



Commercial Launch Liability Allocation of Risk

The Aerospace Industries Association of America represents 300 aerospace manufacturing companies and a U.S. workforce of more than 635,000.

Our nation's space industry generates over \$41 billion dollars a year.

U.S. aerospace and aviation industries represent approximately 10 percent of the GDP.

ISSUE

Commercial space launch indemnification is critical to continued U.S. participation in the increasingly competitive international market for launching commercial satellites. In addition to sustaining competitiveness, its continuation is vital to achieving U.S. national security and civil space objectives. An extension of the statutory provision for indemnification well in advance of its expiration in 2009 is essential.

BACKGROUND

In 1988, the Congress enacted amendments to the Commercial Space Launch Act (CSLA) of 1984, establishing a risk allocation regime to address exposure of companies providing FAA-licensed commercial launch services to potentially catastrophic third party liability resulting from launch-related activities. U.S. government indemnification is the centerpiece of a three-tiered approach to sharing this risk:

- 1) The licensee secures liability insurance in an amount required by the FAA up to \$500M, covering the licensee and all parties involved with the launch, including the U.S. government.
- 2) Subject to Congressional appropriations, the U.S. government pays up to \$1.5B for claims that exceed the insurance coverage.
- 3) Any additional claims are the responsibility of the licensee or party found to be liable.

U.S. government payment of claims is not automatic. Congress must approve such payment and appropriate funding to implement it.

The indemnification provision has been extended four times since 1988. It is due to expire on December 31, 2009.

DISCUSSION

- The 1988 amendments to the CSLA were to encourage U.S. launch providers to assume liability risks they did not bear when performing government missions. This was true then, and it remains true today.
- The CSLA regime enables U.S. launch providers to operate without "betting the company" with every launch. This is essential to continued U.S. participation in the international launch services market.
- The same companies launch military and civil as well as commercial spacecraft. In protecting against launch-related liability, the regime enables them to support national security and civil missions.
- The CSLA regime protects the launch service customer, subcontractors, and satellite operators. If this coverage is unavailable or uncertain for U.S. launches customers will buy from foreign providers offering these protections.
- Studies have concluded that commercial launch indemnification in its present form remains the best option for all stakeholders.

RECOMMENDATION

Congress should amend the Commercial Space Launch Act by deleting the sunset provision or extending the indemnification authority for a period of ten years.

Contact:

**J.P. Stevens
AIA VP, Space Systems Division
703-358-1030
jp.stevens@aia-aerospace.org**