

EXECUTIVE SECRETARIAT

Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS	✓			
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	DA/IA		✓		
18	AO/DCI				
19	C/IPD/CIS				
20			✓		
21	Room SE-25				
22					
		SUSPENSE		Date	

Remarks:

Executive Secretary

12/14/82

Date

237 (10-a)

Not referred to DOC. Waiver applies.

Executive Registry
 82-13466

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 12/13/82 NUMBER: 077657CA DUE BY: _____

SUBJECT: Cabinet Council on Commerce and Trade, December 15, 1982

8:45 a.m. in the Roosevelt Room

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (<i>For WH Staffing</i>)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Harper	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
<u>CIA</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCCT/Gunn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>			

REMARKS: The Cabinet Council on Commerce and Trade will meet Wednesday, December 15 at 8:45 a.m. in the Roosevelt Room. The agenda and background paper are attached.

Not referred to DOC. Waiver applies.

RETURN TO: Craig L. Fuller
 Assistant to the President
 for Cabinet Affairs
 456-2823

Becky Norton Dunlop
 Director, Office of
 Cabinet Affairs
 456-2800



MEMORANDUM FOR: MEMBERS OF THE CABINET COUNCIL ON
COMMERCE AND TRADE (CCCT)

FROM: *MSB* Malcolm Baldrige, Chairman Pro Tempore
Cabinet Council on Commerce and Trade

SUBJECT: Commercialization of the Civil Space
Remote Sensing Systems

I. ISSUE

- (1) What is the best mechanism to implement the current policy of transfer of civil land remote sensing systems (Landsat) to the private sector as soon as possible?
- (2) Should the Administration consider simultaneously private sector transfer of both civil weather and land satellites?

II. BACKGROUND

The CCCT has met to discuss this issue in December 1981, March 1982, and April 1982. In the April meeting a tentative decision was reached to examine commercialization of the Landsats along three paths (international joint venture, lower cost missions, or privatization). It was also tentatively decided to continue the civil weather satellites under Government control. The first two paths on Landsat have not produced any new information. I have elected not to bring the recommendation to the President pending further information from industry on both the land and civil weather satellites.

Industry inputs, in the form of responses to a Request for Information published in Commerce Business Daily, were received October 22 and have been reviewed by a private sector advisory committee and an ad hoc Governmental team chaired outside the Department of Commerce.

The private sector committee, chaired by Mr. Michel Halbouty, concluded that none of the submissions was satisfactory as stated, a Request for Proposals (RFP) should be released and legislation submitted to transfer either the land or land and weather satellites to the private sector, and an urgent supplemental appropriation be submitted to procure follow-on Landsats. The committee also concluded that a continuing advanced Federal R&D program in remote sensing is essential and recommended a restriction on the extent of responsibility given if a sole entity were selected for the satellite systems.

Not referred to DOC. Waiver
applies.

The Government team analyzed the industry submissions, but did not formulate a plan for commercialization.

In reviewing the industry submissions and the two evaluations, the Department of Commerce found that industry stated that all Government concerns could be satisfied under a contractual relationship and that industry had provided what might be considered an opening position for negotiations. However, all responses had drawbacks as submitted.

III. DISCUSSION

There are no zero cost solutions to maintaining a civil space remote sensing capability. A purchase of Government assets can reduce expenditures for a year or so, but until a market is established Federal support is necessary, and at a level larger than current budget assumptions -- if it is Government policy for civil space remote sensing to continue. This statement is true whether the systems remain in the Government or are transferred to the private sector.

The U.S. Government is currently spending more than \$14 billion per year on the civil and national defense space programs. The investment of less than 2.5% of that amount (\$350 million in FY 83 dollars, of which approximately half is already devoted to Federal civil space remote sensing programs) can create a new private industry based on remote sensing of the weather, ocean, and land from space.

A finite-duration redirection of this small fraction of the Nation's investment in space will assure the U.S. of a continued leadership role in civil land remote sensing, a stronger weather satellite system, and the evolution of a commercial ocean satellite system. This investment would produce in the foreseeable future a self-supporting commercial venture.

No other civil space effort can contribute so surely to the future economic base of the country, or continue so visibly both the favorable image of the United States as an advocate of the peaceful uses of outer space and as a supporter of the private sector as the appropriate means to advance those uses.

Civil space remote sensing systems are being advanced by France, Japan, the European Space Agency, India, Canada, the Federal Republic of Germany, and the Soviet Union. The United States has created this high technology field, but will now lose its leadership position unless strong action is taken now.

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A commercial entity, with adequate early support, can preserve the U.S. position -- with all of the concomitant implications in contributions to economic strength, national security, foreign policy, and the stimulation of a greater private sector role in space.

Although no one submission from private industry satisfies all criteria that the Government would apply, there is sufficient credible evidence that a satisfactory arrangement can be reached with one or more entities in the private sector. There is also sufficient evidence that a contractual arrangement can be reached that will protect satisfactorily all Federal interests (national security, foreign policy, and protection of life and property), and without creating so constraining an environment that no latitude is left for the private entity.

Federal interests require a continuing oversight of any private entity involved in civil space remote sensing, as does the Outer Space Treaty. Consistent with the President's Space Policy, that oversight can be provided by an interagency committee led by the Department of Commerce. Among the committee's tasks would be drafting the RFP and required legislation, coordinating Federal activities, and ensuring that the private entity adheres to national policies. Illustrative of such policies would be non-discriminatory data dissemination and continuing the U.S. participation in the free international exchange of weather data.

Implementing a commercial system involving the large capital expenditures of a satellite system necessitates some form of assured market. Normal business practice employs guaranteed minimum purchase agreements to justify large capital investments. The Government, as the chief customer in the early years, must accept the private firm's needs for such assurances.

IV. OPTIONS

There are two principal options: (1) Transfer to the private sector, via competitive means, the current operational land, civil weather, and future civil ocean satellites. While one RFP would be released for all systems, joint ventures would be permitted to encourage competition. (2) Continue the current budget policy of bringing the land remote sensing systems within the Government to a close by nominally 1988 and retaining the civil weather satellites under Government control.

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OPTION 1 - Pros:

1. Maintains a vigorous U.S. program in civil space remote sensing.
2. Demonstrates commitment to the private sector role in space.
3. Creates a new private industry.
4. Reduces the size and scope of Government activities.

Con:

1. Requires a larger Federal commitment to civil space remote sensing than current budget assumptions (nominally \$350 million in FY 83 dollars versus approximately \$200 million).

OPTION 2 - Pros:

1. Is within current budget.
2. Avoids need to solve foreign policy and national security concerns resulting from private ownership.

Cons:

1. Leaves advanced civil land remote sensing to foreign entities.
2. Does not increase private sector role in space.
3. Reduces neither the size nor scope of Government.

V. RECOMMENDATION

Ask the Department of Commerce to oversee the transfer of the civil operational weather, land, and future ocean satellites to the private sector as soon as possible. The transfer must be carried out consistent with the following principles:

- (1) National security and foreign policy concerns must be appropriately addressed.
- (2) The transfer should occur under competitive conditions to the maximum extent practical.
- (3) The Department of Commerce should establish the interagency coordinating body as soon as possible.