB thrust was to reduce program costs to the minimum, to push to the maximum cost sharing by users, and to turn over ownership and operation of the system to the private sector as soon as possible. Implementation of the OMB budget policies would:

EXECUTIVE REGISTRY
L-116

PD-37

[redacted]

REFERENCE

25X1

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25X1

SUBJECT: Letter of Response to Secretary of Commerce

a. mean limited capability systems that will result in loss of U.S. leadership in civil applications of space technology;

b. stretch out the recommended procurement plans, thereby threatening continuity of data flow; and

c. create a managerial/budgetary nightmare as the operations of the civil system became dependent upon uncertain contributions from the various users. [redacted]

25X1

4. The other user agencies (Commerce, Agriculture, Interior, State) have emphasized:

a. implementing the basic policy objective of maintaining U.S. technological leadership in civil space matters, and

b. developing a sound program that would provide useful services, thereby attracting a broad market of federal, private, and foreign users. [redacted]

25X1

5. The OMB-user agency differences appeared to be somewhat moderated by devising language in the text of the Transition Plan that tried to respond to both points of view. However, the 16 September 1980 OMB letter indicates that the OMB position--which is supported by Dr. Frank Press--continues to be dominated by the sole objective of minimizing the near-term budgetary effect without consideration of the resulting impact on the national policy objective of maintaining leadership in space. The OMB approach is unrealistic since its pressures for reduced system investments--and capabilities--and for higher product costs will be a strong incentive for driving present users away, especially given the uncertainties in data flow and the near-term prospect of aggressive competition from France. Furthermore, the private sector does not appear to be too enthusiastic about taking over system ownership at this time, and an inadequate system will only serve to strengthen their reservations. Even if they are willing, devising and approving the enabling legislation will probably take a minimum of two years. [redacted]

25X1

25X1

[redacted] While the exact amount resulting from an implementation of the cost-sharing concept is obviously subject to some negotiation, it is obvious that the OMB concepts will drive current users to reduce or eliminate their purchases of civil remote sensing products. [redacted]

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25X1

SECRET

SUBJECT: Letter of Response to Secretary of Commerce

7. Staff Position: The attached letter of response highlights critical points about the implementation of the national policy objective to maintain U.S. leadership in space that have not been addressed in the CMB comments and provides specific information about the aggressive nature of the French competition. It should, therefore, be useful to Secretary Klutznick in his present plan to get the President's resolution of these issues. The letter has been coordinated with, and concurred in by, RMS and NFAC (OGSR and OSWR).

25X1

8. Recommendation: I recommend that you sign the attached letter to Secretary Klutznick.

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25X1

Attachment:

Proposed Letter for Acting DCI Signature

UNCLASSIFIED

The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry

80-1499/41A

DCI/CT 80-0103

14 OCT 1980

The Honorable Philip M. Klutznick
Secretary of Commerce
Washington, D.C. 20230

Dear Phil,

Thank you for your letter to Admiral Turner. The following comments are in response to your 3 October 1980 request for our views on the current issues relative to developing a follow-on system to the LANDSAT program.

I note that with reference to the civil satellite remote sensing program the three recent Presidential Directives on National Space Policy have consistently stressed the two major objectives of maintaining U.S. leadership in space science, applications and technology, and encouraging greater private sector involvement in the operation and ownership of the satellite imaging system.

In contrast, the 16 September 1980 OMB letter has focused on the aspect of minimizing the budgetary impact of the civil remote sensing program. In this period where the need for fiscal constraint is critical, the various OMB comments warrant careful assessment. However, the basic position of indicating that the OMB "decision to provide increased funding for this program will be dependent on thorough programmatic justification and the willingness of the users to share in the costs" fails to give any weight to the major Presidential objective of maintaining U.S. leadership in space technology. It also seems to ignore the stipulation in Presidential Directive/NSC-42 that an "adequate federal budget commitment will be made to meet the objectives" of the national space policy. In our judgment, these omissions pose the serious risk of undermining one of the cornerstones of national space policy.

The OMB letter acknowledges that moving on to the LANDSAT follow-on system is "an area where we have little experience." Indeed, some of the subsequent points it makes seem to be predicated upon assumptions that are incomplete, inconsistent, or both. Thus, with reference to NOAA Recommendation 1, OMB is insisting that before the concept of attempting to maintain continuity of data in the 1980s can be accepted, more detailed programmatic justification will be required by the users. As a point of fact, this OMB requirement is being addressed almost exclusively to the federal agency market. It ignores two key points-- that there are other users, both domestic and foreign, and the basic fact that if a remote sensing system does not provide continuity of data, users who have made or are about to make investments of manpower

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and equipment will be forced either to curtail their investment or shift to alternative sources of data. Lack of data continuity is a strong counterforce to market expansion. Establishing continuity of data is a foundation without which the United States cannot maintain leadership in civil space applications.

OMB makes the implementation of NOAA Recommendation 2 to develop specifications in 1981 for the goal of initiating a fully operational system in 1989 conditional upon the willingness of U.S. users to invest. OMB, therefore, indicates that a future, more advanced operational system should be deferred beyond 1989. This position appears to be predicated upon the assumption of a static condition whereby the making of decisions concerning the civil remote sensing program can continue in the future as in the past on the basis of unchallenged leadership and with disregard of competitive foreign programs.

However, the remote sensing field will become far more dynamic in the next few years as U.S. leadership is challenged by the ongoing programs of France and Japan. Current information indicates that the French SPOT program is comprehensive and aggressive. France has scheduled the first SPOT satellite to be launched in November 1983, with operational services to begin in January 1984. The satellite will carry two imaging instruments capable of providing either a 20-meter or 10-meter capability--as compared to 80 meters and 30 meters for the United States. The spectral range will be similar to that of the LANDSAT MSS but will extend only to 0.9 micrometers into the infrared spectrum--as compared with the 1.1 on the MSS. However, the pointing aspect of the SPOT system will afford a stereoscopic capability that will be especially useful for topographic mapping and geological surveys. The French government has announced the policy that, although the 20-meter imagery will be distributed without restriction to all users who pay the appropriate fees, the 10-meter imagery will be released only with the consent of the countries that are imaged. The higher resolutions and the restrictions on the dissemination will have a strong appeal to many countries.

This SPOT program has been under development for a number of years and was approved in late 1977 by the French government which also provides the funding. The stated objectives of the SPOT program are quite broad and include more effective land use management of French territory, facilitating involvement of French companies in the economic development of the developing nations, and providing a technologically sound basis for a subsequent military reconnaissance program. The SPOT system processing objective is to supply some standard products within 48 hours and fully processed products within one week. Various parts of the

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French government's scientific and technical organizations are apparently being geared up to provide additional specialized imagery interpretation and analytical services. The Japanese satellite program can also be expected to be a strong competitor.

It may well be that not all of these plans will be effected during the 1980s, but these foreign developments emphasize the point that the U.S. civil remote sensing program will be subject to aggressive foreign competition. If the development of its advanced capabilities should be put into a holding pattern, maintaining U.S. technological leadership will become increasingly difficult.

Therefore, there is a need to reaffirm the basic Presidential objectives with reference to the conduct of the civil space programs as they were unequivocally outlined in Presidential Directive/NSC-37--"to increase the body of scientific knowledge about the earth and the universe; to develop and operate civil applications of space technology; to maintain United States leadership in space science, applications, and technology; and to further United States domestic and foreign policy objectives."

With reference to the OMB comment on NOAA Recommendation 3, it should be noted that price levels which are too high will also drive users to curtail their purchase of U.S. satellite products or shift to alternative sources. Again, nowhere does there appear to be OMB consideration of the impact of foreign competition.

To summarize, I believe an inadequate or poorly implemented system of capital investments poses the risk of developing an inefficient or unreliable remote sensing system. This will serve only to further stimulate foreign competition for the international market that previous U.S. investments have basically created. It will also lead to erosion of the current U.S. leadership in civil applications of remote sensing technology from space, maintenance of which is a basic objective spelled out in the Presidential Directives. Since the Europeans and the Japanese are already making major remote sensing advances, satisfying this objective should be a major consideration. Furthermore, a marginal or substandard U.S. system not able to compete with foreign competition also decreases the likelihood of achieving private sector involvement in the future operation of civil remote sensing activities--still another Presidential objective. And, finally, such a system will even fail to meet domestic users' needs for data continuity and reliability.

Sincerely,

/s/ Frank C. Carlucci

Frank C. Carlucci
Acting Director

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SUBJECT: Letter of Response to Secretary of Commerce

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