

The Honorable F. James Sensenbrenner, Jr.
Chairman
Committee on Science
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The enclosed report is submitted to the Committee pursuant to Section 101 of the Commercial Space Act of 1998, as amended (P.L. 105-303).

Section 101 of P.L. 105-303 directs NASA to submit to the Committee an independently conducted market study that examines and evaluates potential industry interest in providing commercial goods and services for the operation, servicing, and augmentation of the International Space Station (ISS) and in the commercial use of the ISS. Consistent with the requirements of Section 101, NASA commissioned such a study through the professional services of KPMG, LLC. This study enlisted the support of aerospace and nonaerospace executives in an evaluation of the potential commercial opportunities afforded by the ISS, and also addressed the potential for Government revenues and cost reimbursements.

The report concludes that markets for ISS-based research and development (R&D) could develop over the long term, but are not expected to result in significant revenues or cost reimbursements during the ISS assembly period. NASA concurs with the finding that the Government will likely continue its dominant role in space-based R&D over this time period. Because of the immaturity of commercial markets that might use the ISS, the report concludes that, at this point in time, "markets for the ISS must be nurtured, rather than studied." The report also finds that opportunities for commercial activity in the areas of entertainment, education, and advertising offer the greatest near-term potential, and that they could be significant. These nonconventional, space-based markets may yield revenues or cost reimbursements, but require further evaluation in terms of current Government policies before proceeding. We are in the process of screening potential pathfinder business ventures in these areas in order to focus the issues for review by the Administration and Congress in the near future.

In addition, the report identifies a number of impediments to ISS economic development. These are primarily the current lack of stable pricing, streamlined processes, or timely assured access, as well as the general lack of awareness of ISS potential outside the aerospace community. NASA has already undertaken significant steps toward eliminating these barriers, and is prepared to discuss the status of the Agency's initiatives with you or your staff. The report also recommends the use of an "Independent Asset Manager" to manage ISS utilization. This concept is similar to the Non-Government Organization (NGO) concept that, as the Committee is already aware, NASA referenced in the Agency's ISS Commercial Development Plan, submitted to the Committee in November 1998.

Since that time, NASA has taken several important steps to better understand options for this concept, including initiation of the following two reports, which are expected to be issued within the next 60 days:

"Options for Managing Space Station Utilization," a trade study to identify the legal and statutory constraints on establishing various types of Non-Government Organizations (NGOs); and,

"Report of the National Research Council (NRC) Task Group on Institutional Arrangements for Space Station Research," an NRC review on the potential for applying NGO management concepts to the ISS utilization program.

NASA is systematically putting in place what we believe are the necessary elements to most effectively use the ISS to enable commercial development of space. We are confident that these elements will be in place prior to the launch of the U.S. Laboratory. As ISS assembly proceeds, we expect the demand for transportation to and from the ISS to increase, and we fully support commercial initiatives to provide these services. The NASA Launch Services (NLS) contract will provide a mechanism for purchasing ISS contingency resupply services. We believe the ISS will play a vital role as a catalyst for the commercial development of space. At its full potential, the ISS should lead to profitable private sector space enterprises, independent of Government subsidies. In the future, the ISS may be joined or replaced on orbit by privately owned and operated space stations.

Thank you and the Committee for your continued support of NASA's efforts to increase the involvement of private sector innovation and capital investments in space activities. Please do not hesitate to call upon us if you have any questions regarding this report.

Sincerely,

Daniel S. Goldin
Administrator

Enclosure