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Withdrawer

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File Folder PRIVATE SECTOR TRANSFER OF LANDSAT (CM #106)
(2 OF 3)

FOIA

S2347/2

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SYSTEMATIC

20

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
184055	MEMO	R.W. SCHMITT TO JOHN V. BYRNE, RE: ANNEX TO WORKING GROUP DECISION MEMO ON SIMULTANEOUS TRANSFER OF CIVIL WEATHER SATELLITE SERVICES	1	1/20/1982	B1

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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cm 106

II.

CABINET COUNCIL DECISION MEMORANDUM

- I. Subject: Private Sector Transfer of Civil Weather Satellite Program*
- II. Originator: Cabinet Council on Commerce and Trade
- III. Date: March 1, 1982
- IV. Issue: Should the Administration consider simultaneously private sector transfer of both civil weather and land remote sensing systems?

SUMMARY AND AGENCY RECOMMENDATIONS

In order to carry out the President's budget policy and develop a policy for handing off civil satellite sensing of the land to the private sector, the Deputy Director of the Office of Management and Budget asked the Cabinet Council to address this issue.

The majority of the Working Group believes that there is insufficient information at this time to make a recommendation to commercialize the civil weather satellites. National and international policy implications of commercializing the government's civil weather satellites could be severe. The Working Group concludes that a decision to commercialize them simultaneously with land remote sensing from space is premature. The Working Group considered three options to address the issue of commercializing the civil weather satellite programs as follows:

- Option - 1 Address the national and international policy issues associated with commercializing civil weather satellite services concurrently with the review process described in OMB Circular A-76 to determine cost impacts.

This option assumes that there are no show stopping policies to preclude commercialization of the civil weather satellites. It proposes to:

- o Initiate the development of the Statement of Work required in the competitive selection process specified under OMB Circular A-76.
- o Include in the Statement of Work provisions to ensure that the international flow of weather data needed by government civil and military weather services will continue.
- o Resolve security questions before completing the Statement of Work, and include terms and conditions to reflect national security concerns.
- o Upon completion of the Statement of Work, initiate the competitive bidding process and evaluation specified in the Circular to determine relative costs of government versus industry ownership and management.

*Replaces the civil weather satellite portions of the December 14, 1981, CCCT Decision Memorandum.

Option - 2 Conduct analyses of national and international policy issues associated with commercializing civil weather satellite services, make preliminary estimates of the cost impacts of various forms of commercialization, and then, if warranted, conduct the A-76 bidding process to determine actual cost impacts.

This option recognizes that there are significant national and international policy issues associated with commercializing civil weather satellites. Upward of 100 nations now receive weather data from U.S. satellites. If they were charged significant amounts for U.S. weather satellite data or believe they will be charged in the future (the Option 1 suggestion of continuing free distribution by the government notwithstanding), they might either terminate the present international free flow of weather observations that are essential to U.S. civil and military weather programs, or charge the U.S. Government for global data which it now receives without cost. Department of Defense concerns over commercializing civil weather satellites are discussed in the attached classified memorandum.

With a view toward resolving these issues, this option recommends conducting analyses over the next six-months to a year to identify alternatives for meeting government needs for civil weather satellite data. This option would permit consideration of possible future government roles in the provision of weather services and in consultation with industry representatives, make preliminary estimates of the cost of providing the required data under industry versus government ownership of the civil weather satellite systems. If these studies identify no significant policy barriers to commercialization and the preliminary cost estimates indicate that total Federal costs for weather data are comparable to or lower than costs under government ownership of the satellites, the full competitive bidding process as specified in OMB Circular A-76 would be implemented.

Option - 3 Conclude that the national security and foreign policy issues associated with commercializing civil weather satellites would so disrupt the complex linkages between these satellite services and the civil and military weather programs that commercialization would be unwise.

This option concludes that the national security problems and international aspects of the civil weather satellite program discussed above are so great and the probability of present or future savings appear so low that it is unwise to proceed with commercialization at this time. The Federal Government now comprises better than 95% of the market for civil weather satellite services, a consideration which places in question the commercial viability of the non-Federal market. This option proposes to continue with the examination of each discrete portion of the meteorological satellite program with the goal of transferring appropriate activities to the private sector when possible.

ANALYSIS

All Working Group members except the Office of Management and Budget and the National Security Council staff oppose simultaneous commercialization of civil weather and land satellites. Most Working Group members feel that decisions on the private sector role in these two different satellite systems should be made separately on their own merits.

Option 1 is supported by the OMB and the NSC staff. They believe that policy decisions on national and international issues can be made more quickly (i.e., during the two to four month period necessary to prepare the statement of work needed to initiate the A-76 process) than do the other agencies, and that there is no valid reason to delay initiating the process of determining relative private sector versus Federal costs. They feel that a delay may deny the Administration the opportunity to achieve this private sector transfer before the next presidential election. It could result in the loss of interest in commercializing civil weather satellites expressed by one or two major firms.

The Department of Justice, Agriculture, State and Interior and the Director of Central Intelligence support Option 2. These agencies believe that the international and security issues involved are too important to be rushed through the policy making process. An unnecessarily superficial short-term study that attempts to identify and resolve these issues is not a sound approach. They believe that the sequential process envisioned by Option 2 will provide a better basis for decision making and will ensure that all relevant policy issues will be taken into account.

The Department of Commerce (NOAA) and Defense and the Office of Science and Technology Policy support Option 3 because they believe that the transfer of the total civil weather satellite program to the private sector should not be considered at this time. The national security considerations of commercializing the civil weather satellite program and the impacts on a number of national and international policies are considered too severe. There are complex linkages between civil weather satellites and civil and military weather services that could be disrupted to the detriment of the Nation. The potential cost or savings to the government of transferring these weather satellite programs to the private sector is unknown. Further, there are ample opportunities for greater private sector involvement in the meteorological satellite program through the on-going review being conducted by all of NOAA's elements. Piecewise, or in various aggregations of work units, all of NOAA's programs are being reviewed relative to the distribution of work between in-house Civil Service personnel and the private sector. Where opportunities exist for transfer of function, those opportunities will be pursued vigorously. All savings that would be available via commercialization of the entire systems will be available through normal contractual processes or through commercialization of portions of the systems, but without the additional complexities of overly hasty consideration of national and foreign policy issues.

In the event that Option 3 were not chosen, those agencies supporting Option 3 would support the ordered, sequential review process envisioned by Option 2 rather than the concurrent review contemplated by Option 1.

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184055 MEMO

1 1/20/1982 B1

R.W. SCHMITT TO JOHN V. BYRNE, RE: ANNEX
TO WORKING GROUP DECISION MEMO ON
SIMULTANEOUS TRANSFER OF CIVIL WEATHER
SATELLITE SERVICES

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MINUTES
CABINET COUNCIL ON COMMERCE AND TRADE

Meeting #26, March 17, 1982
8:45 a.m., Roosevelt Room

Attendees: Messrs. Baldrige, Lewis, Block, Brock, Harper, Fuller, Darman, McNamar, Hodel, Lovell, Kass, Davis, Baroody, Garrett, Hormats, Stilwell, Cochrane, Niskanen, Keyworth, Cribb, Cicconi, Byrne, Dederick, Finan, McElroy, Winne, Nau, C. Smith, D. Smith, Ms. Anderson and Ms. Dunlop

1. High Technology

129 William Finan, Special Assistant to the Under Secretary of Commerce for International Trade Administration, briefed the Council on the status of the study on high technology industries. The study will be completed in early April.

2. Auto Industry Performance Review

155 Robert Dederick, Assistant Secretary of Commerce for Economic Affairs, provided the Council with an updated report on the operating and financial condition of the U.S. automobile industry.

Action Taken: Secretary Baldrige proposed and the Council approved the creation of a working group, chaired by Under Secretary of Labor Malcolm Lovell, to study the problem of worker displacement and industrial adjustment in the Midwest and other regions of the country significantly dependent on the automobile industry.

3. LANDSAT and METSAT Activities Transfer to Private Sector

106 John Byrne, Administrator of the National Oceanic and Atmospheric Administration (NOAA) and John McElroy, Assistant Administrator for Satellites for NOAA, presented the options developed by the Working Group on the feasibility and likely consequences of the transfer of LANDSAT and METSAT (civil weather satellite) programs to the private sector.

Action Taken: The Council postponed action on these options for 30 days pending completion of a review of the national security aspects of transferring METSAT.

CM 106



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

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

FROM: *MB* 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.

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.

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.

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.

THE WHITE HOUSE

WASHINGTON

March 1, 1983

MEMORANDUM FOR THE PRESIDENT

FROM: CRAIG L. FULLER

SUBJECT: DECISION MEMO ON THE TRANSFER OF THE CIVIL
SPACE REMOTE SENSING SYSTEMS TO THE PRIVATE
SECTOR

This issue was discussed by the Cabinet Council on Commerce and Trade. The recommendation made by the Cabinet Council was to permit the transfer of the civil space remote sensing systems (LANDSAT and MEDSAT) to the private sector.

The attached decision memorandum reflects two options: 1) to 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; and 2) to 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.

All Departments reviewing the decision memorandum support Option 1. OMB has reservations and we have attached their comments and points of consideration as an addendum.

cm
f: Landsat

THE WHITE HOUSE

WASHINGTON

February 28, 1983

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.

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.

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 increasing 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 ✓ PR 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

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.



Malcolm Baldrige
Chairman Pro Tempore
Cabinet Council on Commerce and Trade

OMB Comments/Addendum

Decision Memorandum on Transfer of the Civil Space Remote
Sensing Systems to the Private Sector

OMB continues to have policy and budgetary concerns with the draft memorandum. This is a complex issue. It is important that the Federal Government not be put in a position of subsidizing private industry solely for the purpose of commercializing the satellite systems without regard to the financial and programmatic implications.

Additional points to be considered are:

Disadvantages to Option 1:

- ° If the results of the competitive bidding process do not lead to transfer arrangements that are in the best interest of the US government, and require unwarranted, let alone excessive subsidies, political pressures may make it extremely difficult for the Administration to refuse to go ahead with the transfer and not invest further in land remote sensing.
- ° Federal subsidies/guarantees could mask important economic signals which would indicate what system(s) should be developed by private industry. This is an important consideration given the current uncertainty with respect to the potential size and characteristics of the market for civil space remote sensing.

Advantages to Option 2:

- ° Allows normal market forces to determine what satellite capability should be developed by private industry.
- ° Leaves the option open to commercialize satellite systems when the potential size and characteristics of the market are better understood.

Reagan Took Solo Action On Weather Satellite Sale

By Philip J. Hilts
Washington Post Staff Writer

President Reagan acted against the advice of segments of his administration when he decided last week to sell the nation's weather satellites, according to sources in the administration and Congress.

The administration originally had decided not to sell them and had maintained that position as late as last October, although some government officials say the policy was always in flux.

But at a Cabinet Council meeting last fall, Commerce Secretary Malcolm Baldrige and his deputies argued for and won approval of a policy to sell the satellites. The recommendation then went up the ladder to the president.

The proposal's history began with a drastic 1981 budget cut that threatened to kill off the government's land-sensing satellite (Landsat) program eventually.

To the rescue came the Communications Satellite Corp. (Comsat), which offered to buy Landsat if the government also would sell the weather satellites. Now there is concern that the deal could end up costing the government hundreds of millions of dollars, creating a government-subsidized monopoly and imperiling the quality of U.S. weather studies.

One Commerce Department official said the decision to sell the weather satellites was "a pure, ideological decision," not an economic one. Another said that "none of the government's own reports were obeyed." One congressional expert commented, "The government now has to justify its proposal, when its own studies don't."

As criticism of the sale has mounted, the administration seems to be reconsidering the matter. Though the original announcement spoke of President Reagan's "decision" to sell the satellites, a Commerce Department spokesman now says the administration will "explore further" such a "transfer."

Warnings about the deal's cost and risks came to Baldrige from at least three federal agencies—NASA, the Defense Department and the Landsat Advisory Committee in Baldrige's department, according to documents obtained by The Washington Post.

And a government-commissioned report due next week from the National Academy of Public Administration also warns against sale or "commercialization" of the weather satellites.

The three government reports, which officials at the Office of Management and Budget maintain are advisory only, make these points:

- Several independent estimates show that, the proposal would cost the government money, not save it.

- The satellite sale would create a massively subsidized monopoly company.

- Weather forecasting information and future research could suffer because any company that might own the weather satellites may not be willing to spend much on those less profit-making activities.

- Since civilian weather satellites share information with the Defense Department and serve as a backup for defense weather satellites, the sale raises questions of national security.

The tale of the weather satellites begins not with weather-sensing satellites, but with land-sensing satellites.

More than one administration has wanted to turn the government's experiments with those satellites into operating commercial ventures. Viewing land from space can provide invaluable information about such things as mineral deposits and the spread of pests and disease among crops.

Early in the Reagan administration, David A. Stockman and his budget-cutters at OMB forced the issue by eliminating funds for replacement land satellites. The program could die unless it was shifted out of the government, and quickly.

But no company was ready to buy the satellites. No proven market exists for the Landsat data, at least none big enough to pay for launching and maintaining the satellites.

In 1981, Comsat came up with a solution which the company brought privately to the government. It was distasteful to many in the Reagan administration, but it would get land satellites out of the government, keep them alive and possibly give Comsat a big financial boost. Some in OMB even thought it might save the government money if the proper deal could be made.

Comsat offered to buy the land-sensing satellites if the government threw the weather satellites into the deal. The government would guarantee to buy weather data from Comsat for \$300 million a year for a decade or more. In addition, it offered to buy the \$1.6 billion worth of land and weather satellites for about \$315 million. Suddenly the land satellites takeover became attractive and virtually risk-free.

NASA Administrator James M. Beggs told the trade journal Satellite News that the proposal "sounds like a damned good deal for them [Comsat] but maybe not for the federal government."

Last fall, the government solicited industry comments on the idea of selling the weather satellites. The government reported later, "Of the 14 responses, only two firms supported the policy in principle and only one firm, Comsat, supported the specific stated policy of transfer 'as soon as possible' . . ."

Now, only months later, the government plans to go back to the companies, this time in the hope that hundreds of millions of dollars per year in possible subsidies might change the companies' minds and encourage them to make an offer for the satellites, Commerce Department officials said.

They said the proposed sale has been shepherded through the government by Baldrige and two deputy secretaries of Commerce. The case has been in the hands of Deputy Secretary of Commerce Guy Fiske since last summer.

In an interview this week, Fiske acknowledged that the sale could cost the government money for years.

But the prime issue, he said, is not the cost to the government but whether a private company could put up "better satellites" and "create new markets." As for the negative government reports about commercializing the weather satellite, Fiske said they are only "preliminary."

In announcing the president's decision to sell the satellites, Administrator John V. Byrne of the National Oceanographic and Atmospheric Administration said that what made the proposal stick was the administration's belief in corporations. "The private sector is what made America great," Byrne said.

But Deputy OMB Director Joseph Wright said the White House would be "very reluctant" to get into any deal that did not save the government money. Fred Khedouri, associate director of OMB for science issues, said that if it proves true that the deal will cost the government more money, "We will suffer a profound decline in enthusiasm" for the notion.

But the policy remains to try to sell the weather satellites, and OMB officials say they will not know whether there will be a savings or loss until the proposals come in from companies.

In analyzing the proposed sale, NASA and Defense experts reported, "There is considerable financial, policy and program risk to the government in commercializing the weather satellites, and there is no clear policy or financial benefit to be realized."

The panel went on: "A single government-chartered, subsidized firm [having the weather satellites] would seem antithetical to the underlying economic philosophy of the United States and, in particular, this administration, as we understand it."

Comsat claimed that if the government sold the satellites, the U.S. Treasury could save \$1.16 billion over 10 years. The NASA/Defense panel contradicted this. "[We] estimate the Comsat proposal will . . . in fact cost the government \$798 million." Several other agencies informally calculated that the government would lose about \$800 million, according to a Commerce official.

Another report, by the Landsat Advisory Committee, said there is only a "small commercial opportunity associated with the weather satellites. Therefore, the weather satellite systems were judged to be inherently governmental."

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Saturday, March 26, 1983

THE WASHINGTON POST

To make ~~them~~ *truly* commercial, the report said, the whole National Weather Service would have to be commercialized before a large market for weather data could be created.

Reaction in Congress has been quick. Several hearings have been held or are scheduled, and this week a "sense of the Congress" resolution was passed saying that no sale of government satellites should be considered without first going through Congress.

Rep. James H. Scheuer (D-N.Y.), whose House Science subcommittee on natural resources is expected to hold joint hearings beginning April 13 said, "I have seen nothing so far which persuades me that the weather satellites ought to be commercialized.

"All the reports I have seen without and within the government give no reason the weather satellites ought to be transferred. I will keep an open mind, but the administration just has not made their case yet," he said.

Christian Science Monitor
3.22.83

Should space go commercial?

By Larry Pressler

The United States must soon make crucial decisions concerning the fate of its satellite systems programs. This could affect the lives of thousands of workers, billions of dollars in government expenditures, foreign relations, and a host of other concerns that are of great importance to our nation. We must decide whether or not we will transfer the program to the private sector, continue operations under government management, or cancel much of our satellite program altogether. The two satellite systems presently being scrutinized by a myriad of private corporations and government agencies are METSAT (meteorological weather satellites) and LANDSAT (land remote sensing satellites).

I believe we must ensure the continuity of both satellite programs. The importance of the weather satellites (METSAT) hardly needs to be emphasized. One need only imagine life without the timely and accurate weather information services we now enjoy free of charge.

The LANDSAT system, although less well-known by the general public, is also extremely important. In addition to its importance in scientific research and technological advancement, the LANDSAT satellite provides us with invaluable information and is used in a multitude of specific applications including crop yield forecasting, forest and

rangeland management, petroleum and mineral exploration, environmental control, water quality assessment, monitoring the effects of natural disasters, and land use planning, to name a few. But I believe that we have yet to realize the most important applications of this data. The information from LANDSAT tells us a great deal about the world in which we live. But, as our scientific knowledge and technology increase, the use of this data in knowing and understanding our world will become almost boundless.

The most immediate question that has to be resolved is the one of commercialization. Although transfers should be made whenever private enterprise can responsibly and effectively assume control of government operations, we must ensure that the true elements of free enterprise are included in any proposed commercialization. I have introduced legislation, S. 480, that will help in gaining these assurances. Some of my specific concerns include:

Cost savings. There are legitimate arguments that commercialization of the weather and land remote sensing satellite systems will cost the government more money than it will save.

Monopolization. Some of the proposals under consideration involve heavy government subsidization of a single company. Both the LANDSAT and the METSAT operations now have a virtual monopoly in their respec-

tive markets. This would put the US in a position of subsidizing monopolies — a curious development in a program designed to encourage private enterprise. Excessive subsidization of "private enterprise" encourages, rather than eliminates, wasteful government spending.

Employment. It is possible that many government employees would lose their jobs as a result of commercialization. Although it is true that some of these positions would be replaced in the private sector, almost definitely there would be a net decrease in employment. It would be hard to justify a proposal that eliminates jobs, costs the government additional money, and hands ready-made monopolies over to a single corporation.

Service to the public. We must make certain that vital weather information and services to the public are not jeopardized by commercialization of the weather satellite system.

Foreign relations. There is a host of complex international information agreements between countries regarding the weather satellites (METSAT) that must be reconciled.

In the case of the weather satellites, there is little doubt that their existence is ensured, regardless of the outcome of commercialization. The LANDSAT system, however, has met with a budget axe and is scheduled to be eliminated in the near future. If this system is

not taken over by a responsible private company, it is imperative that we ensure continuity of this type of data. An obvious solution is reinstatement of the LANDSAT system through congressional action.

Another alternative is to utilize the new French SPOT satellite that is scheduled to be launched around 1985. The US could do this at minimal expense and ensure a continued data flow to the US government and commercial users. Preliminary cost estimates indicate that, by utilizing the existing EROS Data Center in Sioux Falls, S.D., the US could receive the French satellite signal for as little as \$10 million capital investment and \$1.5 million annual operating cost. Because much of the data obtainable from the two satellites is expected to be mutually complementary, this small additional expense could pay for itself many times over in the years to come.

The future of space utilization and commercialization is crucial to continued economic and technological advancement, and a better understanding of our own planet. Congress should carefully consider all alternatives that are available to us, and act in the best interests of our nation and the scientific world.

Larry Pressler, Republican of South Dakota, is a member of the US Senate Committee on Commerce, Science, and Transportation.

X

Selling US weather satellites

At first glance, President Reagan's plan to sell the US environmental satellite system may strike some people as quixotic. But it would be unwise to dismiss it out of hand.

The only bidder so far — the Communications Satellite Corporation (COMSAT) — claims it can gather the data more efficiently and save the government around \$1 billion in costs over a decade. This proposal deserves careful study.

To begin with, there is nothing novel about private ownership of satellite systems that serve a broad public interest. US communications satellites are privately owned except for the defense communications system. Even here, military users are turning to private carriers to meet some of their needs.

Also, the new Tracking and Data Relay Satellite System (TDRSS), to be launched by the space shuttle and used to relay astronaut and satellite data, is privately owned and operated. Its services are only leased by the National Aeronautical and Space Administration.

Critics of Mr. Reagan's plan have objected that people would have to pay fees for weather services they now take for granted. This is nonsense. Such services depend on the data satellites produce, not on who owns them. Selling the satellites does not mean a case for selling the weather services, such as hurricane forecasting, which use the satellite data. That step would be unwise. The government would contract for the data it needs and the public would be served as usual.

Critics also wonder how a private company could cope with intergovernment obligations to share data through the world weather system and serve foreign users of earth resources (Landsat) satellite data. Again, the US government would buy the data it needs to share. As for dealing with international complexities, COMSAT already is a world leader in the communications satellite business where most foreign systems are government owned and which is governed by international agreement.

COMSAT submitted its offer in response to solicitations of interest from the Department of Commerce. This reflects the administration's view that private enterprise is the driving force of the US economy. Thus Mr. Reagan believes that government should buy goods and services from private suppliers wherever possible. He claims — and COMSAT claims — this can lead to greater efficiency and cost savings. Such claims should be examined critically, insuring that the government and the taxpayers get the best deal possible.

There may turn out to be compelling reasons to retain public ownership of the environmental satellites. If so, these should emerge from a thorough study of COMSAT's proposal. They should not be assumed a priori.

NY Times An Ill Wind for Weather Satellites 3-18-83

• The Reagan Administration is proposing to sell the nation's four weather satellites and one land-surveying satellite to private industry. Just possibly, industry will run the system more efficiently. More likely, the National Weather Service will be impaired and the public will pay more for lower-quality forecasts.

The plan is to "commercialize" the satellites by selling them to a private operator and buying back the data for the Weather Service's computers. But the Government looks to be the only main buyer of the raw data. What's marketable is forecasts; satellite data are only part of what goes into them. How will forecasting be improved by depriving the Weather Service of control over one of its most important inputs?

At first the Administration planned to sell just the land-sensing satellite. But the intended market for that satellite's resource-mapping data is not yet fully developed, and no buyer appeared. Then COMSAT, the Communications Satellite Corporation, offered to take the Landsat off the Government's hands if it could also have the weather satellites. A Cabinet committee headed by Commerce Secretary

Malcolm Baldrige has now recommended that plan.

COMSAT's contention that it could do the job more efficiently deserves the closest scrutiny. If there are economies to be made, why can't the Government make them? As a monopoly, COMSAT would have little incentive to carry on the expensive research and development by which the weather satellite system has been continually improved.

With Government as almost the only buyer, and COMSAT the only seller, there is no market to speak of. The plan would be not so much a commercialization as a bookkeeping exercise in which everything goes on as before except that there would be a guaranteed profit for COMSAT. The Weather Service works fine as it is, so why tamper with it for the sake of wholly theoretical savings?

Leave the weather satellites where they are and cancel or continue the Landsat program on its own merits. The idea of commercialization has definite merit — but for parts of Government where there are vast cost overruns and intricate hardware that sometimes doesn't even work. Why not apply the commercialization principle to them? Anybody want to buy a Navy?

Reagan's Satellite Sell-Off Would Rip Off Taxpayers

The Reagan administration is hereby awarded the Nobel Prize for chutzpah. What other president would have the nerve to suggest selling the government's five weather and land-resource satellites to a private company at a big loss, and guarantee its profits for 15 years

HOBART ROWEN ECONOMIC IMPACT

while it buys the information back from the private company?

What other administration would strip its budget for funds for two Landsat satellites, crippling the program, and then claim it must transfer operations to the private sector to stay competitive with France and Japan?

What is involved here, as consumer advocate Ralph Nader said, "is a rip-off of the American taxpayer." Congress ought to let President Reagan know promptly that it makes no sense. "This is a grotesque giveaway; What's next?" asked Nader. "Maybe they'll sell the FBI investigative services to the Wackenhut detective agency."

The real outrage is not so much that the government and taxpayers are certain to suffer an economic loss. It's the crass willingness of the Reaganauts to let weather information, which should be available to all citizens as a community service, degenerate into an ordinary commodity to be trafficked in for profit.

Information on land resources and weather is critical for the health and safety of everybody. Yet, we are now verging into a system where only those who have the money to pay for certain specialized information will get it. Snapped National Farmers Union representative Robert Denman: "This is symptomatic of this administration. It becomes a wind-fall for private weather organizations."

Reagan's plan is justified by White House press aide Larry Speakes on the dubious proposition that the satellites "would be better

operated by the private sector." It calls for getting rid of the nation's four weather satellites and Landsat, the one satellite now operating to survey the Earth for crop and other resource information. Three ground-control stations would also be part of the deal.

Even the notion that the government would take bids is something of a sham and charade, because one company, the Communications Satellite Corp. (Comsat), appears to have the inside track for the sweetheart deal being arranged. If it goes through, Comsat will have a monopoly on selling weather information, and the Reagan administration will have perpetrated a mockery of the free-enterprise system.

The whole stupid proposal originated because the budget-pruners at the OMB, after having messed up the Landsat program by ill-conceived cuts in funding, decided that it would dump these remote-sensing satellites altogether. When no private company came forward to pick up Landsat, Comsat, which is not operated by fools, offered to take Landsat in a package deal if the government tossed in the weather satellites. The government would then guarantee that Comsat would not lose money by buying both weather and land information from it for the next 15 years.

What we see here is the ultimate idiocy of the hard-core antigovernment philosophy of the Reagan administration—the theory that the

less government the better, and the best government is none at all.

The notion that a private company could manage the satellites more efficiently is totally unproved. As a matter of fact, officials at the National Oceanic and Atmospheric Administration, which operates the five satellites, told reporters after the White House announcement they couldn't confirm that selling the satellites would save any money.

To launch these satellites into orbit cost the American taxpayers at least \$1.6 billion. No one in the Reagan administration will say what the government might get back, but you can be certain that it won't be much. (Comsat would like to pay about \$300 million.) By guaranteeing the buyer a profit, NOAA officials concede that the government stands to lose hundreds of millions of dollars a year.

Consumer groups, like Nader's, are quite sure that the real effect will be either to raise the cost of getting weather information to those who had been getting it without cost before, or to reduce the general availability of vital data. Scientists express concern that in the hands of a private company, which must pay attention to bottom-line profits, some critical research will get short shrift.

And how about the Coast Guard? Since its own satellite isn't working, it's been getting weather information from NOAA. Must the Coast Guard now rely on a private company? Maybe we can sell the Coast Guard itself. And then, there's the Pentagon. Please look into that, David Stockman.

March 14, 1983

Reagan Orders Satellite Sale

Washington—Decision to transfer meteorological and land remote-sensing satellites operated by the National Oceanic and Atmospheric Administration to the private sector along with the responsibility for developing civil ocean remote-sensing from space was made last week by President Reagan.

John V. Byrne, NOAA administrator, said preparing a request for proposals and drafting legislation required to proceed with the project will take "several months certainly" and that a determination of whether the transfer will save the government money over the long term must wait "until detailed information is received."

Byrne said the transfer could cost more

money in the short term than the agency now is spending to operate the satellites, but a decision has been made to go ahead based on faith in the private sector's ability to make the satellites profitable.

The agency's National Weather Service will continue to provide weather forecasts and severe-weather data free of charge to the public, but "specialized" data tailored to the needs of specific users, especially in the field of agriculture, will be sold, Byrne said.

The package includes the RCA Tiros polar-orbiting meteorological spacecraft, the Hughes GOES geosynchronous weather satellites, the General Electric Landsat D and D-Prime land remote-sensing spacecraft. Also included are the primary Landsat command and data-acquisition ground station at National Aeronautics and Space Administration's Goddard Space Flight Center, the primary GOES data-acquisition station at Wallops Station, Va., the primary Tiros acquisition station at Gilmore Creek, Alaska, and NOAA's meteorological command and control station in Suitland, Md.

Byrne said bids will be accepted for the land or weather satellites as separate systems, or they will be accepted for the entire package.

Initial reaction to the transfer from industry officials included the assessment that insufficient market exists for the private sector to reduce the cost of satellite data.

An industry advisory group recommended last fall that government funding for the satellites continue at least until 1995 (AW&ST Nov. 29, 1982, p. 26).

Proponents of the transfer among respondents to an advisory group inquiry have proposed various approaches be considered including the transfer of satellite ownership as well as operation under contract. □

Cooking Up a Satellite Sale

Loath to relinquish an idea that accords with fiscal policy and political philosophy, the Reagan Administration is again trying to pare down the Government's weather services. Last year, the plan was to close weather stations. It was defeated by Congress. The latest proposal, announced last week, involves selling the nation's four weather satellites and sole land-survey satellite to private industry, which would sell data back to Government for distribution. Congress seems skeptical.

John V. Byrne, administrator of the National Oceanic and Atmospheric Administration, the agency responsible for weather services, said the move was not tantamount to "dismantling or selling any part of the National Weather Service." But the aim is the same — to trim spending and reduce Government's role in providing what it feels can be better handled by private industry.

Agency officials said they could not insure that transferring satellite operations to private hands would do either. It "should not make any difference" to people who use forecasts to tell them "whether or not to wear a

raincoat," Mr. Byrne said. Commercial groups, such as the National Farmers Union, said they suspect the cost of their weather information will eventually increase. (The Administration is considering, for example, "user fees" for groups needing special information, such as fruit growers who use frost reports.)

The cost of weather data to consumers may have been a lesser concern to the Administration than the cost of the land-survey satellite to Government. At the current rate and level of data sales, the atmospheric agency expects to recover only half the \$25 million cost of operating "Landsat" in fiscal 1983. Agency officials said that selling weather satellites, with a Government guarantee to buy satellite data for 15 years, was initially proposed by industry as an incentive to purchase Landsat.

LETTERS TO THE EDITOR

Why Not Sell the Government?

President Reagan's proposal to sell the government's used weather satellites seems to have startled a number of people.

It shouldn't have. Considering the week he spent in California, who'd expect that the president would want the federal government's name attached to anything with the word "weather" in it?

Besides, Mr. Reagan has repeatedly demonstrated an aversion to spending public funds on anything that doesn't explode. So why burden the budget and stir up the populace by spreading alarming information on things like hurricanes, tornadoes, floods and tidal waves? The public will find out eventually. The idea is to get the government off our backs and Willard Scott there instead.

Considering the president's professed philosophy, the dismantling of the

Weather Service is a logical move. There are some, I know, who figure that the orbital garage sale wouldn't save much—that it might in fact cost the taxpayers. But these myopic economizers apparently don't realize that the satellite auction could be only the beginning. The next step would be the dumping of the service's parent organization, the Commerce Department.

Once the concept really catches on, there's almost no limit to the possibilities of defederalization. True—there are a few departments that probably won't fetch much on the open market. It's hard to see how the private sector could make much use of a Department of State or Justice. And the president would probably want to hang on to the Defense Department for his own use. But as for the rest—sell them off! Or in some cases—such as the Environmental

Protection Agency and the Interior Department—quietly give them away.

Meanwhile, there's one possible revenue-enhancing move that may not have occurred to the folks in the administration. There's some valuable office space, oval in shape, located in the most prestigious address in downtown Washington. The present tenant is frequently away on business trips, entertaining royalty in California, evangelicals in Florida or whatever. Subletting that space by the week, fully furnished and equipped, should bring in a nice piece of change.

THOMAS E. NOYES

Washington

Shades of Dixon-Yates: news that the president is considering the sale of part of the Weather Service to the private sector.

It is more than unfortunate that in the crazy logic of recent thinking about the role of government, the notion of providing service is no longer of primary concern. More and more the expectation is that those agencies of government that provide service to those of us who pay for government should show a profit. What could be more absurd?

It is that kind of criterion that has caused a systematic dismantling of crucial parts of the Postal Service, introduced competition for other parts of it, and let automation substitute for service. If good service means hiring more people, hire them. Forget about showing a profit.

I have yet to hear the president suggest that the Pentagon show a profit. Now that really would be interesting. Perhaps we could hire the Army out to Israel or South Africa or even to Iraq and Iran.

Why don't we do the sensible thing and chisel a tiny fraction of the Pentagon's budget to ensure that agencies such as the weather and postal services do their jobs properly?

STANLEY GOLDBERG

Washington

Sale of US satellites to industry: pie in the sky?

By Robert C. Cowen

Natural science editor of The Christian Science Monitor

3.10.83

President Reagan wants to sell the US earth resources and weather satellites to private industry, but he is likely to find few takers.

Such a sale has been widely discussed for more than a year. Yet only the Communications Satellite Corporation (Comsat) has made a firm offer. As Simon Ramo, a founder and director of TRW Inc., has pointed out, the present government-owned satellite system is not perceived as commercially viable.

Even Comsat seems to share this view. Its proposal, submitted to the Department of Commerce in October, makes it clear that the company would buy the existing system only to scrap it. However, it would take 5 to 10 years to replace the current system with facilities Comsat says would be more efficient. During that transition period, the company wants the government to underwrite the business.

Thus, in making formal announcement of its intention to sell the satellites, the administration is not responding to strong commercial pressures. It is merely opening what is likely to be an extended debate with Congress, controversy with consumer advocates such as Ralph Nader (who has already called the plan "a rip-off"), and long negotiations with Comsat or other potential buyers.

The lucrative communications satellite business, in which Comsat leads, already represents private enterprise in orbit. However, private groups, such as Bell Telephone Laboratories, carried out much of the development. The government has developed weather and earth resources (Landsat) satellites.

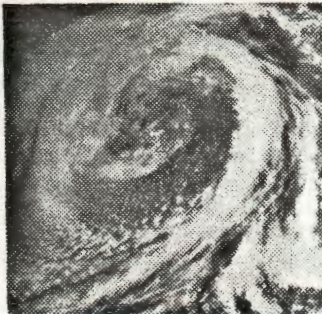
The notion of selling the weather satellites seems quixotic to staff people of the National Environmental Satellite Service — civil servants whose jobs might be at stake. At a recent Landsat conference at the NASA Goddard Space Flight Center, such experts were shaking their heads in bewilderment.

"I can't get through to the White House or OMB [Office of Management and Budget] to have the rationale explained to me," one senior executive remarked in an off-the-record comment. He added, "They won't return my phone calls."

The Landsat system, on the other hand, was always considered as having commercial possibilities. But the lack, up to now, of a clear policy on ownership made its future uncertain.

Gordon Law, a space analyst with the congressional Office of Technology Assessment, explains that Comsat's offer reflects a long-term view. Landsat operations would not, at first, be commercially viable. Comsat needs the weather satellites as well so that steady sales of data to the government provide adequate income, he says.

Comsat is "up front" about all this. Its proposal states that success is possible "only if both weather and land systems are transferred [to Comsat] and combined."



Comsat planners consider the present satellites and their ground stations inefficient. They would replace the entire system with what they describe as a more effective, slimmed down, setup. Comsat would pay \$250 million to \$350 million for the present system's assets. It projects a "likely" cost saving to the government "on the order of \$1 billion [in 1982 dollars] ... over the first 10 years."

But Comsat has caveats. It wants the government, in effect, to guarantee initial revenues by a long-term contract to buy its data. It suggests an annual data price of \$315 million to \$330 million a year, although the actual price would be negotiated. Comsat also wants minimum government regulation. It argues that contract terms can protect the public and guarantee meeting US international obligations to provide weather data and serve present Landsat users.

Comsat also wants quick action. It urges that legislation be passed this year so that it can take over by 1984.

Skeptics such as Dr. Ramo note that while the public interest and longstanding international obligations are a prominent part of the business, it is not at all clear how much can be left to the discretion of a private company. "In the long term," Ramo says, "the government must be in the chairmanship position."

The Washington Post

AN INDEPENDENT NEWSPAPER

Selling the Weather

THE REAGAN administration wishes to sell the weather satellites and impose the discipline of the market on the four winds. First, let's consider the administration's proposition on its own terms. Struggling to keep its budget down, it doesn't want to spend more money on weather satellites. But the technology of weather forecasting is advancing rapidly. With more satellite data pouring through the new giant computers, the forecasts might soon be made immensely more precise.

Under the administration's plan, it would sell the present satellites to a private company, or companies, that would then presumably proceed to use private funds to expand the system. The government would pay the private operators roughly what it's spending now for satellite data. The data would continue to go to the Weather Service for dissemination throughout the country and the world. There would be no difference in the weather report that you get on the radio in the morning as you try to decide whether to take an umbrella. But—if the plan worked—there would soon begin to be a flow of much more specific and accurate forecasts available at a price to commercial users willing to pay. As the administration might put the question, why should the general taxpayer provide free service to businesses?

The answer is, of course, that it's not only businesses that have an interest in more accurate forecasting. Storm warnings are an obvious example. If a city were to fall behind in its satellite bills, when would it hear about the next snowstorm? Among the businesses that need better weather information, the most important is farming. It's not only a matter of cheaper food. If a farmer knows exactly how the wind will blow for the next several days, he can afford to use less pesticide when he sprays. With better rain forecasts, he needs less water for irrigation. And that saves money for the federal government itself, since it is the government that provides most of the water. When the administration speaks of the cost of the additional satellites as hundreds of millions of dollars, that is not the net cost. Net cost is less, if better weather data help the economy to operate more efficiently.

The debate over the weather satellites is another example of the truth that cutting the federal budget doesn't always save money. If it simply means shifting costs from public to private budgets, society doesn't necessarily gain. In this instance society would lose by a substantial amount with the restriction on access to forecasts of value to just about everybody. But it's merely a hypothetical case, since Congress seems totally disinclined to pass the legislation.

Comsat Is Leading In Bid to Buy U.S. Weather Satellites

By Michael Schrage
and Philip J. Hilts
Washington Post Staff Writers

Communications Satellite Corp. appears to be the leading candidate to take control of the government's weather and remote-sensing satellite system if the Reagan administration succeeds in its proposal to sell the service to private industry.

Comsat's plan, called EarthStar, would have the company purchase the government satellite system for roughly \$300 million. The government, which is the major user of the satellite data, would guarantee to purchase it from Comsat for at least 10 years for an undetermined price.

The plan, which Comsat initially proposed in late 1981, contends that they could run the satellite business more efficiently, saving the government as much as \$600 million in the first five years of operation and \$80 million each year thereafter.

The Washington-based company, which also hopes to broadcast television programming directly to customers via satellite, argues that EarthStar would be the first step in creating a competitive marketplace for weather and remote-sensing satellite services. The company points to European and Japanese efforts to establish satellite data systems consortia to market such data internationally.

Comsat is awaiting a response from the Commerce Department.

The plan, however, has sparked charges that Comsat wants the government to subsidize its entry into a new business. "On the left hand," says Jonathan Miller, editor of *Satellite Week*, "Comsat says, 'we'll take it from you' and on the right hand, 'we want you to guarantee a profit.' Comsat wants privatization—but it also wants subsidies."

Warren Washington, a government scientist who serves on the National Advisory Committee on Oceans and Atmosphere, called the plan a "guaranteed subsidy" for Comsat. Experts have estimated that the satellite system Comsat would acquire is worth \$1 billion more than Comsat would be paying for it.

Comsat cost estimates are directly at odds with a study by the Commerce Department's National Environmental Satellite, Data and Information Service, which asserted that private ownership would result in a cost increase of over \$190 million annually to the government. The report, presented late last year, was rejected by the Commerce Department.

Another issue, raised by some congressional staff members, is that the proposal could give Comsat a de facto monopoly if it receives a guaranteed long-term contract from the government—the largest consumer of satellite data. One aide questioned whether other satellite companies would have an incentive to enter the market under these circumstances.

It is not clear, however, whether there could be a private commercial market for satellite information, some experts said.

Currently, says John McElroy, head of satellite services for NESDIS, 95 percent of the information from the weather satellites is sold to government agencies. In the remote-sensing area, where satellites are used for monitoring agriculture, extractive industries and resource management, the government consumes roughly half the data.

McElroy argues that there would be significant growth in private satellite services if the government got out of the business because "the government is simply not a good marketer" of data. He dismisses the idea that turning weather satellites over to private business could lead to the public being charged for forecasts. "The National Weather Service," says McElroy, "would continue to receive the data."

But Leo R. Harrison, president of the National Weather Services Employees Organization, says that plan "makes as much sense as selling the Washington Monument then renting it back so the public can go in free."

Several potential competitors, such as American Science and Technology of Bethesda and Space Services of Texas, had no direct comment on the Comsat proposal but both believe that a growing marketplace for satellite data services would be possible if the government phased out its involvement. NESDIS sources indicate that it costs \$150 million annually to support a remote-sensing satellite and about half that to maintain a weather satellite.

But *Satellite Week's* Miller says it is still far from certain that a significant marketplace for satellite data actually exists outside of the government. "So far, the numbers don't add up—there are few known numbers at all. And the American taxpayer, having capitalized the development of these systems through their taxes, should know what they're going to get," Miller said.

Reagan Set to Sell Weather Satellites

3.9.83

Wants to Cut Cost, Boost Business

By Philip J. Hilts

Washington Post Staff Writer

President Reagan has decided to sell the nation's five weather and land satellites and its planned ocean satellites to private companies, John V. Byrne, administrator of the National Oceanic and Atmospheric Administration, confirmed yesterday.

Byrne said at a news conference that the sale is part of an overall program to "commercialize" some government functions, including parts of the weather services.

He said the satellites are being sold to cut costs and to give a boost to a new American business enterprise. France and Japan are already planning to launch commercial land-sensing satellites.

The jobs of more than 3,500 NOAA employees, or 30 percent of the agency's work force, will be reviewed to see if they should be terminated and their holders given priority when the jobs go to private companies.

Under the proposal, the weather and land satellites, which cost more than \$1.5 billion to launch into Earth orbit, would be sold to the highest bidder as a package or separately.

The government would then purchase weather data from the new owner and distribute some of it. Part of it now distributed free of charge would still be free, and some would be sold. General and emergency forecasts would still be distributed at no cost, Byrne said.

Whether or not the satellites are purchased, some "specialized" forecasts—for example, frost warnings and other weather warnings for specialized crops, traditionally available to farmers—will now be sold.

Byrne said there are no reliable figures to show that such a sale would save the government money. He said the government might lose money, at the rate of hundreds of millions of dollars annually, for perhaps 10 years. "But that's only a guess . . . We don't know," he said.

He said he hoped that, in the long run, the purchaser would make money and no longer require subsidies, but said there are no reliable figures showing that this will be the case.

Byrne was asked whether, since there apparently are no figures to support the government's proposal, "the reason this is going on now is you've been told to do it" by the White House.

"Of course, the reason you're here is that a decision has been made," Byrne told reporters, adding that the decision was made only after a study. He said there is faith in the private sector and its ability to make the proposal work.

Robert Denman of the National Farmers Union described the plan and other such "commercialization" proposals as "shortsighted and misguided." He added: "They are . . . restricting data by charging fees for it, and doing it at a time when many people, like the small farmer, can't afford those fees."

"This is symptomatic of this administration. This becomes a windfall for private weather organizations, the only other people you will be able to turn to when you need information," he said.

Consumer activist Ralph Nader said he wondered what would be charged for hurricane forecasts. "This is a grotesque giveaway. What's next? Obviously they will be selling the FBI" to some private security force, Nader said.

The dollar giveaway, he said, is "not the most serious part of this. It is taking information that everyone has free access to and turning it over to a private monopoly to traffic and profit with it."

Sen. Larry Pressler (R-S.D.) said a study completed at the end of last year by NASA and the Defense Department showed that the proposal to sell the satellites will cost the government \$800 million.

The study also concluded that creating a single, government-subsidized monopoly company for weather and land-sensing information might actually inhibit the "free-market process," he said.

NOAA also is reviewing all its other parts, including weather-monitoring stations and computer weather analysis, to decide what else can be turned over to private companies by sale or contract.

Foul Weather for Sanity

LA Times
3-9-83

The U.S. Marine Corps is not a profit-making institution. It is a revenue consumer, and all those dollars that it gobbles up each year help swell the federal deficit. The sensible thing is to cut loose from this negative cash-flow operation and let the magic of the marketplace decide the future of the corps. Sell the Marines to private industry, and there will be one less governmental burden on the public's aching back.

A lunatic notion? To be sure. But selling off the Marines—or for that matter the Census Bureau, the Secret Service or even the Washington Monument—is no nuttier an idea than the one that President Reagan has endorsed to turn the nation's weather-forecasting and land-satellite operations over to private firms.

The plan to commercialize weather information is no mere caprice. The Cabinet Council on Commerce and Trade for months has been pondering ways to transfer certain government activities into private hands. The weather and land satellites—used for such things as mapping, crop assessments and locating mineral deposits—and their ground tracking stations would probably be only the first to hit the auction block. Peddling the nation's assets can become an addictive habit. Today, the weather. Tomorrow, who knows?

Businesses, to state the obvious, survive by making profits. Running weather forecasting as a business operation would necessitate charging fees for information provided. What such a pricing

system would mean to longstanding agreements for the free international exchange of vital weather data isn't clear. What it might mean to Americans, however, can be surmised with a dismal certainty. Basic weather information, we are told, would not be charged for. But "specialized" services, like fruit frost warnings, could be. Ask not why the price of oranges will go up. Just remember that your friendly weather-satellite monopoly is in business to make a buck.

In an ironic stroke of timing, the plan to sell the weather satellites was announced simultaneously with the release of a report by a group representing 50 universities. The group's report calls for an upgrading of local weather forecasting to provide better warning of tornadoes, blizzards and flash floods. Spending \$100 million over 10 years, the study says, could cut storm losses by \$1 billion annually. That, in contrast to some other ideas now being bruited about, makes eminent cost-effective sense.

The 1983 cost for operating the whole weather-satellite system will be about \$201 million. By comparison, the federal government is currently spending more than \$1 billion a month just to subsidize agriculture—which is, of course, considered private enterprise.

A sense of proportion would seem to suggest that there's something strange going on in the Reagan Administration's approach to cost-cutting. That's "strange," as in you've got to be kidding.

Reagan Wants to Sell Weather Satellites To Highest Bidder Among U.S. Businesses

By ARLEN J. LARGE

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — President Reagan announced he would like to put the government's civil weather satellites up for sale, but the details are still fuzzy and the decision could even be reversed.

Potentially available to private buyers in the cost-cutting move would be four weather-measuring satellites, plus a Landsat satellite that takes pictures of crops and geological formations from orbit. All are now run by the National Oceanic and Atmospheric Administration, which makes the government's weather forecasts.

Under the plan, U.S. companies would be allowed to make competitive bids for owning and operating the satellites. According to John Byrne, NOAA chief, a company could bid on the weather satellites alone, the Landsat picture-taking satellite alone, or put down a single bid for both kinds.

This idea has been boiling, in various forms, within the bureaucracy since last summer. Officials are seeking to save the government money by turning parts of its weather operations over to one or more private companies. In most cases the satellite owners would sell the raw data back to the government for conversion into weather forecasts.

Now Mr. Reagan has endorsed the main idea, but some important decisions have yet to be made on the price and possible restrictions on such a sale. In fact, NOAA's Mr. Byrne said that cost-saving estimates haven't yet been made by the government, and that no satellites may be sold if it is decided the terms really aren't in the best interests of the U.S.

Last fall Communications Satellite Corp., which has proposed buying both the weather and Landsat satellites, estimated the transfer could save the government \$1 billion over a 10-year period. But John McElroy, who runs the NOAA satellite systems, said he couldn't verify that estimate or say whether a sale might increase the government's costs over the short term.

Mr. Byrne, the NOAA administrator, said the administration will draft legislation asking Congress to authorize the satellite sales, but he couldn't predict when it would be ready. He also said he didn't know when the administration would request competitive bids from would-be buyers.

A satellite sale would be fraught with complications. For example, data from U.S. weather satellites is routinely exchanged with foreign governments. NOAA officials said rules would have to be made allowing these exchanges to continue. Also, private owners would have to accept restrictions on the sharpness of the pictures taken by future Landsat-type satellites lest the images show ground details currently achieved only by the Pentagon's secret spy satellites.

Congress already is showing some opposition to the Reagan administration's existing plans for turning some functions of the National Weather Service over to private operators. The budget the White House submitted to Congress in January proposes an end to such specialized forecasts for farm use as frost warnings for orange growers. These

forecasts would be generated by private companies translating general government forecasts into specialized form. Farm groups are lobbying against this cutback.

The Carter administration began the push to transfer Landsat-type satellites to private operators. A budding market for these pictures has developed among oil explorers, mining companies and crop forecasters. But demand hasn't developed enough to ensure a profit for a private company trying to operate both the space satellites and the ground network for picture-processing, as the government does. Some private companies have offered to buy just the satellites for data sale, or the ground processing equipment, but none have offered to purchase both.

Enter Communications Satellite Corp., known as Comsat, which last year agreed to take over both the space and ground-processing components of the Landsat system—even at the risk of taking losses. As an offsetting profit-making operation, Comsat linked its proposal to a request to take over all the weather satellites as well, selling the data back to the government at a guaranteed price.

This idea is still pending while the government tries to work out the details of its competitive-bidding plan. In a statement yesterday, Comsat said it is "pleased" with developments so far. "However," the company added, "until detailed discussions with the interested parties take place, it would be premature to discuss hypothetical details of any number of possible arrangements which may involve several industry participants."

Administration Proposes Selling U.S. Weather Satellites to Industry

3-9-83
By PHILIP M. BOFFEY
Special to The New York Times

WASHINGTON, March 8 — The Reagan Administration announced today that it planned to sell to private industry the nation's four weather satellites and the Government's lone satellite for surveying land resources.

The plan calls for industry to operate the satellites and three ground control stations but sell the data back to the Government for further distribution and perhaps to commercial users as well. The sale would require Congressional approval. Several lawmakers expressed concern today but withheld judgment pending more details.

The move was justified by Administration officials as a potential way to reduce future budget deficits and to involve the private sector in activities that it might perform as well or better than the Federal Government.

Larry M. Speakes, a White House spokesman, said President Reagan approved the transfer because the satellites "would be better operated by the private sector."

But officials of the National Oceanic and Atmospheric Administration, which operates the five satellites, acknowledged at a news conference that they could not be sure the transfer to private hands would actually save any

money. The move was promptly criticized or questioned by commercial and consumer groups who say they suspect that the changeover will ultimately restrict or raise the cost of weather infor-

mation that had previously been widely available without charge.

The impetus for the sale, according to officials at the atmospheric agency, was a desire by the White House Office of Management and Budget to end the money-losing program known as Landsat, which has been developing remote sensing satellites to survey the earth for crop information, minerals, urban sprawl, pollution bands and to collect other ground data. So far only one such satellite is in operation and a second is under construction.

Sought Weather Satellites

But it quickly became clear, the officials said, that private companies had no interest in picking up Landsat alone because the market for its data was far too small to justify developing and operating the satellites.

So the sale of the weather satellites was initially conceived by industry sources as an incentive. In fact, the Communications Satellite Corporation, or Comsat, a private company, proposed that it take over Landsat and build new satellites and develop a private market for the data if the Government would also sell to Comsat the weather satellites and would subsidize the whole operation for 15 years by guaranteeing to buy both weather and earth resources data. The total guarantee, according to atmospheric agency officials, would have been about \$5 billion over 15 years.

According to some Administration officials, the concept also fit the Administration's philosophical disposition of transferring activities to the private sector. So it is conceivable, they said, that the weather satellites might be sold separately, even if the Landsat program died in the process.

John V. Byrne, administrator of the National Oceanic and Atmospheric Administration, said that private concerns would be allowed to enter separate bids on the land survey or weather satellites or a single bid for both systems. He said it was possible that some satellite manufacturers or small specialized companies might want to bid on all or parts of the package. But officials at the atmospheric agency acknowledged that Comsat appeared to be the company most interested.

Comsat is a shareholder-owned company which nevertheless has some responsibilities delegated to it by the Government in accordance with the Communications Satellite Act of 1962. The company is the United States participant in Intelsat, the multinational organization that provides international satellite communications. It is also the United States representative to the International Maritime Satellite Organization, which is establishing a global system for maritime satellite services.

Owns Comstar Satellites

Within the United States, Comsat owns the Comstar satellites that are leased to the American Telephone and Telegraph Company for telephone communications, and is the majority owner of the Marisat satellites that provide ship-to-shore communications.

Mr. Byrne said the bidding would be limited to American companies to insure that the Defense Department, which receives some of its weather information from civilian satellites, had guaranteed access.

The likely effect of the transfer on users of weather data was not clear. Mr. Byrne said that the transfer "shouldn't make any difference" to the man in the street who depends on daily weather forecasts to tell him "whether or not he should wear a raincoat."

Not Dismantling It, He Says

He stressed that the Administration was not, at this point, "dismantling, or selling any part of, the National Weather Service," the agency which prepares daily and long-term weather forecasts that are generally supplied without charge to printed and electronic press and many other users. However, apart from the effort to sell the satellites, other possible changes related to weather service functions were being studied.

For instance, Mr. Byrne said that atmospheric agency had contracted for a study of the weather service to determine which functions should be performed by the Federal Government and which by the private sector. The general philosophy guiding this study, he said, is that the Government should probably continue to provide the national and regional forecasts that serve the entire public, but should perhaps spin off or at least charge users for specialized data of interest to only a narrow industrial or commercial segment. As an example, he cited forecasts of frost that might affect fruit crops or other such agricultural forecasts.

The proposed transfer was criticized by a spokesman for the National Farmers Union and by Ralph Nader, the consumer advocate, who called it "a ripoff of the American taxpayer."

Officials of atmospheric agency acknowledged that concern over the satellite sale has been expressed by scientists, who feared that weather and remote sensing research might be given short shrift by the private sector; by officials at the National Academy of Sciences and the National Academy of Public Administration; and by foreign countries, which fear the free interchange of meteorological data might be disrupted.

Cool breeze from White House chills US Weather Service

Today's National Weather Service forecast: mostly cloudy, with possibility of severe reorganization. Chance of increasing private sector involvement. Winds of change sweeping out of the West Wing of the White House.

2.7.83

By Peter Grier
Staff correspondent of
The Christian Science Monitor

Washington

Is a lightning bolt about to hit the Weather Service?

The Reagan administration, complaining that the federal government subsidizes many industries with free, specialized weather forecasts, is studying ways the US Weather Service might be slimmed and modernized.

Administration officials say they just want to tone up a venerable agency. But many meteorologists — pointing to developments such as a proposal to sell all US weather satellites to private industry — are very uneasy about the White House actions.

"I fear the administration will make simple ideological decisions, without concern for their effect on the quality of weather data available," says a former top Weather Service official.

Weather prediction is traditionally not a hot political topic in Washington. A centralized weather bureau wasn't even practical until the middle of the 19th century, when the advent of the telegraph enabled the Smithsonian Institution to begin collecting weather data from around the country for public display on a daily weather map.

Today, the National Weather Service, a branch of the Department of Commerce, spends \$300 million a year on weather forecasting. Add in the cost of operating weather satellites, and some miscellaneous services, and the federal government now spends over \$1 billion a year on weather research.

"We have developed one of the strongest weather services in the world," says Louis Battan, a University of Arizona meteorologist and former member of the National Advisory Committee on Oceans and Atmosphere (NACOA). "Over the last 10 years, violent weather deaths have gone way down." More accurate forecasts now save farmers an estimated \$750 million a year in production costs.

Last year, NACOA finished a two-year study into the future of US weather services. Among other things, the semiofficial advisory group concluded that the Weather Service needed \$1 billion over the next 10 years to purchase such advanced technology as sensitive Doppler radars.

But weather prediction, like other nondefense, nonentitlement government programs, has had its budget snipped by the Reagan administration. The National Weather Service proposed '84 budget, without adjusting for inflation, represents a 10 percent cut from 1982 funding levels.

And now many meteorologists are concerned about the White House's further plans for weather programs.

The administration has paid \$235,000 to Booz, Allen, & Hamilton, a management consulting firm, for a study on how the National Weather Service might be restructured to meet the needs of the next century.

According to a Commerce Department official, the study will specify areas where automation, centralization, or the use of outside contractors might pare significant sums from the Weather Service budget. It will also examine what the federal government's proper role is in weather prediction.

"To what extent should the Weather Service provide services to specific users, such as fruit frost warnings to citrus growers?" asks Jack LaCovey, a spokesman for the

Commerce Department's oceans and atmosphere branch.

Most meteorologists outside the government admit that the Weather Service, in essence, subsidizes some industries with custom-tailored forecasts.

But many say that the Booz, Allen study is being conducted because the administration didn't like NACOA's recommendations, and is seeking justification for further budget cuts of at least 15 percent.

"I think [the budget cuts] have already gone too far," says Thomas Malone, a Butler University meteorologist. Further cuts "will seriously impair the agency's ability to do its job."

To justify their worries, scientists point to another move being considered by the White House — selling off the four US weather satellites to private industry.

Presidential science adviser George Keyworth confirms such a move is being studied, "mostly because the private sector will do a better job in marketing the product."

A COMSAT Inc. proposal estimates the move would save the government \$1.2 billion over 10 years.

But congressional sources claim that, since the government would have to buy back data from the private owners, it would actually cost \$800 million extra over the next decade to sell the weather satellites.

While selling the land-sensing (LANDSAT) satellites might make sense, say these sources, peddling their weather brothers doesn't.

"There is no private market. The government would have to buy 95 percent of the data," says an aide to Sen. Larry Pressler (R) of South Dakota, who has introduced a bill that would require congressional approval of such a sale.

A satellite garage sale also raises issues of international relations, says a House aide, since the US now routinely exchanges satellite weather information with many other countries at no charge.