

**OPENING STATEMENT**  
**The Honorable Steven M. Palazzo (R-MS), Chairman**  
Subcommittee on Space and Aeronautics  
Hearing on  
*An Examination of Future Commercial Launch Markets & FAA's Launch Indemnification Program*

June 6, 2012

I would like to begin by thanking our witnesses for taking time from their busy schedules to appear before us this morning and share their wisdom about the role of the Federal Aviation Administration's launch indemnification program. I realize you and your staff devoted considerable time and effort preparing for this hearing, and I want you to know that your expertise will help inform this Committee and Congress during the coming months and years on this issue.

The Federal Aviation Administration's launch indemnification program was created in the 1980's to provide a structured risk-sharing regime to address third-party liability to protect the uninvolved public and property. As part of its commercial licensing process, FAA requires launch companies to purchase third-party liability coverage from the insurance market at a level calculated by the agency to be the maximum probable loss. As a consequence of these calculations, FAA's decision sets the threshold at which federal coverage begins, up to a maximum limit of \$2.7 billion. Since the program's inception, over 200 commercial licensed launches have been flown without one federal dollar being paid out in damages.

Today's hearing will examine whether federal launch indemnification is still required, and if so, if the program is properly structured to serve existing and future markets. FAA's launch indemnification authority expires at the end of this calendar year, compelling Congress to consider the program's merits and the role it plays in the international launch marketplace, and the necessity to pass legislation extending the program's authorization for future years.

Notwithstanding the high reliability of today's generation of launch vehicles, many industry experts advocate extending the indemnification program in part because of the inherent riskiness of launching payloads to orbit. Catastrophic launch failures are deemed to be a low-probability event, but understandably one that could result in extremely high damages. They also argue competitiveness, asserting that were the program to lapse, launch customers would shift their business to other space-faring nations offering some form of government-backed indemnification coverage.

Over the last 10 to 12 years, the number of commercial launches in the United States has significantly declined to the point that last year there was not one licensed commercial launch,

primarily as a result of pricing competition. However, with the advent of NASA's commercial cargo program, commercial launches from U.S. spaceports are expected to dramatically rise. Through 2016, FAA estimates that SpaceX and Orbital will launch 20 cargo resupply missions to the International Space Station, with an equal or greater number of cargo flights to be completed between 2016 and 2020. Commercial crew flights to ISS are also a distinct possibility later this decade, adding two additional flights per year once service is established. The same forecast predicts around 230 additional commercially procured launches in the global marketplace by 2020 in support of telecommunications, satellite imagery, and science payloads. Domestic launch services providers will need to remain competitive to win a portion of this market.

It also bears mentioning that reentry events are also covered under indemnification, and while they have not been a regular feature of commercial launches to date, SpaceX's Dragon capsule is changing the equation, having flown two successful reentries, with at least a dozen expected through 2016, and perhaps many more in the years beyond.

Commercial crew launches late this decade will also be a new form of commercial service, and while I anticipate those vehicles will have a very high reliability record, it bears asking the question if launch vehicles carrying capsules with abort capabilities and associated failure detection systems changes the probability of launch aborts, and whether this in turn will alter FAA's maximum probable loss calculation in any appreciable way.

Before closing, I want to digress for one minute to respond to an assertion made last week about SpaceX's Commercial Orbital Transportation Services (COTS) demonstration flight to the International Space Station. Speaking before an audience in New York, John Holdren, Director of the White House Office of Science and Technology Policy, said about the SpaceX flight: "This represents an entirely new model for the American space program, one initiated by this administration and one that, despite the handwringing of naysayers who said it would never work, now promises to change forever the nature of US space exploration and human spaceflight."

Mr. Holdren's statement is at best misleading. The Commercial Orbital Transportation Services program was proposed by the Bush Administration in 2005 and authorized by Congress. The COTS contract that funded SpaceX's mission was awarded in 2006. The Commercial Resupply Services contract, won by SpaceX and Orbital, was announced at the end of 2008. Let the record be clear.

I look forward to today's discussion, and wish to again thank our witnesses for their presence.