Space: Tourism’s Final Frontier

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In August 2012, a study entitled â€œSuborbital Reusable Vehicles: A Ten-Year Forecast of Market Demandâ€• conducted by the Tauri Group unveiled optimistic results regarding the market for commercial suborbital spaceflights in the US.

Subsidized by the US Federal Aviation Administration Office of Commercial Space Transportation and Space Florida, the study presented three different estimate scenarios for future revenue for commercial spaceflights.

In the baseline scenario in which current trends persist, the industry could generate a total of US$600 million in the first ten years of operation. In a growth scenario (space travel exceeds expectations), the industry would generate US$1.6 billion in revenue in the first decade while the constrained scenario (spending is cut due to an economic downturn) would result in US$300 million in revenue.

Although there is uncertainty related to when suborbital reusable vehicles (SRVs) capable of carrying humans will become fully operational, Virgin Galactic, which is one of the six companies currently developing SRVs, is aiming to begin commercial services as early as 2014.

Commercial human spaceflight the main driver
The study identified eight potential markets that will use SRVs in the near future: the commercial human spaceflight, basic and applied research, technology demonstration, media and public relations, education and satellite employment. Amongst all, demand for SRVs is dominated by the first market which is expected to account for 80% of demand.

Within the commercial human spaceflight market there are four distinct submarkets: individuals, companies using seats as incentives or rewards, organizations offering seats in contests and promotions and in-space personnel training.

Individuals comprise the largest submarket and are expected to generate most of the revenues estimated for the next ten years. The study found that there were approximately 8,000 high net worth individuals (over US$5 million in assets) would be likely to purchase a spaceflight in the baseline scenario while the growth scenario suggests that 24,000 high net worth individuals would be interested.

Nevertheless, the remaining submarkets are also important for driving future demand for suborbital flights as it reaches selected groups of people who may never considered flying into space such as high-performing employees of a certain company or members of a regular airline loyalty program. For example, in July 2012, Virgin Airlines announced new status benefits for members of its Elevated frequent-flier program, which included a free seat on Virgin Galactic to the member who earns the most status points between August 8, 2012 and August 7, 2013.

A closer look into spaceflights
There are six companies currently developing SRVs to operate commercial suborbital flights: UP Aerospace, Armadillo Aerospace, XCOR Aerospace, Virgin Galactic, Masten Space System and Blue Origin.

While the number of passengers carried and prices depend on the type of SRV being developed by each company, the experience offered by all of them is the same: a flight past the threshold of space where passengers can view the curvature of the Earth, blackness of space and thin blue layer of the atmosphere and feel weightlessness for one to five minutes.

As of 2012, a total of 925 reservations for suborbital flights have been booked with companies offering those services. Virgin Galactic alone claims it has US$70 million in deposits from 536 people. Although some reservations were made for other applications, such as research flights, the majority was made by individuals, including celebrities and one family that purchased an entire flight for US$1 million.

According to Virgin Galactic, 35% to 40% of reservations were from the US, 15% from the UK and another 15% from Asia Pacific.

Competition exists
Commercial suborbital flights are likely to face competition from already existing space travel, terrestrial space simulations, non-space adventure and luxury tourism. To embark in a high altitude jet flight, passengers pay US$25,000 to reach twice the altitude of a commercial airline flight to get a similar view from that proposed by SRVs, without the weightlessness feeling. Meanwhile, an orbital flight costs as much as US$50 million for passengers to orbit the Earth every 90 minutes.

Heading to space
Once space flights become fully operational, future sales will depend not only on the success of inaugural flights and passenger reviews but also and, most importantly, on price reductions. According to experts, if prices drop, demand for suborbital flights will increase, prompted by what the study calls â€œspace enthusiasts with lower levels of net worth.â€•

The more passengers interested in suborbital flights, the greater the benefits for communities located nearby spaceports as larger tourism flows will certainly lead to improvements in travel accommodation, transportation and tourist attractions. Overall, travel and tourism businesses that invest in luxury products and services are most likely to succeed given the high end profile of future space passengers.

Currently, there are only five FAA licensed spaceports in the US, which conduct suborbital flights: the Cecil Field and the Cape Canaveral Spaceports in Florida, the Mojave Air and Space Port in California, the Oklahoma Air and Space Port in Oklahoma and the Spaceport America in New Mexico.

Overall, the states of Florida and California are likely to lead growth, given they already are popular tourism destinations in the US . There are clear opportunities for all four states to explore in the near future. However, Oklahoma and New Mexico could open space museums or theme parks featuring unique attractions like zero gravity chambers, for example, to attract potential passengers as well as tourists with a special interest in space activities.

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