

Virgin Galactic future at Spaceport uncertain

JERI CLAUSING Associated Press

ALBUQUERQUE, N.M. (AP) -- The deal was sold to New Mexicans in classic Richard Branson fashion. If taxpayers would build the colorful British businessman a \$209 million futuristic spaceport, he would make New Mexico the launching point for a space tourism business catering to the rich and famous.

Now, with Spaceport America nearly complete but still mostly empty, a Virgin Galactic official says the company will reassess its agreement if lawmakers don't pass liability exemption laws for its suppliers, raising the possibility it could take its spacecraft elsewhere.

And state officials acknowledge the company - which has yet to post a deposit for what is supposed to be a \$1 million-a-year lease - could walk away from the quarter-billion-dollar project.

"They really could, if they are not committed. I would hope that they are and I think that they are," Spaceport America Executive Director Christine Anderson said.

Asked if she thought the state failed to properly protect itself in the deal, she said, the agreement negotiated under former Gov. Bill Richardson and approved by lawmakers in 2005 was for the state to build the spaceport and Virgin Galactic to develop the spacecraft.

"It's easy to second guess what was in people's minds," she said. "I'm sure everybody was excited to have Virgin Galactic as an anchor tenant."

Paul Gessing, president of the conservative Rio Grande Foundation, said the lack of protections for the state was not surprising, "given the Richardson administration's record of throwing money at `development' of these big vision projects" like the spaceport and a \$400 million commuter train.

Richardson's spokeswoman did not respond to an email seeking comment.

Other states, including Texas and Florida, are also developing spaceports and aggressively courting commercial space businesses with incentives. Most of them are revamping old airports or other facilities. New Mexico's is unique because it is the first to be developed from scratch.

With an elegant and futuristic design, the spaceport is intended to become an attraction unto itself.

Building the spaceport with taxpayer money could be likened to governments spending taxpayer dollars on stadiums or arenas for sports teams, Gessing said, noting that building a stadium "is not completely speculative with an industry in

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mind that may never materialize."

"What is truly unique about this project is that it was completely, 100 percent speculative," he said.

Tourism and spaceport officials have estimated as many as 200,000 people a year will visit the first-of-its kind center. And officials promised it would spur economic development and bring high-paying jobs to the mostly rural state.

But other space companies have passed New Mexico over and there is growing skepticism about whether Virgin, which has pushed its estimated date for starting flights from 2011 to 2014, will ever move into the spaceport.

A provision in the development agreement prohibiting it from operating its aircraft at competing spaceports without permission expires at the end of the month, and Virgin has entered a deal with a Middle East investment group to develop another spaceport in the emirate of Abu Dhabi.

Investors from Abu Dhabi have contributed hundreds of millions of dollars to help Virgin Galactic develop its spacecraft.

Due to delays in both the construction of Spaceport America and development of Virgin's spacecraft, the company has yet to begin paying rent on the facility, which is located in remote southern New Mexico, about 45 miles from Las Cruces and 200 miles from Albuquerque.

An unsigned, undated copy of the lease agreement provided by the state calls for Virgin Galactic to be penalized \$2 million if it breaks its lease with New Mexico and then begins flying elsewhere within two years. But state officials said Wednesday the company won't post that deposit until it activates the lease.

When asked for copies of the quarterly business plans Virgin Galactic is supposed to submit to the state, officials with the state economic development said those updates were given orally to Anderson.

Anderson and state Economic Development Secretary Jon Barela said they expect the company to begin paying rent next month.

Virgin Galactic President and CEO George Whitesides was less specific and noted the company, which is testing its spacecraft in the Mojave Desert, has an office in Las Cruces and will move to Spaceport America "when the Spaceport Authority finishes the level of the work that it has agreed to provide on our building."

Whitesides denied news reports that quoted him as saying Virgin might leave if lawmakers for a third year in a row refuse to approve exemptions for parts suppliers from being sued for liability by any passengers on spacecraft launched from New Mexico. But he also didn't rule it out.

He said that it was "very concerning" that companies were not coming to the

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spaceport. The company, he said, signed up for a "healthy spaceport" with multiple businesses that could divide the costs. Whitesides said Virgin Galactic would work with lawmakers, and then reevaluate.

New Mexico has exempted spacecraft operators from liability lawsuits from passengers, but competing states have also extended that exemption to parts suppliers.

Virgin Galactic officials "have not told me that they are going to leave if they do not get this done," Barela said. "By the same token, I can assure you they are getting calls constantly from other states saying, 'New Mexico hasn't passed the law and we can get you a better deal.'"

In Sierra County, one of three counties that implemented a special tax to help develop spaceport infrastructure, some remain optimistic about project.

"I think Richard Branson is not where he is by luck," said Gary Whitehead, a car dealer in Truth or Consequences and a former Spaceport Authority board member, adding that he feels encouraged because of Branson's history of success.

Rancher Jim Taylor, however, calls the project a "terrible, terrible rip-off.

"Some people are concerned that Virgin might leave, conversely some wish it would all just go away," he said. "Maybe they could convert the 'hangar' into a concert hall for 'Woodstock West' or something that would actually generate money."

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