

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Status: Transfer of Civil Space Remote Sensing to the Private Sector

FROM:

Eloise R. Page, Deputy Director
Intelligence Community Staff

EXTENSION

NO.

DCI/ICS 83-4256

DATE

4 March 1983

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1. Executive Registry

2. *JRE*
DDCI

M

14 MAR 1983

J

Put on CLARK
AGENDA

J

25X1



DCI/ICS 83-4256
4 March 1983

MEMORANDUM FOR: Director of Central Intelligence 25X1

VIA: 25X1
 Director, Intelligence Community Staff

FROM: Miss Eloise R. Page
 Deputy Director, Intelligence Community Staff

SUBJECT: Status: Transfer of Civil Space Remote Sensing Systems to the 25X1
 Private Sector

1. Purpose: To provide you a status report on the transfer of the civil operational land and weather remote sensing satellites to the private sector and convey our continuing concerns regarding this issue. 25X1

2. Action Requested: That you consider discussing the political and national security implications with the President. 25X1

3. Background/Status:

a. On 25 January 1983, Secretary Baldrige, in his role as Chairman, Pro Tempore of the Cabinet Council on Commerce and Trade (CCCT), sent a decision memorandum to the President regarding the transfer of the civil space remote sensing systems to the private sector (Tab A). This memorandum was to convey the results of the CCCT meeting of 15 December 1982. The CCCT decided that (1) the US Government should transfer both systems, in a competitive process, as soon as possible; (2) National Security (including intelligence) concerns can be accommodated; (3) a US firm is mandatory; and (4) Commerce will oversee the process. Of note was recognition of the need for a near-term enhanced Federal budget commitment for these systems. The fundamental national security concerns on commercialization were specified to Secretary Baldrige by the DCI and the DepSecDef (Tab B and Tab C, respectively). Secretary Baldrige's reply to the DCI (Tab D) noted that an interagency coordinating and oversight body will be established at the Assistant Secretary level (non-career appointees, to ensure that the group is thoroughly knowledgeable in Administration policies). 25X1

b. The Commerce decision memorandum to the President did not altogether accurately represent the commercialization issue and the CCCT decision meeting. Subsequent to Commerce sending the memorandum to the White House, the Office of Cabinet Affairs requested CCCT member comments. Our proposed changes (Tab E) focused on:

This memorandum may be downgraded to UNCLASSIFIED upon removal of Tab C.

- National Security Implications: We specified a minimum set of changes to make certain that national security concerns would be accommodated consistent with your previously referenced memorandum to Baldrige on 3 January 1983. If the President proceeds with the commercialization, the Commerce-proposed establishment of an interagency coordinating body should provide us the forum in which to solve national security issues.

- Accuracy: We inserted language to reflect accurately the views of the Community on commercialization as gained through the work of the two Commerce Advisory Committees--one from the concerned Federal agencies and one from the private sector--and the decisions made at the CCCT meeting in mid-December 1982. Of primary concern was having the decision memorandum include the fact that there is considerable uncertainty about the near-term viability of a market for land remote sensing data. Similarly, there was uncertainty regarding USG costs associated with commercialization. The Office of the Under Secretary of Defense (Policy) and the Office of Science and Technology Policy made similar comments.

- Completeness: We added language to provide the Advisory Committees' less than optimistic perspective on this issue, and the view that if commercialization is chosen, the results of the competitive bid procedure should be provided to the President for his review prior to a final decision or selection. In this way, the President would gain a firm understanding of the cost implications of the decision.

25X1

c. On 25 February 1983, the Office of Cabinet Affairs circulated a second draft of the decision memorandum (Tab F) which incorporated most of our recommended changes. Accordingly, we have concurred in the decision memorandum and we understand that it is on its way to the President.

25X1

d. In parallel with commenting on the CCCT decision memorandum, we have been preparing to participate in the CCCT interagency coordinating and oversight body, e.g., in the drafting of the procurement documentation. As part of these preparations, we are undertaking jointly with the DoD a comprehensive review of civil remote sensing issues. We have been advised that the Secretary of Defense may wish to discuss this issue at a future breakfast meeting. When the item is scheduled, we will provide you with additional background on the joint efforts we are planning.

25X1

4. Concerns: The commercialization of both civil operational land and weather satellite systems is proceeding apace. For some time we have had concerns about the commercialization of these capabilities. However, in all of the deliberations, we focused on those aspects within the DCI purview (primarily national security). With a decision memorandum likely to go to the President recommending that he proceed with commercialization, it may now be appropriate to inform the President of our concerns and reservations. These are:

SECRET

a. At present, CIA uses civil land remote sensing data, along with a wide variety of human and other technical sources [redacted]

25X1

[redacted] CIA is concerned that the costs of such products to the CIA would likely increase with commercialization. CIA envisages an increased importance of LANDSAT-type products in the latter half of this decade, highlighting the need for and significance of continuity of land remote sensing capabilities. From the CIA viewpoint, commercialization of LANDSAT may be the only way of assuring the availability of such products because no land remote sensing capabilities are currently budgeted after LANDSAT's termination in 1988. [redacted]

25X1

25X1

b. We are concerned that commercialization of the weather satellites may impede and unnecessarily complicate satisfaction of the worldwide national security weather support requirements. Their product--along with data collected by DoD weather satellites and data provided by foreign entities--is an integral part of an international free exchange of weather information. [redacted]

25X1

c. The Government Advisory Committees surfaced these points:

- There is a strong body of opinion that urges restraint and caution in proceeding with commercialization. The Decision Memorandum points out that implementing a commercial satellite system may involve some form of Government-assured market for a time. The level of need for such support, if any, could raise future budget outlays by as much as \$150 million per year above current budget projections;
- A monopoly environment may cause a potential lack of vigor in the R&D effort and lack of incentive to adopt improvements which may materialize. This situation would be counter to the Administration's policy of maintaining space leadership which implies continuation of remote sensing activities without interruption, and a vigorous and healthy R&D program. Government subsidization of the private sector would therefore seem inevitable if US leadership is to be maintained;
- Commercialization into a monopoly at this time could inhibit the free market process. Designation of a sole operator, which would have exclusive and proprietary rights to the data from acquisition to delivery under conditions of guaranteed subsidy and guaranteed tax incentives, would severely limit the degree of natural market development. This is antithetical to the underlying economic philosophy of the US and this Administration;
- The market for land remote sensing data has not developed to a point where commercial viability could be demonstrated within the next ten years;
- The most serious potential foreign competitors in the data market (France and Japan) plan to write off the costs for operation, thus making it doubtful that a US commercial venture would be able to compete internationally without government support; and

SECRET

- There is considerable financial, policy, and program risk to the Federal Government in commercializing weather satellites with no clear policy or financial benefit to be realized. There is only a small commercial opportunity because the government is the preponderant user of data produced by them. [redacted]

25X1

d. National Security-related concerns include:

- There are intelligence applications of current data products as has long been demonstrated by CIA and more recently by DIA. [redacted]

25X1

- LANDSAT could provide foreign governments who do not already possess a photographic reconnaissance system the means for obtaining intelligence information from space. Systems improvements proposed under private sector control could increase national security concerns; and

- There are technology transfer issues which might be exacerbated if a private sector operator became the worldwide supplier of remote sensing equipment. [redacted]

25X1

e. Aside from the national security issues, there is a concern that by proceeding with the commercialization of both LANDSAT and METSAT as now proposed, the President could find himself in a politically embarrassing situation. He would be open to public and Congressional criticism if no significant advantage can be cited--lessened government involvement and reduced government fiscal outlays. The transfer could be perceived as a give-away which is the essence of an article by [redacted]

25X1

[redacted] "Pie in the Sky," published in The Washington Post on 16 February 1983 (Tab G), and as was portrayed in a WRC-TV news broadcast by [redacted] on 17 February 1983. [redacted]

25X1

25X1;5X1

5. Recommendation: The Presidential decision being requested at this time does not appear to be the final one, but it does commit the USG to a process that will have considerable momentum toward an enhanced private sector role. You may therefore wish to consider informally conveying our concerns to the President before he acts on the decision memorandum. It seems appropriate to advise him to proceed with caution. He should require the CCCT to conduct thorough analysis of the competitive bids and all fiscal, policy and national security implications. If you decide to raise the issue with the President, suggested talking points are provided at Tab H. [redacted]

25X1

25X1

[redacted]
Eloise R. Page

Attachments: a/s

SUBJECT: Status: Transfer of Civil Space Remote Sensing Systems to the
Private Sector

Distribution: DCI/ICS 83-4256

Orig-DCI

1-DDCI

1-Executive Registry

1-D/ICS

1-DD/ICS

1-DDI/CRES, [redacted]

25X1

1-OD&E, [redacted]

25X1

1-C/COMIREX

1-D/PPS

1-PPS Subject

1-PPS Chrono

1-ICS Registry

DCI/ICS/PPS [redacted] 03/03/83)

25X1

SECRET