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## MEMORANDUM FOR THE PRESIDENT

FROM: THE CABINET COUNCIL ON COMMERCE AND TRADE

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

Issue

Should the Administration transfer to the private sector the civil operational land and weather satellite systems?

Background

The current U.S. program in operational civil space remote sensing consists of a single land satellite and four operational weather satellites in orbit. Civil ocean observing satellites have demonstrated their utility also, although there are no operational systems currently in place. A number of private entities have expressed interest in assuming responsibility for portions of the civil space remote sensing system. Some firms are interested in the land satellite systems; another is interested in both the land and weather satellite systems.

Foreign governments have recognized the value of this technology. 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. To date, only France has actually invested in a land remote sensing system (SPOT); others have invested only in weather systems.

All agencies believe that self-supporting, successful private ventures could evolve in the land and weather sensing markets. However, the time required for this process, as well as the potential size and characteristics of the market, once evolved, are uncertain. The Government provides a steady market for weather data. The value of land satellite data to the U.S. Government has not been rigorously established. Federal user agencies have been happy to use data now provided at subsidized costs, but, if required to pay the full cost of land satellite data, they indicate an intention to consider other means to meet their needs. Therefore, to avoid discriminating against economically desirable alternatives, the Federal Government should allow agencies to choose the most cost-effective means of obtaining data.

Other than Federal users, the land satellite data market has not grown as rapidly as it could have because of the inherent limitations on the Government in developing domestic and international markets. The market for land remote sensing data will have to be further developed. If given the opportunity, an aggressive private sector operation could expand the market base for this product.

The U.S. Government is currently spending more than \$14 billion per year on the civil and national defense space programs, of which nominally \$150-\$200 million is devoted to civil space remote sensing. The Administration's current budget includes funding for the long term operation and replacement of the civil weather satellite. For land remote sensing, the current policy is to continue with the two land satellites which were purchased prior to this Administration and are expected to last until 1988. Thus, the budget has only operating costs and does not include additional Federal funding to procure additional land satellites. The budget assumes that any future land remote sensing systems would have to be developed, launched, and operated by a private entity. Current budget projections do not include funding for development and implementation of expanded uses of data generated by land satellite programs.

The United States has created this high-technology field, but it could lose its leadership position in land remote sensing unless action is taken to preserve it. It should be noted, though, that NASA and DOD are heavily committed to R&D in this field. Also, some private U.S. firms have expressed strong interest in entering the field. Any action taken to transfer civil space remote sensing to the private sector should in no way preclude the continuation of R&D in NASA and DOD to advance remote sensing technology.

Transfer to a private entity without any government assurances would be preferable and will be actively sought. However, implementing a commercial satellite system may involve some form of Government-assured market for a time, e.g., a guaranteed minimum purchase agreement, until the private entity is firmly established. The level of need for such support, if any, will be considered carefully in the evaluation of proposals actually submitted. Such support could raise future budget outlays by as much as \$150 million per year, in 1983 dollars, above current budget projections.

Federal interests will require a continuing oversight to any private entity involved in civil space remote sensing, as outlined by existing international law, national law and current

national space policy. Such oversight, carried out with interagency coordination and contractual provisions between the Government and the data supplier, will assure that national defense, intelligence, and foreign relations concerns are satisfied.

The Cabinet Council on Commerce and Trade has extensively reviewed the issue and has identified two principal options for your consideration:

Option 1: Transfer to the private sector, by competitive means, the current operational civil remote sensing satellites. Separate bids would be accepted for the land or weather satellites, or a firm could elect to submit a single bid for all systems, any mix thereof, or any part of a single systems.

The Department of Commerce will oversee the transfer of the civil operational remote sensing satellites to the U.S. private sector as soon as possible. The selection of the private entity would occur under conditions of competition among U.S. firms only. The transfer will be guided by the following principles:

- (1) ~~National security and foreign policy concerns~~ must be appropriately addressed in preparing legislation, requesting proposals, and overseeing the private entity or entities.
- (2) The selection of the private entity would occur under competitive conditions. Private firms would have the option of bidding separately for the land or weather satellite system or preparing a joint submission for both. The financial and program justifications would be presented in such a manner that separate submissions can be appropriately compared to joint submissions.
- (3) The Department of Commerce would establish an inter-agency coordinating body as soon as possible.

The results of the competitive bidding will be evaluated and, should that evaluation determine that it would be in the best interest of the USG to effect the transfer, we will make a final recommendation for your consideration.

#### Advantages

- o Stimulates technology development by the private sector in response to new market demands and expands the role of private industry.

- o Demonstrates commitment to the private sector role in space.
- o Reduces the size and scope of Government activities.
- o Increases the probability that information flows from land satellites will continue.

#### Disadvantages

- o May require maintaining Federal funding to cover minimum purchase commitments by the Government, until the private entity is firmly established.
- o There is a possibility that a new regulatory structure would be required.

Option 2: Continue the current budget policy of bringing the operational land remote sensing systems in the Government to a close nominally by 1988 (or sooner if private industry is willing to take it over) and retain the civil weather satellites under Government control.

#### Advantage

- o Option is within current budget.

#### Disadvantages

- o Only minimally reduces the size and scope of Government.
- o May result in the relinquishment of land remote sensing to foreign competitors by U.S..

#### Decision

Option 1 \_\_\_\_\_ Transfer to the private sector, via competitive means the current operational civil weather and land satellites. Separate bids would be permitted for the land or weather satellites, or a firm could elect to submit a single bid for all.

Option 1 unanimously supported by the Cabinet Council on Commerce and Trade

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Option 2

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Continue the current budget policy of bringing the operational land remote sensing systems in the Government to a close nominally by 1988 or sooner if private industry is willing to take it over, and retain the civil weather satellites under Government control.

Malcolm Baldrige  
Chairman Pro Tempore  
Cabinet Council on Commerce and Trade

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