



TYNWALD COURT OFFICIAL REPORT

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PROCEEDINGS

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HANSARD

STANDING COMMITTEE OF TYNWALD
ON ECONOMIC POLICY REVIEW

BING VEAYN TINVAAL MYCHIONE
AASCRUTAGHEY POLASEEYN TARMAYNAGH

Douglas, Wednesday, 28th March 2012

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Members Present:

Chairman: Mr L I Singer, MHK
Mr D M W Butt, MLC
Mr R H Quayle, MHK

Clerk:
Mr J King

Business Transacted

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The Committee sat in private at 3.48 p.m.

Standing Committee of Tynwald on Economic Policy Review

*The Committee sat in public at 2.30 p.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

[MR SINGER *in the Chair*]

Procedural

The Chairman (Mr Singer): Can I wish you good afternoon and welcome you, and members of the public as well.

5 The Standing Committee is taking evidence today on the matter of the development of the space industry on the Isle of Man. If I could introduce the members of the Committee: Mr Quayle; Mr Butt; myself, Leonard Singer; and Jonathan King, the Clerk.

Can I ask you, first of all, everybody, that your mobiles are turned off; and just as a housekeeping point, can I ask, when people are speaking, if we could have one at a time because of the sound recording.

EVIDENCE OF HON. J SHIMMIN, MR C KNIVETON AND MR T CRAINE

10 **Q65. The Chairman:** Can I welcome you from the Department of Economic Development and can I ask is there anything, first of all, that you wanted to add to the report? We sent you the report. Anything you want to add to that or enlarge on at this stage?

15 **Mr Shimmin:** No, Mr Chairman. I think it is our duty to face your questions and try and give you as much information that is not already included in the paperwork which we supplied to you.

20 **Q66. The Chairman:** Thank you. Can we start off, first of all, with an item that we discussed at the first hearing ó we would like to clear this up, if we can ó about the Bermuda filing, because I can remember the panic at the time in making sure that we did something. Would it be you, Mr Craine? Could you just go through the history of how it happened, why we were looking for the Bermuda spot, what happened and why it ended up without anything going actually into the slot?

Mr Craine: Okay, I will do the best I can.

25 ManSat were acting on behalf of a company that they were making an orbital filing for. That slot was basically above Bermuda, but it was above Bermuda because the slot was meant to take a satellite that would actually service North America, so it is a very lucrative commercial slot to have. What happens with an orbital filing slot is when you make the filing it is basically yours for seven years to fill it, after which it becomes time expired and, in effect, goes back into the pot.

30 When Bermuda found that this orbital filing had been made, they made objections to the ITU, basically claiming that the frequencies that that particular slot that was being filed for by ManSat would actually interfere with various operations on the ground in Bermuda potentially, and also with another satellite. ManSat recognised these concerns and worked very diligently to try and overcome any of the concerns. I believe, I am told, that they brought in independent consultants to confirm the fact that the frequencies of this satellite would broadcast on would not interfere in the way that Bermuda insinuated that they would. Bermuda still did not accept that, so they then employed another consultant and engineers to actually redesign the aerials or the transmitters on the satellite to double guarantee there would be no interference.

35 Still Bermuda were not satisfied with the work that had gone on to try to allay the concerns that were expressed, and eventually Bermuda decided to take the whole matter to the High Court of Justice in London and named the Isle of Man Government, Ofcom and ManSat as parties to that

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particular case. The legal advice that the Isle of Man Government had before the court case was that they felt that Bermuda had a very weak case in taking the matter forward and they could not really understand why they were doing it.

45 To cut a long story short, after two days of hearings in London, the judge adjudicated in full favour of ManSat, the Isle of Man Government and Ofcom and awarded all recoverable costs to all three parties.

We suspect that the reason for Bermuda's actions was to delay the ability to bring that slot into action because it was getting increasingly tight for the satellite to be commissioned, designed, 50 launched and put into station. Roughly, it takes two years for that process from start to finish and we were about two years and two months off the expiry. When we realised that because of the delaying tactics that Bermuda had pursued we then had extensive negotiations with the satellite industry to see if there was another satellite already in orbit that would comply with the frequency approval that the slot had, that we could then drift into that slot, because if it is drifted in and occupied for a relatively short period of time, that then confirms that slot as yours. So it is a way 55 of confirming it, even if you cannot fill it with the primary satellite.

SES on the Isle of Man were very helpful in that process and used a lot of their industry contacts to see if there was a satellite available. In the end, we did discover one satellite that was potentially available, but the owners of the satellite declined to drift their satellite for us, for a number of very good reasons. One, if you start moving a satellite from one orbit into another, you 60 use up on-board fuel and on-board fuel dictates the life of the satellite, so it would have reduced the life of the satellite and it would therefore also have reduced the revenue-earning capacity of that satellite. In addition, obviously, if you are going to move it off the station where it is, that can also result in a diminishing of revenue. As I say, there was only one satellite we found that could have filled the slot and been in full compliance, but it was not available.

65 The last information he had was that Bermuda had a parallel filing for the same slot, but they themselves were becoming time expired. We saw the information in the news so I think it was about two weeks ago so where they were claiming victory, but all of our enquiries in the industry have failed to come up with any evidence to substantiate their claim.

70 **Q67. The Chairman:** I read that they thought they were negotiating with a suitable company but that had fallen through.

Mr Craine: Yes. There has been no evidence at all.

75 **Q68. The Chairman:** So is there no way that, because of all this delay, the Isle of Man could have provided any solution to protect the filing rights in that position?

Mr Craine: No. We enquired of the ITU at the time to see whether a special exception could be made in view of the delaying tactics exercised by Bermuda, to see whether we could have a further period of grace as the court had gone in our favour, but the ITU rules are quite strict and they declined that particular request. 80

Q69. The Chairman: I cannot remember what the figure was, but we did have a figure for the amount it actually cost us, the Isle of Man, in the failed attempt. Was it forty-something thousand? 85

Mr Craine: No. There were two incidents here. Originally, when the matter first came to the fore, there was actually a debate in Tynwald on 16th February 2005 and Tynwald actually voted a sum of £½ million as a fighting fund in case the Government needed it, and, from recollection, of the £500,000 approved by Tynwald, we only spent £46,000. 90

The Chairman: I thought that was right.

Mr Craine: Then, in the second case, when we had all our costs awarded in the High Court of Justice in London, the non-recoverable costs were £121,413. 95

Q70. The Chairman: About £155,000, it cost us. (*Mr Craine:* Yes.) And that cost the Government, and not ManSat?

Mr Craine: That cost the Government, yes. Basically, it was felt at the time that this was a Government matter rather than a ManSat matter, and if Bermuda had succeeded it could have undermined our industry. Therefore, we felt the action was justified to protect the industry, and by 100

all accounts, with the news coverage that went out afterwards, the Isle of Man was given a great deal of credit for standing by one of its operators in the way it had done.

105 **The Chairman:** Anybody got anything else to ask?

Q71. Mr Butt: Can I ask, if there had not been a legal challenge and the subsequent delay, would the satellite ó it was IOMBSS1 ó have been able to be launched and fill that space in time?

110 **Mr Craine:** Obviously, I am not privy to the detailed commercial agreements that ManSat had, but my understanding would be yes, it would have proceeded through the normal process. The filing would have been secured and then a satellite built and launched, provided that the company decided to continue with that business plan.

115 **Q72. Mr Butt:** That belonged to Telesat, is that right?

Mr Craine: Yes, it did.

120 **Q73. Mr Butt:** So, but for that legal challenge, we would have had that satellite launched within our ó

Mr Craine: As far as I am aware, yes.

125 **Q74. Mr Butt:** You said, just at the end there, that following the success with the case, that has brought benefits to the Isle of Man. Can you actually spell out what the actual benefits were?

130 **Mr Craine:** There is a similar analogy, I guess, to recent actions where PokerStars were challenged by the US Department of Justice and the fact that the Isle of Man stood by PokerStars is well known in the industry and the Isle of Man is seen as a jurisdiction that protects its licensees.

135 I think the same went with this particular Bermuda slot. It did receive a lot of press coverage at the time, and I think it helped to define the Isle of Man as a jurisdiction which is well regulated, respected, which has attracted clusters of companies, and if there is a challenge which seems to be unfair, the Government will actually stand by operators to actually defend what they feel is rightfully theirs. So it is the publicity benefits, in effect.

Q75. Mr Butt: But has the stance actually brought more business here that you are aware of?

140 **Mr Craine:** Always difficult to actually name particular businesses which came as a result. I think it certainly added to the overall feel of the Isle of Man, but I could not actually attribute any particular start-up or transfer as a result of it.

Mr Butt: Okay. Thank you.

145 **Q76. Mr Quayle:** I must have made a mistake in my notes here. You said we had seven years from when we won the award, the contract slot, to fill it.

Mr Craine: From filing.

150 **Q77. Mr Quayle:** From filing. How many years did it take us from filing to actually get ití ? It takes two years and two months from start to finish for a satellite build, so we are just left with under five years. What happened in the five-year period? (**Mr Craine:** Well, I ó) If you are saying we get it for sevení We have seven years to use it, I think, if I have made my notes right. (**Mr Craine:** Yes.) It took you two years to build a satellite ó what happened with the five remaining years?

Mr Craine: They were the delays caused by Bermuda over the arguments over the ó

160 **Q78. Mr Quayle:** And that took five years?

Mr Craine: It did. It was for a considerable period of time.

Q79. The Chairman: So when was the final decision made that the slot was in fact ours?

165 *Mr Craine:* I do not have those dates.

Q80. The Chairman: Approximately, was that 2010?

Mr Craine: The hearing was at the Royal Court of Justice in August 2008, so 6

170 **Q81. The Chairman:** A decision was made in 2008, then?

Mr Craine: The decision was made in our favour that Bermuda's challenge was unjust, so the original file would have been made approximately, therefore, in 2003. So that took us to 2008 and that was then on the border with just two years remaining of the slot before it expired.

175

Q82. The Chairman: At the very start, we said that 2005 was when we realised that a challenge was being made, so it took two years, from what you say, for Bermuda to decide they were going to challenge it.

180 *Mr Craine:* That is an assumption. I cannot actually verify that because I was not a party to that at that stage.

Q83. The Chairman: No. If it was filed for in 2003 6 and I remember that the Government were asked to put up £500,000 in 2005 6 and then the decision was made in 2008, obviously that takes you two years to 2010, but if it was actually filed for in 2005, when Bermuda objected, that takes you to 1 That is what you were making, wasn't it 1 to 2012?

Mr Shimmin: If I can clarify from the information I think you have been in receipt of 6 a paper from the Department in May 2010 6 within that, in paragraph 2, it refers to 1 sorry, paragraph 1:

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-Under the rules, the satellite must be brought into operation by June 2010a

If you therefore deduct the seven years from doing the filing and I think in the year the first paragraph it talks about the preparation of the filing was in 2002. Therefore the filing would have gone in effectively in June 2003 and the clock was ticking then until the final orbital spacing would have to have been done by June 2010.

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Q84. The Chairman: So Bermuda delayed their challenge for the reason that you might have said, to scupper the whole thing.

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Mr Shimmin: I am sure they may have done that, but also the length of time it takes in order to get to the Royal Court of Justice, which you have no control over, was 13th August 2008. Therefore, whatever reasoning there was, there was by then less than two years before the position would have to have been in position.

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The Chairman: Okay. We think we have got the timing right there.

Mr Shimmin: Maths teacher!

210

The Chairman: Yes!

Anybody want to ask anything else about the Bermuda filing at this stage?

Q85. Mr Butt: Just that the important thing is to actually get a grasp of 1 If they had not made the legal challenge, would Telesat, through ManSat, have actually got a satellite into our spot, and what would the benefit have been to the Isle of Man had that happened?

215

Mr Shimmin: If I can answer the first part and Tim might come in on the second, there is no guarantee, I think, in the information we provided. There are many of these filings take place, but then the satellite never actually takes up its orbit. Therefore we would have been assuming that ManSat were working genuinely with their partners, to try to get positions. There are many reasons why that might not have taken place.

220

225 However, the value to that ó I do not know if Tim could explain the financials ó but it would have been between the parties to position it, but without the Bermuda challenge there would have been time to do that, were all the financials in place.

Q86. Mr Butt: So even without the launch of a satellite, there is still benefit to the Isle of Man by the work that goes on within our industry here, our finance sector, our insurance people?

230 **Mr Craine:** Yes.

Q87. Mr Quayle: A couple more questions just to clarify.

235 When and who did the Isle of Man approach to assist in providing a satellite at the orbital filing to protect the filing rights? You said you asked around and you have a record of who was asked. Was it left to ManSat to all the questioning, or did the Department of Economic Development take an active role in trying to fill the slot?

240 **Mr Craine:** From memory, it was a combination of ManSat using its contacts and then with the good offices and goodwill of SES. Also direct contacts, when I was at the Euroconsult event in Paris that year, we also had negotiations with a couple of satellite operators in Paris, so it was a three-pronged attack.

Q88. Mr Quayle: Right, but who was in overall charge of spearheading the attempts to ó ?

245 **Mr Craine:** I was co-ordinating.

Q89. Mr Quayle: So it was DED in overall control of trying to get people to fill the slot? (**Mr Craine:** Indeed.) But ManSat and SES were approached for their help?

250 **Mr Craine:** Yes, because of their direct industry contacts.

The Chairman: Thank you.

Can I come on to, then, your paper and thank you for the detail of the paper.

255 **Mr Craine:** Sorry, Mr Chairman, one point of correction of fact there, at the time it would have been Treasury ó the responsibility at the time was Treasury, rather than DED.

Mr Quayle: DED would not have been in existence, yes. So, Treasury.

260 **Q90. The Chairman:** Can I come on to the figures on your very first page about exchequer benefits. The last point says that the Island space industry has become a net liability during 2010 of £538,000, which is forecast to reduce down by 2013. Why is that?

Mr Craine: Why the deficit, or why theí ?

265 **The Chairman:** Why the deficit.

270 **Mr Craine:** Okay. As the paper says, I have actually commissioned an independent analysis from PWC so that it will be done thoroughly, and also in the interest of the third party to take on board various private commercial facts and figures to put the cost benefit together.

275 If you look back over the history of the space industry in the Isle of Man, in the early days, going back to 2005, 2006, 2007, it was quite an intense period of satellite launches by a number of the operators who were on the Island at that time, and again, under the arrangement with the UK at that time on VAT and trade codes and VAT sharing, there were own trade codes in respect of the satellite industry and the film industry and the shipping industry, and a lot of the direct financial benefit came from those early years when those own codes for satellites were particularly active.

280 At the same time, obviously, there are costs associated with the satellite industry and Government supporting it, and that is through the marketing contract with ManSat, through the contingent liability insurance we take out, and through the support of the International Institute of Space Commerce, so the cost of running the space industry per annum is roughly £½ million a year. Against the £½ million is the £35 million that we have brought in, as the own trade code benefits disappeared and we went through a period of taper relief, so the actual exchequer benefits started to reduce. As the paper says, in 2010, that had actually come down to a net liability. The

285 Department is aware of that net liability and is looking to reduce it down to zero and then to bring it back up into a net benefit to the economy.

Q91. The Chairman: And you have got plans to be able to do that?

Mr Craine: We are trying very hard to do that, yes.

290 **The Chairman:** Anybody want to ask on that particular item?

Q92. Mr Butt: Yes, just on that same paragraph 4.2, where you see the estimated private sector income for 2011-13, I think it means £1 billion, does it? (*Mr Craine:* Yes.) Is that for the Isle of Man, or is that the general space sector overall?

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Mr Craine: That is actually a turnover figure; it is not an income figure. It is a turnover figure, and since the paper was submitted that figure has actually gone up from £1.1 billion to £1.6 billion. That is turnover of Isle of Man companies involved in the space industry.

300 **Q93. Mr Butt:** On the Island, right, thank you.

On the second page, the tables at the bottom of page 2, which are the contracts and marketing fees with ManSat, I see they have gone down from 2009, from £250,000 to £212,000, and then for this year forecast £149,000. Why is it reducing now? Has the contract changed to pay them less?

305 *Mr Craine:* Yes, we have negotiated the direct fee that we pay them down to its current level, and I think ManSat were aware of the fact that the overall benefits to the exchequer were reducing and times were more difficult than they had been in the past, so offered a lower fee to Government as part of the contract going forward.

310 **Mr Butt:** Thank you.

Q94. The Chairman: So the contract was renewed last year, (*Mr Craine:* Yes.) it did not go out to tender, (*Mr Craine:* No.) and the reason for giving the renewal, was that because of the reduction in their fees?

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Mr Craine: No, there was an agreement between the Communications Commission and ManSat, which was signed in 2004 and that contract expired in December 2010. Basically, that agreement had a renewal clause in the contract, and so there was no option.

320 **Q95. The Chairman:** Which had it the one with ManSat and the Communications Commission? (*Mr Craine:* Yes.) So, that had a renewal clause in it? Yes. So you are saying that meant that the Government had no choice, but to renew their contract with ManSat?

325 *Mr Craine:* Yes, correct. The legal advice we had from the Attorney General's Chambers was that we had to renew the contract with ManSat at the end of that period. It was only the terms of the contract which could be negotiated between the Communications Commission and ManSat, but, as I say, it is important to recognise the contract was not with DED or Treasury, it was ManSat and the Communications Commission, which originally arose as a direction from the Council of Ministers to the Communications Commission to enter into that agreement.

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Q96. Mr Quayle: Is there a history anywhere in Government contracts about this sort of deal has ever been entered into before? An automatic contract without any advertising and an original contract without any advertising. It is something I am not used to coming across and I am wanting to see if this is the norm?

335

Mr Craine: I would not say it was the norm. I am not aware of others, but it is not it

Q97. Mr Quayle: So this is a totally new and unique contract where Government it

340 *Mr Kniveton:* We would not say that. We would not know.

Mr Craine: No, but I think it is also, Chairman, if you go back to how this whole thing originated back in 2004, or pre-2004. The Council of Ministers were approached by ManSat at that

345 time, basically with an offer to launch a new industry for the Isle of Man. We did not have a space industry at that time. We had nobody who was looking to offer orbital filing slots. So I think you have to look at the circumstances which existed back in the early 2000s, which actually gave rise to that original agreement and direction.

350 **Q98. The Chairman:** I think we accept that statement, but what would have happened then if you had not come to an agreement on the fee with ManSat?

Mr Craine: As I say, Chairman, with respect, I am probably not the person to ask. It would be better to ask ó

355 **The Chairman:** The Minister.

Mr Craine: ó the Communications Commission because it is their contract, not ours.

360 **Q99. The Chairman:** But you are paying theí The £149,000 is the fee thatí Who pays to whom then?

Mr Craine: That is a different contract.

365 **Q100. The Chairman:** This is the contract I am talking about. You said that theí Because, I think Mr Quayle said, or was it Mr Butt said that in 2006 the ManSat fee was £250,000 ó

Mr Craine: Oh right, sorry, okay.

370 **The Chairman:** Then it went down, last year, toí In 2010-11, they were both £212,500.

Mr Craine: That is the marketing contract, so there is no automaticí no compulsion to renew the marketing contract. That is different from the orbital filing contract. It is the orbital filing contract that had the automatic renewal.

375 **Mr Shimmin:** Mr Chairman, I think there has been some confusion. Therefore we might want to revisit all this and start the questioning again, almost, because I think Tim was answering questions with regard to one aspect ó

380 **The Chairman:** Yes, with communications.

Mr Shimmin: ó of what you were asking. Therefore, if you are starting on a marketing contract, that was the two-year extension, so I think if we are all on the same page, that that is the paper which is ó

385 **Q101. The Chairman:** Yes, you are right, we went on to two different items there. So, let us go back to the renewal of the contract with ManSat, the automatic renewal, because you say it had to go through ó

390 *Mr Craine:* Orbital filing.

The Chairman: Yes, that had to go through the Communications Commission?

395 *Mr Craine:* Yes. Going back to 2004, there was a direction from the Council of Ministers that the Communications Commission should be the body to be directed to have the vires to enter into the agreement with ManSat on orbital filings.

Q102. The Chairman: Right. There was no automatic renewal with the Communications Commission then, in 2011? Was that automatic as well?

400 **Mr Shimmin:** Mr Chairman, if I can take you to the letter from the Communications Commission, I think you might have in front of you there, from 26th March.

The Chairman: We only have ó

405 **Mr Quayle:** Regrettably, we have only just received this.

Mr Shimmin: Right, if I take you to the top of page 3, paragraph 4.1 with regard to the renewal terms, we may be able to assist in advance of any communication from the Communications Commission. If you see at 4.1 it refers to the 2004 agreement and the term which was in there:

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if negotiate in good faith with a view to extending this agreement for a period of 15 years. The terms of such an extension shall be agreed on between the parties.ø

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The legal advice we took at that stage was that that inferred a guaranteed renewal of that contract and, had it been done without further negotiation, would have run for 15 years. However, by agreement between the parties, that was revisited, with the renewed contract being for a period of six years terminating on 31st December 2006. Therefore, it was at that stage where they had an automatic right to an extension to the contract. Originally it was 15 years; by negotiation that came down to be terminated on 31st December 2016. Acting on the legal advice at the time, the interpretation of that quotation in paragraph 4.1 meant that they had a guarantee and negotiated a different contract.

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Q103. Mr Butt: So there are two contracts: the orbital filing contract with the Telecommunications Commission, which had to be renewed, on the advice of the Attorney General, but shortened; and the other contractor was the marketing contract, which the Department paid for, was £250,000, now reduced down to £149,000 because they agreed in the renewal, two years ago, to take a lesser fee from you.

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Mr Craine: Correct.

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Q104. Mr Butt: And that is part of your drive, presumably, to reduce costs in the future. That contract is yours.

Mr Craine: Yes.

435

Q104. The Chairman: Why does everything, filings, have to go through our Communications Commission? Why could they not go direct to Ofcom?

Mr Craine: Because the Communications Commission on the Isle of Man is the official regulator and it is a regulator-to-regulator relationship, so it is the Communications Commission that has the relationship with Ofcom, which in turn has the relationship with the ITU, the International Telecommunications Union. It would not be appropriate for ManSat to go direct to Ofcom. For proper due diligence, we require them to go through the Communications Commission.

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Q105. The Chairman: And in the UK, anybody wishing to file in the UK goes direct to Ofcom? (**Mr Craine:** Yes.) Therefore we have not got any choice but to go through the Communications Commission. The deal was done with ManSat to give them the sole rights to apply for filings.

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Mr Craine: Yes.

Q106. The Chairman: Why is that? Why should they have the sole right?

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Mr Shimmin: If I can take you back to the origin in 1998 when they first originated and then to the contract signed in 2004. So over that period of time ManSat, through Chris Stott, were developing an opportunity for the Isle of Man, which in 2004 was formalised. It was at that stage that the quotation in 4.1 was introduced into the contract.

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At that stage, the Island had no real knowledge about where the space industry was going to go and indeed, was embryonic and aspirational. Therefore, one of the difficulties, in hindsight, is that that contract probably would not have included that clause, had we known where we were going to be in that period of time. However, we deal with this quite frequently in DED, that a body which has IP in a particular area does expect to have some benefit from that IP.

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So the reality is that the contract established in 2004 possibly gave rights to ManSat that others in the marketplace would now feel is exclusive ó and I would agree with that ó however, it was

done in good faith in 2004. On the renegotiation it has been reduced in the length of time, but being a pragmatist, that is what the contract says on legal advice, so we have negotiated down from the 15 years. However, it still does exclude the new parties coming to the table, who would like to have more freedom than is currently allowed.

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107. The Chairman: Who gave ManSat the agreement that they were? Was it the Government? The contract was with ManSat to say that they were the only company that could file.

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Mr Shimmin: That goes back to, I think, 2004, and I am not sure. I am just trying to see if that would be with the Government, the Department or the Communications Commission.

Mr Quayle: Communications, I think.

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Mr Shimmin: The Communications Commission, effectively, supported by Treasury and what would have been Council of Ministers or Trade and Industry at the time.

Q108. The Chairman: So the Government or the Department has no input, then?

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Mr Shimmin: Do you mean then or now?

The Chairman: Now. It is a *fait accompli* now, isn't it?

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Mr Shimmin: It is a contract.

The Chairman: If any company wishes to come to this Island now and wishes to file, they have no choice but to go through ManSat.

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Mr Shimmin: That is my interpretation.

Q109. The Chairman: We know the average cost of a filing with ITU is about £28,000. We were told that filing through ManSat is by somebody on the Island is the cost is prohibitive. So how much money, on top of the £28,000 filing fee, are ManSat charging and the Communications Commission charging anybody who would wish to file here?

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Mr Shimmin: I do not have that information. I do not know if we are privy to that information.

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Mr Craine: No. ManSat do not disclose or publicise the fee that they charge for actually making a filing, and require any potential customer to sign an NDA before entering into that negotiation, so

The Chairman: NDA?

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Mr Craine: Sorry, non-disclosure agreement. I have never had disclosed to myself what their standard fees are.

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Mr Shimmin: If I can say, Mr Chairman, that since being in the Department, I have been made aware of one party at least on the Island who has exhibited those sort of comments, that it is prohibitive. We have, as a Department, discussed with ManSat to try and see if there were mechanisms of improving that relationship for the benefit of the Island. For their own commercial reasons they are not able or prepared to do that on the grounds of some of the contracts they have with others who have followed the existing contract.

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Q110. The Chairman: I know you are aware that we had evidence from SES, who said, as I understand it, that they think they are due to launch three or four more satellites and they are applying for slots. They go through Gibraltar because they said that it is prohibitive for them, as a company, to have to go through ManSat and then give ManSat a cut and give the Communications Commission a cut on it etc. Surely then, would you agree, with hindsight, that that agreement with ManSat is actually keeping the space industry back, rather than letting it advance?

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530 *Mr Shimmin:* I would say that without ManSat originally there would not be an SES presence on the Island or an industry. I would agree that it is not in the best interests of our movement going forward that we are not able to influence the contract that is in existence because it would be beneficial for the Isle of Man to be able to have more filings going through our system. Therefore, we do understand the concerns of the party in question and we will continue to endeavour to work with ManSat and any other party to try and see if we can come to an accommodation, although that is not directly within our gift.

535 **Q111. Mr Quayle:** Can I ask a question?
Bearing in mind that we have effectively given exclusivity to ManSat until 2016, do we have an indication of how much money they generate for the Isle of Man?

540 *Mr Craine:* Part of the agreement with the Communications Commission requires ManSat to provide them with copies of their annual accounts. Also, under the new agreement with ManSat, the fee that ManSat pay the Communications Commission has changed from 10% of their profit to 10% of their turnover. So, as part of the negotiation over the detail, given the potential financial benefits that ManSat will enjoy from the orbital filings, the taxpayer will get a bigger share of that money as it comes in.

545 **Q112. Mr Quayle:** Right, but as we have not launched any satellites from the Isle of Man for a number of years, we are really just getting income from the earlier rush of our satellites.

550 *Mr Craine:* I think it is important to note that, although ManSat have been filing orbital filings for a good number of years, it is only very recently that one of those slots has actually been filled, and that was, I think, late last year when ViaSat-1 went into a ManSat slot. So again, I think it is important to recognise that there has not been a long history of filings being filled and therefore income generated to ManSat by way of transponder revenue. That process has only started recently with ViaSat-1.

555 **Q113. The Chairman:** We have had 60 filings, have we, I think, and just one launch?

560 *Mr Craine:* Yes. Sometimes companies require slots to be filed for various reasons and they will file in multiple jurisdictions and they may or may not bring any or all of those slots into being by filling them with a satellite. So that practice is not uncommon.

Q114. The Chairman: But we have got a company on the Island that actually does launch satellites and if they had been able to launch them and file through the Isle of Man, would you agree that our income would have been vastly greater?

565 *Mr Craine:* No, because there would not have been any direct return. It would have been, basically, an open-market situation and there would not have been any direct financial return to Government. Through the ManSat arrangement, therefore, we are getting 10% of the turnover as an income to Government that would not have come from any other operator.

570 **Q115. The Chairman:** And how much is that annually?

Mr Craine: It depends what the turnover figures of ManSat are.

575 **Q116. The Chairman:** Okay, approximately what sort of ?

Mr Craine: We do not know yet, because we have not had a set of accounts under the new agreement yet.

580 **Q117. Mr Quayle:** I do not think I have any objection. It is obvious that ManSat should have been given the contract at the start. They were setting up a business which was not there. I think the Committee are concerned about the longevity of the clause, the automatic renewal and the exclusivity that seems to be of concern to all.

585 **The Chairman:** They have to go through a third party, I think, for anybody else now who would want to launch, and the cost.

590 **Mr Shimmin:** I think if I can add, Mr Chairman, the difficulty that this industry is experiencing is one that could not have been anticipated some years ago. In a number of areas where the business is driven from our Island because of factors outside of that business's control, it is disappointing. We would therefore prefer to be able to find a means of getting an accommodation that would provide more filings to go through the Isle of Man. If one company says that it is prohibitive due to the costs through ManSat, that is something that we are mindful of, and as I reiterate, we will continue to try and work with all parties to see if there can be an accommodation.

595 The point that Mr Craine makes is that the only direct link we have to the profits generated by a successful filing that results in an orbit being positioned is through the ManSat arrangement. However, it is quite clear that one company on the Isle of Man is the largest employer in this field, is active around the world, and is a benefit to our Island. Therefore, we will attempt to work with that company to try and see if there is a way of accommodating their aspirations rather than have them driven from the Island because they feel they can no longer successfully file here, whereas
600 they may find it easier elsewhere.

Q118. Mr Butt: Can I just come in there? I think that company, who gave evidence to us a few weeks ago, acknowledged that ManSat do do a good job and gave them praise, and it was not just the cost that is prohibitive. It is actually the hurdles they have to go through, because it is the Communications Commission, then Ofcom and then ManSat and then a filing, whereas in
605 Gibraltar they have just got the one hurdle to go through. It is about streamlining and making it more simplified. I think their request was can we make it more simple here in the Isle of Man, because otherwise you might be stifling their progress.

610 **Mr Shimmin:** I think that is a real danger that is difficult to see an easy way of overcoming. We have to go through Ofcom rather than directly. That is outwith our control. We are not a state and therefore we do not have direct access. I think that there are other areas that have a proposition which is beneficial and simpler for companies to do the filings. However, we benefit on the Isle of Man by having a significant infrastructure around space and we have to try and make sure that our
615 proposition is sufficiently attractive to keep business and to grow business on the Island.

Mr Craine: Through you, Chairman, could I just correct a couple of points, if I may? Basically, having to go through the Communications Commission, to Ofcom and then to the ITU does not add any significant bureaucracy. There is no cost of the Communication Commission link, there is no charge by the Communications Commission, so there is no cost disadvantage of
620 having that link here. It is merely a stage in the process rather than added bureaucracy or added delay.

625 **Q119. Mr Butt:** I think it is fair to say that you are obviously aware of the problems that have been identified to us and you are trying to deal with them. Is that fair?

Mr Shimmin: Yes.

630 **Q120. The Clerk:** Chair, may I ask, as Gibraltar has been mentioned a few times, it has been explained to the Committee that the orbital filing system is an international system based in Geneva and for these purposes we work through Ofcom, because the UK is our sovereign state, to which we are aligned. I think in the papers somewhere it says that Ofcom operates this system on behalf of the Crown dependencies and overseas territories. Does that include Gibraltar?

635 **Mr Craine:** I am not sure, to be honest, whether Gibraltar have to go through the Ofcom link as well. I am not sure whether that is the case. I could not answer that.

640 **Q121. The Chairman:** In your paper, you say there are 20 full-time equivalent jobs in the space industry and yet you refer to over 30 companies active in the Manx economy. Could you explain what that means, because if we have only got 20 people and 60% are employed by one company, we have got eight people dealing with 29 other companies?

645 **Mr Craine:** Yes, we do an audit every year at the Companies Registry and I have the details here with me now of all the companies at the Companies Registry whose purpose involves space. So that is where the large number comes from.

As you say, Chairman, it is correct to say that SES is the main employer in the space industry on the Isle of Man. Then, with the other full-time equivalent posts being spread between CBI Technical Optics and a number of the accountancy and law firms, that is why ó

650 **Q122. The Chairman:** ManSat only employ two people, don't they? (*Mr Craine:* Yes.) Does that include Chris Stott as one of them?

Mr Craine: I do not know whether they include Chris or not because Chris is not based on the Isle of Man, but you are right, the implication of those figures you have mentioned is that some of
655 the companies are, in effect, companies that do not actually have full-time employees on the Island.

Q123. Mr Quayle: The vast majority do not have employees.

660 *Mr Kniveton:* Some are corporate structures that have just been established perhaps for a specific transaction, but will still be active in that transaction even though there may be no day-to-day activity.

665 *Mr Craine:* And bringing benefit to the banks and law firms as a result.

Mr Shimmin: The difficulty, Mr Chairman, is that Mr Craine is responsible for space, but only a small percentage of his time is responsible for space. If you look at the legal firms and the other infrastructure that we have within our financial services, none of them may be specifically allocated to space but there is revenue that is generated within their businesses, and indeed we do
670 have a list of parties who have travelled from Island businesses to familiarise and further their qualifications and knowledge in the space industry, so they have travelled to Switzerland, I think it is ó

675 *Mr Craine:* Strasbourg.

Mr Shimmin: To Strasbourg in order to learn more about space so they can bring that knowledge back to their companies on the Isle of Man, and that includes a range of the legal advisers that are necessary for this business to continue.

680 *Mr Craine:* If I just expand on that briefly, Chairman, since 2004 a total of 39 people have undertaken the Executive Space Course, representing 19 different commercial companies on the Island, and in fact three more persons from the Isle of Man are scheduled to attend that course in Strasbourg next month. So there has been a lot of varied interest from companies on the Isle of
685 Man who are seeking to develop a wider knowledge and expertise in the industry so that they can also become active players in the industry.

Q124. The Chairman: So, all those people have come back and are working in the Island? (*Mr Craine:* Yes.) So why are some of the companies they work for not included in this list of
690 people involved in the space industry? They are involved in the space industry.

Mr Craine: To a certain extent, these are people who have wanted to upskill in terms of knowledge and contacts, so that as the space industry grows on the Island, they have the required knowledge and background to be able to have appropriate conversations with potential inward
695 investors, so their existing people have acquired the knowledge to then become active in the industry.

Q125. Mr Quayle: Just so I can get a picture of the company, ManSat, that the Communications Commission have given the contract to, they have got two people on the Isle of
700 Man. Do you know how big they are in the world? Is this a massive company? It is not just two people, is it?

Mr Craine: There is Chris Stott, who is based in the US; you have got Don Jayasuriya, who works in London, who is their orbital filing expert; there is a company secretary on the Isle of
705 Man; and Ian Jarritt, who is the financial director.

Q126. Mr Quayle: That is it?

Mr Craine: That is it.

710 *Mr Quayle:* Four people in total.

Mr Shimmin: With respect, Mr Quayle, this is an interesting issue that we grapple with in the Department as to the value and benefit of a particular sector of our economy. Is it governed and based by employees, or revenue generated, or reputational benefits and so the small size of ManSat would appear to indicate it has less of a presence on the Island and yet they have been sufficiently skilful over the years to have generated an industry which has been a major benefit. Therefore, we are constantly looking at what the target of my Department is with regard to employment opportunities, or value to the Island and sometimes a simple head count is not a clear direct benefit to the Island for the services that are created.

720 **Q127. The Chairman:** Can I briefly refer to ManSat's filings, the 60 filings which they would have had, is it on behalf of companies or where? Where are these companies they are filing, do you know, on behalf of? Are there several companies in the 60 filing, or is it just a few companies?

725 *Mr Craine:* I do not have those specific commercial details. I do know from knowledge that they do I am aware of companies who have used ManSat to file for orbital filings and they come from various jurisdictions around the world, primarily North America and Europe.

Mr Shimmin: I think, Mr Chairman, depending on the way the Committee is moving forward that if he were to request some questions that you have that we are not able to answer, either we will contact ManSat, on your behalf or

The Chairman: We will.

735 *Mr Shimmin:* or you can directly, but we are happy to act as an interim to try and get some of this information.

The Chairman: Thank you, but we do intend to speak to ManSat.

740 *Mr Craine:* Sorry, Chairman, just to clarify that last point referring to the paper I submitted, it does, in fact, say, just above the subheading 'History' ManSat has to date attracted four satellite operators to file with the ITU via the Isle of Man.

Q128. The Chairman: Any questions on that particular topic?

745 On the advantages in your summary and the appendices, you have got the Isle of Man space proposition and the successes to date. If we look at what are classed as successes to date, I think it appears to all three of us that, some of these so-called successes are not actually bringing income into the Isle of Man.

750 *Mr Shimmin:* Absolutely not; and that would not be the only purpose of this industry or this sector. I think that, if that is engaged, then we are in danger of going down to a position of financial return, as opposed to the other benefits that this does bring.

755 **Q129. The Chairman:** So that is the question: what benefits is this bringing in terms of bringing business to the Isle of Man, which is very important at this time and with this Government?

760 *Mr Shimmin:* It is, and the Chief Executive may have comments on this, but certainly in my time in DED the reality of the ability to surprise potential inward investors and people looking to do business with the Isle of Man, is based not insignificantly on our diversity, and this is one of those areas, where the Isle of Man has shown itself to be a small jurisdiction, which has got innovation, ambition and desire and a proven deliverability in an area which is surprising. So, the very fact that we have a diverse economy, of which the space sector in employment terms is very small, is actually extremely important to us as part of our proposition with regard to the impression we give to people who are looking at us in comparison to other jurisdictions. None of that is easily quantifiable by direct employment and economic activity, but that should not underestimate the value that people attribute to it, when they find out about our success within it.

I would ask the Chief Executive if he wants, with a little bit more experience in these things to make a comment. He is being far too quiet at the moment!

770 **Mr Kniveton:** I think, Mr Chairman, if you had gone back to the origins of the industry, the actual cash that is generated of £35 million of has far exceeded any estimations of what the benefits might have been from the film industry when it was first established, when ManSat first came with this particular of

775 **The Chairman:** Space industry.

780 **Mr Kniveton:** I beg your pardon, space sector. The other benefits that we have generated and there are a lot of synergies between the space industry and film industry. As the Minister has alluded to, what makes us different from other economies is the fact we can point to these diversifications. The publicity that we had from being the fifth most likely country to put somebody on the moon has made Mr Craine almost a household name on television in the publicity that he received at the time. It is very difficult to put a value on that, but at the same time we do have a value, which PWC have calculated. I would suggest it is far in excess of anything that was actually considered to be likely to be generated from this particular sector. So, like the 785 film industry again, we have now got differing circumstances to what we had several years ago and we have to evolve the industry to meet those changing times. We are taking steps to do that, but we are bound by the contractual agreements that were entered into at the time. We could take a view today that, had we known what was going to happen with the industry, perhaps that agreement might not have been entered into, but you still have a very tangible benefit that has come from that contract, and if a deal had not been struck with ManSat at the time, perhaps the 790 whole industry would never have started.

Q130. The Chairman: I think we do not disagree with that. Let me give you a quote, if I may, and see how you would like to comment on this and it was made at the last meeting we had a 795 couple of weeks ago.

800 “We need to focus on nuts and bolts here and keep a little less focus now on the fun stuff, the pretty stuff, but get down to doing serious space business on the Island. I think, potentially, some of the messages we send out, although they sound very nice and flowery, are not taken seriously by the international space industry.”

805 That was when I pointed out these successes to date, the fact that you picked up the fifth state most likely to return people to the moon and the first entrants for the \$30 million Google Lunar X prize, being chosen as a global home for Space Data Association, which to me none of these I am trying to see what advantage this is going to bring us in financially, any of these things and are we being too flowery, are we looking at the things that look nice, the almost sound-bite type things, but are we concentrating on the right things, or should we be actually going out and seeing, physically, companies come into this Island for the space sector?

810 **Mr Shimmin:** If I can answer that first at a political level, I would be horrified if it was not the view of local commercial operators that we should be concentrating on exactly that. I and the Department have a wider issue that that company do not have to involve themselves with, which is what might be perceived as being more flowery but actually is reputational and high profile. This Government has, for many years, been criticised for not being sufficiently awareness raising within other market places, whether it be London or beyond. Therefore, an individual company 815 should quite rightly be focused on the nuts and bolts; however, a government has a larger responsibility of trying to communicate positives and to get a clear message about its innovation and ability to do work. I do not think the two are mutually exclusive.

820 I think that businesses over here should, quite rightly, drive us and themselves to achieve excellence and growth. From the Department's point of view, I would feel it is negative to actually just dismiss some of these softer benefits as being unimportant. Therefore I do not think they are exclusive. I think both of them have to happen. We will continue to promote the Island, of which the space sector is one part. However, we should be driving towards economic benefit, and indeed that is the core of everything we do, so for a party to assume that we are not concerned about that, I think overestimates the seriousness of how we do listen to them and take it seriously. Some of 825 the issues are outside of our control. Those within our control we should be driving for economic growth.

830 **Q131. Mr Butt:** Can I draw the parallel between the film industry and the space industry. It seems to me they are almost identical, in that, early days they brought in big money, because of the VAT codes, and then they had to work harder in the film industry and having the occasional success like *Waking Ned* or the TT 3-D brought in money and publicity. I think Mr Craine said this is a recent satellite launch from which there will be revenue coming through the contract with ManSat for 10% of turnover.

835 Are there any more of those in the pipeline that are likely to come our way, like another successful film, in effect, so during the lean times we have got the good things coming through occasionally? Are there any more that we know of, that should be coming?

840 **Mr Craine:** Yes, there are. I am aware of discussions which are taking place at the moment with a number of important people, but obviously I cannot disclose the names at this stage, because it is commercially sensitive, but yes, there are businesses in the pipeline.

845 Just to go back to what the Minister said, I think the comment that he quoted from the last hearing and in effect was talking about public relations. It was some of the media attention that we sought to attract to the Island. It is important to create awareness in the industry of the benefit the Island can offer. I think there is a danger that we, perhaps, do concentrate too much, or people do concentrate too much on quotes like the Isle of Man is the fifth nation that is likely to return to the moon, which is a bit tongue in cheek, but the Isle of Man has had some very important successes. We do have four of the world's top ten satellite companies, we have been chosen by the Space Data Association, a global non-profit organisation, to base its operations here, the International Space University choosing to put their first-ever international institute on the Isle of Man. These are all tangible endorsements by recognised, highly respected, international organisations, which have identified the Isle of Man. Everybody at this table here and in the Department wants now to convert those early successes and that global awareness into tangible business, whether it is financial, whether it is through jobs; we need to take the industry, as Mr Butt says, to that next stage now. We had early successes, it has gone through changes, but we do need to deliver more added value to the economy of the Island.

855

Q123A. The Chairman: So how are we doing that? How are we doing that, then?

860 **Mr Craine:** We are doing it in a number of ways. We are going out, trying to actually target individuals and individual organisations more. We have changed the emphasis of marketing now also to try and attract manufacturers involved in the space industry that we have not previously concentrated on. So we are now trying different channels to market, to attract different elements of the industry to the Island.

865 **Mr Shimmin:** If I can add, Mr Chairman, on the fifth page of unfortunately, they are not numbered of the paper we supplied, in 2011 Futron gave a quotation there, two-thirds of the way down, where it commences:

870 "The Isle of Man emerges as a leader that consistently punches above its weight"

875 It then goes on to add further beneficial praise to the Isle of Man's industry. One of the concerns I have with some of the implications maybe of the questioning and the communications from the previous meeting is that there is disunity within the industry, and if that happens then I think the Island will suffer. I think that the recognition of both the staffing levels and the expertise of SES is recognised by the Department. I think the origination of this whole industry by ManSat is recognised and appreciated. I think there is a danger that we actually try and put wedges between a small evolving industry, whereas actually pulling together we should be able to continue to grow. Therefore, I think it is in everybody's interests to actually find there are certain areas that we have no direct influence over, but certainly we would like to continue to work with existing and new businesses to grow. Some of that is financial, but indeed some of that may well be reputational.

880

885 **Q124A. The Chairman:** I am sure we will state here that all of us here support the space industry and the efforts you are making. It is just that we are looking at the way it is actually working, and is it working to the best of its ability. It is said that the exclusive arrangement with ManSat that basically they are saying yes or no to any ideas and that basically everything has to go through them because of the arrangement. Can you, and how would you, refute that?

890 **Mr Shimmin:** I think I would raise the issue that Mr Butt raised with regard to comparison
about a previous time where this contract was originally signed and followed up with, like with the
film industry. All of those changes that have taken place in the last four or five years in both
industries have affected their liability and their position. Therefore, we know that we have got to
change and adapt. We know we have a contract now which is in place. We will work within that
contract in order to achieve benefits. I think you are asking us to be able to control certain aspects
895 of this industry when we cannot, but it should be reassuring to know that we have significant
numbers of the key players in the industry with a high regard for the Isle of Man and the expertise
on Island to service that industry. Therefore, I cannot get around certain aspects, but I can continue
to work with the industry to try and make sure that they capitalise and maximise any opportunities.

900 **Q125A. The Chairman:** Can we talk about marketing then? I know you travel a lot to various
parts of the world for exhibitions, speaking to people individually. When the Department organises
a trip? That will not go down well! When you organise a *visit*, a business visit, who do you take
with you, to whom do you give the opportunity to travel with you?

905 **Mr Craine:** Anybody can come with us at all. We try to make people aware of the events. The
two main events are the event in Washington in March and the event in Paris in September and
over the years we have had numerous people at both events, in fact, in Washington the other week
we had a representative of a local CSP who had asked to come along and basically, as we have
done with people previously, we have introduced them to our contacts, we have introduced them
910 to people who are looking to do business on the Island, depending on their area of expertise and
we try to be inclusive, wherever we can to share the intelligence and to share the introductions
with people.

915 **Q126A. The Chairman:** Obviously, ManSat go with you to most of these?

Mr Craine: ManSat are there as well, yes.

Q127A. The Chairman: You heard it said last time, Mr Craine, that a person in the business
had asked to come with you and had been refused.

920 **Mr Craine:** I was not aware of any request being refused.

The Chairman: Do you remember that, Mr Quayle?

925 **Mr Quayle:** I do. It has been stated in the evidence two weeks ago. You sat there.

Mr Craine: If that is the case, it certainly was not a question that was put to me and I certainly
did not offer any refusal. I am not aware of where that is or the specific circumstances.

930 **The Chairman:** Well, we shall find out for you and ó

Mr Shimmin: So will we!

935 **The Chairman:** Good, okay.
Any more questions anybody?

Q128A. Mr Quayle: Just on the marketing spend, I presume you get a split on how it is spent
at the end of each financial year.

940 **Mr Craine:** More so than that, Mr Quayle: ManSat make a quarterly report to the Department.
They are asked to basically provide a breakdown of the expenditure, the return on that expenditure
and there is also political scrutiny of that return by the Member of the Department with
responsibility in that area. So there is full scrutiny and full reporting on a quarterly and annual
basis.

945 **Mr Quayle:** Thank you very much.

Q129A. The Clerk: Can I just ask one on your paper, please? It is under the heading 'How the
space industry operates on the Island' and you leverage four basic business or industrial sectors.

950 Balanced procurement, leasing and insuring is the first one; the second one is manufacturing; the fourth one is the satellite filings, which was discussed earlier on; but the third one is about not-for-profit organisations, which has also been mentioned but not in a lot of detail. You say:

955 -Working via the Islandø noted neutrality as a jurisdiction based upon high international standards of legal compliance, the establishment of leading international not-for-profit organisations in the space industry have chosen to make the Isle of Man their home.ø

960 I just wanted to ask what has neutrality got to do with it, and what sort of neutrality are you talking about?

Mr Craine: I think the Isle of Man is viewed in the space industry as not aligned politically outside of the Isle of Man, so it is seen as if it is considered as a jurisdiction, it is a jurisdiction which people do not tend to object to, because it is not seen to be aligned with any particular power block or industry group. So it seems neutral ground for non-profit organisations.

965 **Q130A. The Clerk:** Does that distinguish the Isle of Man from the United Kingdom, for example?

970 *Mr Craine:* To a certain extent, yes, it is that the United Kingdom has a reputation in a similar vein, but the Isle of Man more so and given the profile of our space industry, it is seen as something which, if it is then promoted in the industry, the industry will accept, because of the Islandø high profile.

975 **Q131A. The Clerk:** So, the Isle of Man is neutral territory, *even* more neutral than the UK, as between competing interests within the industry?

Mr Craine: Correct.

980 **The Clerk:** Thank you.

985 **Q132. Mr Butt:** Just a final one from me, if I may, for all parties. I think it is acknowledged by this Committee that ManSat have brought the industry here and they are very valuable to us in the Island. Also acknowledged by SES in their evidence that they agreed the same, and they are bringing in revenues from this recent satellite launch of 10% of their turnover. I wonder ó you also acknowledge there is a downside to the fact that the contract was continuing for so long, what is the plan for 2016, when that contract finishes? Is there one yet?

990 *Mr Shimmin:* As a political responsibility, no is the answer. I am still learning about the issues that you are raising as regard the relationships and the potential benefit. Certainly we are looking, as a Department, that employment on the Isle of Man is a very important factor. For that, SES is clearly the one that has got the most incumbent employees and therefore will always be given serious credibility and discussions with us about the future. Within ManSat they have their own model which has evolved over a longer period of time. SES have a model which they have evolved through their corporate structure. I am still attempting to understand what we can benefit and generate out of this industry. So 2016 is, at the moment, an open page regarding what happens. We will not be able to afford me that luxury for much longer than 12 months. We will need to make it clear to the industry where we are going, but at the moment I would say that the opportunity between now and 2016 is to try and bring a greater closer working relationship between ManSat and, in particular, SES. As regards the relationship that evolves over the next few years, that may indicate as to what happens post 2016.

1000 **Q133. The Chairman:** Two points, if I can. One is in the appendix B, successes to date, has been identified as a country along with the USA that the UK space industry should model itself upon. First of all, the UK has already got a space industry, hasn't it, worth several millions of pounds?

1005 *Mr Craine:* It has, but I think that point was made in the context the Isle of Man had shown innovation in the way it had developed its industry, whereas the UK space industry seemed to be less innovative and it was felt they could perhaps learn a lesson or two from us.

1010

Q134. The Chairman: What is your opinion and what is going to be any effect on the Isle of Man of Vince Cable's statement the other day that the UK was going to develop its space industry?

1015 **Mr Craine:** We have actually developed very good relationships with our counterpart in the UK, which is the UK Space Agency. We rely on the UK Space Agency to process all our launch licence applications. Policy on the licensing of space-tourism vehicles is again we rely on the UK. So we have a very good working relationship with the UK Space Agency and I think, in common with other areas of the economy now, we are trying to demonstrate more and more how the Isle of Man space industry benefits the UK space industry, rather than it being a competitor or actually taking business off the UK.

1020 So we are trying to further develop the relationship to show mutual benefit, rather than the fact that we are competitors. So we embrace the UK's aspirations and want to work with them to help achieve their goals as well, because if they succeed, we will succeed.

1025 **Mr Shimmin:** If I can also add, Mr Chairman, the reality is, over the last two weeks, the coalition government and its representatives have made lots of far-reaching, aspirational comments about where the United Kingdom is going. They have put a lot of publicity behind some of the figures they are investing in, things from houses, to clean technology, to the space industry, the film industry. We will be working and looking closely at what they are saying, but also what they are actually doing, because in many of these areas they are aspirational, but they are not in a financial situation that they can actually put a level of necessary funding to achieve some of the comments that they are making. So as much as we would like to work with the UK in any of these areas, the fact is that they will be doing their thing and we will try and maintain our position to be nimble to actually attract opportunities when they come. I am not convinced, totally that the UK coalition will be able to achieve as much as they have aspired to in the last few weeks.

1030 **Q135. The Chairman:** And we seem to be looking for our business through Chris Stott of ManSat, through the United States. We seem to be concentrating on the States. What are we doing, are we doing anything at all, have we got any close connections with the European Space Agency?

1040 **Mr Craine:** Not specifically the European Space Agency, but very close links with the International Space University and its links with industry, so that tends to be our link into Europe, but we do have other developing areas of the world at the moment as well, where we are seeing very serious business interests from, so it is not just North America.

1050 **Q136. The Chairman:** I am told it may not be right; you may be able to confirm this is that, as members of the European Space Agency, you obviously have to put money into it, but you get that money back, and more, in business that they give to you. Do you know anything about that? Is that a correct statement, or not?

1055 **Mr Craine:** It is, yes. The European Space Agency, ESA, work on the principle of what is called *juste retour* so if you put £100,000 into their budget, you can basically rely on getting £100,000-worth of orders back out of ESA. So that is how ESA works. We did look at becoming members of ESA a number of years ago, but the conclusion was that it was unlikely that we would be accepted as a member of ESA and also it was uncertain whether our industry on the Island would be able to accommodate the value of orders equivalent to the budget that we would put in.

1060 **Q137. The Chairman:** You say that was a few years ago. Would it be worth it as it seems to be a win-win situation is looking at it again?

1065 **Mr Shimmin:** I would agree it is, Mr Chairman, I think this is the benefit of the Committee again, because in busy times we may not look back on those areas, certainly from this Committee's work we will be talking and working with SES as well as other parties on the Island to try and see if we are missing things, because we have assumed the *status quo* because of the contract in place. So I think that we would welcome the opportunity of revisiting and any of the information you find out about suggestions, we will take on board.

1070 I think that the issues that Mr Craine talks about, may well still be relevant, but they need to be put to the test. I think there are a lot of things that we are talking about, aspirationally, we will be judged by performance and therefore it is in our best interests and therefore the Isle of Man's, if we can grow this economic benefit of the space industry and, certainly, Mr Downie's presence is a

1075 continuing factor within space, because he has a good relationship with all parties on the Island and we will look to work with him to build an increased presence and also return for the Island. I would enjoy the opportunity of coming back in 12 months to give you an update on where we are ó or two years.

The Chairman: No, no, I think you are coming to see us every year, Mr Shimmin, officially! You have still got to come officially.

1080 **Mr Shimmin:** Yes. I look forward to the invitation in October. This was just a bonus!

The Chairman: Any other questions?

1085 **Q138. Mr Quayle:** There was just one thing. Mr Craine, when Mr Singer asked you why we had not joined the European Space Agency, you said you did not think it would be beneficial with the amount of business we have on the Island, but also you did not think we would get membership. Could you just expand on why you did not think we would get membership?

1090 **Mr Craine:** I think, from recollection, at the timeí It is like a lot of international organisations ó you have to apply and the member states will then look at the benefit to the organisation overall of having you as a member. So it is not just a case of filling the application form in and paying the fee. I think enquiries by our External Relations at the time cast some doubt, having looked at the constitution, as to whether we would be accepted as members.

1095 I also take the Ministerø point, which I think is very valid, that what was perhaps a conclusion two or three years ago may not necessarily be the same now and we should in fact return to that issue.

1100 **The Chairman:** And if they realise we are the fifth state likely to put a man on the moon, surely they cannot deny us membership!

Mr Shimmin: And once again though, these bodies can also be, at times, occasionally political, and within Europe there are issues and agendas that maybe would not see us in the same favourable light as we like to portray ourselves.

1105 **Mr Butt:** Just one final word, summing up, to say it is good to see the Department realise the issues that we have detected, and you obviously are aware of them and are trying to address them, and I think that bodes well for the future of the industry.

1110 **The Chairman:** Can I thank you. Yes?

Mr Craine: Can I just correct one fact for the record: you referred to the Isle of Man being the nation fifth most likely to put a man back on the moon.

1115 **The Chairman:** Likely to return to the moon.

Mr Craine: It is ãreturn to the moonã yes, which is to do with Excalibur Almaz and Odyssey Moon being two Isle of Man companies with an interest in the moon.

1120 **The Chairman:** I accept the slapped wrist!

Mr Craine: It was not meant to be.

Mr Quayle: Can I just clarify that is not up in Foxdale!

1125 **The Chairman:** Can I thank you for your time and for the paper, which we found very useful. Thank you.

The Committee sat in private at 3.48 p.m.