

Commercial Angle

Donald Robertson is a freelance space industry journalist based in San Francisco, California.

Chasing the Military Dollar

By Donald F Robertson



Hardly a day goes by without an aerospace trade journal landing on my doorstep. Every one is chock full of articles about space-related companies fleeing the troubled commercial space market to chase the government dollar.

The most dramatic example was Boeing's decision to stop marketing the new Delta-IV launch vehicle to concentrate on the larger and more rapidly growing military market. Boeing is not alone. With very few exceptions, every firm with a space-related gadget or service to sell is lavishing their research and marketing on government agencies.

On the surface and in the short term, this makes perfect commercial sense. The Bush Administration is showering the Pentagon with money for outlandishly expensive military space projects. Europe, with Galileo and numerous duplicative military observation projects, is following suit. On the civil government side, NASA's new space exploration initiative looks likely to survive in the near term and should prove a ready well from which to draw large contracts. Many nations appear ready to cooperate to return human explorers to deep space, if only to make sure that the United States does not consume all the contractual goodies.

Before going on, let me state that I am not automatically opposed to military space spending. Historically, the military has played an important role in opening new frontiers. Defending the "space lanes" will be as important as the Navy's historical role in keeping the sea lanes open for trade. However, the space industry's blind rush to capture the government dollar seems risky and, ultimately, unwise.

There are signs that, at least on the military front, the party may be nearing its end. There are limits to what even the United States can spend and, while military space-related budgets are still rising, the rate of increase is rapidly slowing. Even hawkish Republicans are frustrated at the apparently endless ability of Air Force projects like the Space-Based Infra-Red High early warning satellites to consume money without producing any flyable spacecraft.

The development that gives most pause is Boeing's reported consideration of its decision to withdraw the Delta-IV from the commercial marketplace. The commercial launch market is the toughest there is, with far too many rockets chasing too few spacecraft. That Boeing is even considering it implies they see trouble on the military horizon.

Boeing has it right. The military's bulging pockets may be impossible to ignore, but they are finite pockets. Consider the mar-

ket for personal automobiles versus that for military land vehicles - which is larger? What is the potential market for suborbital tourist flights compared to that for suborbital missiles and targets? Companies that completely abandon the intensely competitive commercial market for the quick military dollar may lose their competitive edge; they certainly set an artificial limit on their long-term growth.

When military spending is really necessary, you have to spend, but it is easy to forget that money spent on weapons is unproductive money. Every dollar spent on a weapon that, hopefully, sits unused in a warehouse is a dollar not spent keeping a factory busy making some useful gadget to market to the rest of the world.

Of course, the real situation is more complex. The communications satellites

industry would not exist without rockets funded by the military. That industry also would not exist without private companies prepared to take a chance on a non-guaranteed civilian market. Those are the companies, at least among large aerospace concerns, that increasingly seem missing in action.

I am not necessarily suggesting that aerospace companies directly market their products to consumers, a task for which they are ill suited. Space companies should play to their strengths by continuing to market utilities, such as satellites and launch vehicles, that others use to provide mass products. When they do have a marketable gizmo - like Global Positioning System receivers or mobile satellite radio receivers, both derived from military products - they should license the technology to someone who can effectively market it to consumers.

The bottom line? Consider comsats. Notwithstanding the apparently insatiable demand for military communications, the fastest growing space communications companies (satellite radio), and those with the greatest income (satellite television) are those catering to the masses. They are likely to generate profits for their investors long after the military budget has gone back into decline. Over time, investors and companies alike should invest their money accordingly. <<<



The Delta IV Heavy Lift launcher. Photo courtesy of Boeing.