

GAO Highlights

Highlights of [GAO-17-88](#), a report to congressional committees

Why GAO Did This Study

The U.S. commercial space industry has expanded, conducting eight launches in 2015 compared with none in 2011. These launches have traditionally been from federal facilities, but as of July 2016, there were 10 nonfederal FAA-licensed spaceport operators supporting both private and federal space activity. Almost all of these spaceport operators are local government entities. The complexity of the arrangements at these spaceports, and a mishap in October 2014 where the spaceport was not adequately insured, have raised questions about insurance coverage for spaceport assets, including potential federal involvement.

Congress included a provision in statute for GAO to report on the potential inclusion of local government property in the existing indemnification regime for commercial space launches. This report examines (1) the insurance coverage spaceport operators have in place and (2) stakeholder views on the need to change the current insurance approach and on options for revising it. GAO reviewed key documents; interviewed FAA and NASA officials and representatives of FAA-licensed spaceports, launch companies, insurance brokers, and insurance companies; and selected two spaceports to visit based on launch activity.

What GAO Recommends

GAO recommends that FAA provide additional communication to clarify its interpretation of the financial responsibility regulations for commercial space launches. The Department of Transportation provided technical comments.

View [GAO-17-88](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov

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COMMERCIAL SPACE LAUNCH INSURANCE

Views Differ on Need for Change to Insurance Approach but Clarification Is Needed

What GAO Found

Of the 10 spaceport operators (entities that host launches from their property) that are currently licensed by the Federal Aviation Administration (FAA), 3 have had commercial activity in the last 5 years, and all 3 told GAO that they have both property and liability coverage to protect themselves from losses resulting from space launch mishaps. Federal laws and regulations do not require spaceport operators to have insurance, but operators of nonfederal spaceports that are located on federal property could have federal contracts that require them to have insurance to protect their own property from damage resulting from space launch mishaps. Moreover, for launches licensed by FAA, since the Commercial Space Launch Act Amendments of 1988, FAA has required launch companies (firms that conduct or will conduct the launch of vehicles and payloads) to purchase insurance to cover damage to the uninjured public, as well as damage to federal government property, in case of a launch mishap. Launch participants may also choose to negotiate additional insurance coverage through launch-specific contracts. However, spaceport operators said that they find the regulations that determine financial responsibility for commercial space launches to be confusing. Specifically, several spaceport operators GAO interviewed said that, based on their interpretation of the financial responsibility regulations, they were unsure whether their property would be covered under a launch company's insurance policy or whether they would need to purchase their own insurance for their property to be covered. FAA's mission includes encouraging, facilitating, and promoting commercial space launches by the private sector, among other things. Furthermore, federal internal control standards state that management should externally communicate the necessary quality information to achieve the entity's objectives. Unless spaceport operators have a clear understanding of FAA's financial responsibility regulations, a risk exists that they may not obtain adequate insurance against losses in the event of mishap. Uninsured losses, in turn, could potentially cause delays in resuming commercial launches following a mishap and unnecessary costs to the federal government, both of which could hinder the development of the domestic commercial launch industry.

Stakeholders in the space launch industry are divided on the need to change the current insurance approach, in which insurance for spaceports is not required but can be negotiated through contracts between launch companies, which operate launch vehicles, and spaceport operators, which run spaceports. Stakeholders identified some positive aspects of the current insurance approach—for example, some said that negotiating contracts specific to each launch allows for greater flexibility. However, they also raised concerns, including a lack of certainty about coverage for potential damage. GAO identified two potential options for requiring protection for spaceports: (1) requiring launch companies to purchase insurance to cover spaceport property and (2) requiring spaceport operators to purchase insurance to cover their own property. In general, stakeholders tended to oppose the option in which the burden of purchasing the insurance was on them. Specifically, most spaceport operators GAO interviewed favored the first option, while most launch companies favored continuing the current approach. Stakeholders discussed benefits associated with both options—for example, they said that both options could increase certainty by specifying which party was required to insure spaceport property. However, they also noted challenges, such as higher costs for the party required to purchase the insurance and decreased flexibility to customize their use of insurance depending on the details of a particular launch.