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DCI/ICS 83-4281

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NOTE FOR: Special Assistant to the DCI for Interdepartmental Affairs

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FROM: Deputy Director for Policy, PPS/ICS

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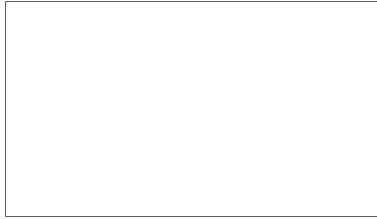
SUBJECT: Commercialization of Civil Land and Weather Satellites

REFERENCE: Memo to DCI from DD/ICS dated 4 March 1983; Subject: Status: Transfer of Civil Space Remote Sensing Systems to the Private Sector (DCI/ICS 83-4256)

1. An update on the subject is forwarded in response to your telephone request of this morning. You said that the DDCI was planning to discuss this item with Judge Clark tomorrow. We would appreciate any feedback that you may be aware of.

2. Due to your short-fuse requirements, this information will be sent to you in parallel with the normal review by the Acting Director/ICS.

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Attachments: a/s

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SUBJECT: DCI/ICS 83-4281
Orig-Addressee (SA-DCI/IA)
1-Executive Registry
1-D/ICS
1-DD/ICS
1-DDI/CRES. [redacted]
1-OD&E, [redacted]
1-C/COMIREX
1-PPS Subject
1-PPS Chrono
1-ICS Registry

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DCI/ICS/PPS [redacted] --03/15/83)

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Status of Commercialization of Civil Land and Weather Satellites
(15 March 1983)

- The Administration announced President Reagan's decision to transfer land and weather satellites on 9 March 1983 (see 9 March articles from The Washington Post and The New York Times).
- Press reports on this subject also appeared in The Washington Post on 8 March and 10 March 1983. On 13 March, Hobart Rowen featured this subject in his economic impact column in the Business section of The Washington Post. Rowen's column is particularly negative.
- We checked with the White House Staff on this subject. They verified that the President had concurred in Baldrige's recommendation in the decision memo. However, they said that they had no plans to distribute the final version of the decision memo. It is presumably very close to the version we concurred in.
- Commerce is now proceeding to implement the decision.
 - A memo to agency participants is expected shortly.
 - They will request a high-level representative for the interagency review board and full-time worker(s) to help in preparation of the RFP.
 - The Administration is pushing for implementation prior to CY 1984. Commerce has advised them that they don't feel they can make that schedule.
- We are continuing our planning for DoD/DCI studies on remote sensing issues that must be resolved prior to implementation.

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THE WASHINGTON POST -- 9 March 1983

Reagan Set to Sell Weather Satellites

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.

THE NEW YORK TIMES -- 9 March 1983

Administration Proposes Selling U.S. Weather Satellites to Industry

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-

Continued on Page A11, Column 1

Continued From Page A1

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.

THE WASHINGTON POST

8 March 1983

U.S. Considers Selling Parts of Weather Service To Private Side

By Philip J. Hilts
Washington Post Staff Writer

The Reagan administration is considering selling parts of the nation's weather service to private companies.

A Cabinet recommendation to take the first step by selling the nation's land, ocean, and weather satellites is already on President Reagan's desk, John V. Byrne, administrator of the National Oceanic and Atmospheric Administration, said yesterday.

The Cabinet Council on Commerce and Trade, chaired by Secretary of Commerce Malcolm Baldrige, in December recom-

mended asking "the Department of Commerce to oversee the transfer of the civil operational weather, land, and future ocean satellites to the U.S. domestic private sector as soon as possible," according to minutes of the Dec. 15 council meeting.

At the same time, NOAA is reviewing the operation of the National Weather Service and other parts of the agency—including weather monitoring stations all over the United States, and weather analysis and forecasting operations—to decide what part of the services also can be turned over to private companies by sale or contract.

Though land-viewing satellites were long expected to become commercial enterprises, the move to "privatize" weather satellites and parts of the national weather service could fundamentally change century-old international agreements for free sharing of weather data among 100 nations of the world.

Proposals to "commercialize" parts of the nation's weather service have caused concern among other nations as well as weather scientists in this country. They and the news media now receive weather data and satellite photographs without cost and de-

pend on them for storm warnings and other information.

Rep. James H. Scheuer (D-N.Y.) has asked the General Accounting Office to study whether such a sale can take place without the consent of Congress. In any case, Byrne has said in writing that no action would be taken without congressional approval.

The chief rationale for selling the weather and land-viewing satellites, one former NOAA official said, is that the United

See WEATHER, A6, Col. 1

WEATHER, From A1

States is quickly falling behind other nations in the commercial exploitation of satellites for agriculture and mineral and oil exploration. France and Japan both are planning to launch commercial satellites to take and sell land pictures. Neither has announced any interest in operating commercial weather satellites.

One university scientist said selling the weather satellite system to a private company could harm the work of professional weather researchers and reduce the quality of data gathered if profit becomes the primary motive. "The whole system could be permanently disabled," he said.

Another scientist, Robert Fleagle, a pro-

fessor of atmospheric sciences at the University of Washington, said selling of the satellites appears to be only one part of the commercialization of many parts of NOAA that "could come down, to dismantling a good portion of the country's weather services."

Since weather monitoring, data analysis and forecasting require a large, well-coordinated organization, he said, "A lack of a government infrastructure would really be a serious thing. A commercial outfit itself would just not have the raw material to work with."

A Canadian official said his government also was "very concerned" about the satellites being sold to private companies. Noting that the U.S. government already sells

non-weather satellite data, he said, "We have a satellite looking down at our country and we don't call it a spy satellite because we have non-discriminatory access to it But if we were charged 100 times as much by some company, then we might begin to wonder about this.

"Meteorological data has traditionally been free," he added. "Everything that a country gathers is thrown into the pot to make the world weather system work."

Because of its large land masses, Canada spends five times as much as the United States per capita on weather monitoring, with much of the Canadian data becoming part of the daily weather forecast for parts of the United States.

Scheuer said that Congress would have

to take "a long and careful look" at any Reagan administration proposal.

"The only serious proposal so far [from the commercial satellite firm Comsat] could cost the government well over \$300 million per year [in subsidies], and that may be significantly more than the government now pays for these services, or to provide these data," Scheuer said.

Of the approximately 12,000 employees at NOAA, the jobs of 3,500 will be reviewed for "commercializing," according to NOAA official William J. Coleman. That figure does not count the possible satellite sale. By one Congressional estimate, 40 percent of the entire agency may be considered for "commercializing."

Byrne said that the White House has not

made a decision on selling the satellites or parts of the weather service. But he said the proposed changes are all "geared to a leaner, harder, more efficient operation" of the government.

"I don't think there is any question that in the future we are not going to continue doing business as we have in the past," he said. "The changes are more significant than they have been in the past. When you look at the federal deficit, you can see we've got to do something."

He said service agencies have to be considered candidates to be turned over to commercial hands.

"In some cases someone ought to be able to make a profit on some of these things," Byrne said.

THE WASHINGTON POST -- 10 March 1983

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

See COMSAT, E5, Col. 4

COMSAT, From E1

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.

THE WASHINGTON POST -- March 13, 1983

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

See **IMPACT, F4**

Planned Sale of Weather Satellites: Sham, Charade and Sweetheart Deals

IMPACT, From F1

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.