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PUBLIC FUNDING AND COMPETITION: CAN PUBLIC PROCUREMENT POSITIVELY
INFLUENCE COMPETITION, INNOVATION AND DEVELOPMENT IN THE SPACE MARKET?

Abstract

According to its peculiarities and considering the fact that space activities usually require large upfront investments and long-term funding commitments, space sector is characterized by a strong presence of public entities and a low degree of competition between private operators. In fact, the high costs and technological risks - related to system failures - still justify public intervention in financing space programs and innovation. Although private investments have been increasing significantly in recent years, public resources still form a substantial part of funding for space programs. This aspect makes public procurement rules and public contracts awarded under different procedures as well as other forms of public financing particularly important for the technological development and the growth of the space sector as a whole. The government involvement is crucial to sustain the overall space economy and to deal with strategic implications of such a complex systems. In fact, public demand is not only economically important, but it is often considered also as an industrial policy tool. Thus, public procurement can consciously be used to promote innovation as well as the development of competitive markets, particularly where market failures are present. In view of the above, this paper aims to present a general overview of the space sector and its peculiarities as well as the degree of competition in that market. Furthermore, the different forms of financing space activities will be analyzed, with a focus on public procurement and State aid rules in the EU and Italy. Finally, consideration on whether the structure of financing space activities may support the growth of competition and the technical development of private companies will be presented, taking into account also a comparison between the EU and US models.