

Testimony of

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In May of 1983, the President announced basic space launch policy goals for the United States. Those goals were to ensure a flexible and robust U.S. launch posture to maintain space transportation leadership, to optimize the management and operation of the Shuttle program, to exploit the unique attributes of the Shuttle, and to encourage the development of commercial launch operations by the private sector of the United States.

This Committee's support of these goals has played an important part in providing for the success of the Nation's space program. As you know, the Department of Transportation, and Secretary Dole in particular, share your enthusiasm for these commercial space initiatives. Today, in my testimony, I would like to focus on three of those: supporting increased commercial activities in space; maximizing the benefits inherent in the Shuttle program; and encouraging a private sector expendable launch vehicle (ELV) industry. The success of these initiatives has been linked to the Government's policy to recover the full cost of Shuttle services and capabilities provided to commercial and foreign users. As you know, the President has directed that the Shuttle recover full costs of services provided to foreign and commercial customers. This was the original intent of the initial plans for Shuttle pricing and would be consistent with comparable practices across the Government. It is our view that such full cost recovery allows for the effective implementation of U.S. space goals.

Commercial Use of Space

It is well recognized that private firms now have the wherewithal to explore activities in space, that only a few years ago were barely imaginable. We expect space-related investments to grow quickly in future years, creating many new jobs and greater prosperity for all Americans. Space-based technology research is critical to such endeavors. For this reason, the U.S. Government provides separate incentive pricing, not subject to full cost recovery, as a means of encouraging such technology research.

NASA invests significant resources in support of such endeavors. We heartily support NASA's efforts to stimulate and support private investment in the commercial use of space--through Joint Endeavor Agreements and other provisions of NASA's Commercial Space Policy. We believe that it is in this initiative, in particular, that the partnership of government and private industry can make essential contributions to the successful commercialization of space.

Consistent with the Administration's policy, it makes good economic sense to continue Government assistance designed to encourage R&D initiatives. This assistance should no longer be provided once these endeavors become commercial. Business decisions should not be made on the expectation that Government will provide financial support indefinitely, nor should the taxpayers be expected to support businesses in this manner.

Perhaps more importantly, there are good reasons why the Government should not subsidize commercial space projects: First, transportation subsidies will necessarily eat into the basic science and R&D efforts critical to this Nation's leadership in space. Secondly, such subsidies will seriously impede the development of private sector launch options and the availability of the flexible and robust launch capability upon which an aggressive space program must be founded.

The Shuttle Program

Perhaps the central element of America's space program is the Government's primary launch system, the Shuttle. The most technologically advanced and successful manned launch system available in the world today, the Shuttle is vital to our programs for advancing the state of scientific knowledge, pushing the limits of technology, launching interplanetary missions, and developing new industries. It affords new and wholly unique opportunities to do on-orbit experimentation and research, as well as provide a test-bed for proving the commercial viability of manufacturing materials in space. It serves important military requirements and will play a fundamental role in the construction and servicing of the space station. Its unique capabilities form the foundation of United States leadership in space. Full cost recovery for commercial and foreign users will not detract in any way from the pivotal role of the Shuttle program in U.S. space policy. Rather, full cost pricing, in keeping with time-honored principles of sound program management, will serve to establish an enduring basis for the full exploitation of the Shuttle's special capabilities, with the assurance of price stability and predictability for future customers.

Commercial ELVs

As space becomes an ever more attractive setting for creative enterprise, our space transportation options must expand to fulfill increasing customer demand. As noted in his decision to encourage the development of a private sector ELV industry, the President recognized that, such an alternative, in particular, would "add to the general economic vitality of the United States and provide the United States with a more robust space launch capability."

In keeping with that goal and in response to direction by both the President and the Congress, the Department of Transportation has been directed to create an environment in which a viable responsive, and innovative domestic ELV industry can develop.

It is clear that expendable launch vehicles represent a national asset whose production lines and operational facilities should be maintained. They are essential as a means of providing assured access to space and as an important complement to the Shuttle launch capability. They are an essential hedge against unanticipated increases in demand or limitations in Shuttle capacity, at no direct cost to the taxpayer.

The commercial launch industry cannot become viable unless full cost recovery is established for the Shuttle. Our goal is not to set an artificially high Shuttle price or to preclude the Shuttle from competing for foreign and commercial payloads. We seek full cost recovery pricing based on standard government practice to provide full reimbursement for services rendered to foreign and commercial customers. When the Government sets prices for services which it offers in competition with the private sector, however, extra care must be taken to ensure that full costs are recovered so as not to distort the true utility to the market of these services. The Administration has not yet reached a decision as to the appropriate level for post-1988 pricing, nor has it identified the range of prices that would reflect full cost recovery.

We believe that commercial and foreign demand for launch services provides ample opportunity for the Shuttle, a domestic commercial ELV industry and Ariane to compete in the marketplace. In addition, there is a real possibility that Government and Shuttle-unique needs will expand--particularly with the demands placed on the Shuttle program by the space station, national security, and emerging commercial manufacturing. If this occurs, Shuttle capacity will be inadequate--at any price--to handle the needs of those commercial and foreign customers whose activities do not

require manned missions. Without a private sector launch capability to provide for such contingencies, we stand to lose even greater ground to foreign competition. If a full cost recovery Shuttle price is not implemented, this private sector transportation option will simply not develop. The impact of such a decision will be felt in decades to come as new developments and demands make it clear that an ELV industrial base would be an important national asset.

Together, the private sector and the Government can work to maintain this Nation's leadership in space by providing a full spectrum of launch services to meet the diverse requirements of an expanding market. This Committee will play an important role in determining the national strategies by which we meet this challenge. We look forward to working with you in an effort to ensure the success of each of the Nation's goals in the space program and to bring to fruition the promise that a space-based economy holds.