



TYNWALD COURT OFFICIAL REPORT

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HANSARD

STANDING COMMITTEE OF TYNWALD
ON ECONOMIC POLICY REVIEW

BING VEAYN TINVAAL MYCHIONE
AASCRUTAGHEY POLASEEYN TARMAYNAGH

Douglas, Thursday, 10th May 2012

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Members Present:

Chairman: Mr L I Singer, MHK
Mr R H Quayle, MHK

Apologies: Mr D M W Butt, MLC

Clerk:

Mr R I S Phillips

Business Transacted

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The Committee sat in private at 12.12 p.m.

Standing Committee of Tynwald on Economic Policy Review

5

*The Committee sat in public at 10.30 a.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

10

[MR SINGER *in the Chair*]

15

Procedural

The Chairman: Can I welcome everybody: can I welcome you, Mr Stott and also members of the public.

20 Firstly, at this stage can I say, really for the press and communications generally that we, as a committee, would welcome evidence or information that anybody in the whole community would like to put forward on the space sector. It is not necessarily that we have to invite people. If other people would like to send information to us for consideration, we would be happy to receive that.

25 So can I welcome you, Mr Stott and thank you for finding time. I know you are a very busy man. Thank you for finding time to come to talk to us this morning and thank you for your – I might call it – booklet that you have sent us with the information. Thank you.

The Standing Committee is taking evidence today on the matter of the development of the space industry on the Isle of Man. I am Leonard Singer, Chairman of this Economic Policy Review Committee; this is Howard Quayle, MHK, who is a Member. We have the apologies of Mr Butt, who is off Island so he cannot attend; and Mr Roger Phillips here, who is the Clerk of Tynwald.

30 First thing, can I ask – and I did see people when I came in – to turn your mobiles off, not just put them onto silent, because they may well interfere with the recording of *Hansard*.

Can I also... well, it is not as relevant now because there are only four of us, that we try not to speak over each other so that again the sound recording is clear for *Hansard*.

35

EVIDENCE OF MR CHRIS STOTT

40 **The Chairman:** Can I say to you, first of all, that Mr Quayle and I were very pleased yesterday to be able to come and listen to part of the conference that took place at the International Institute of Space Commerce. We found that very interesting, and certainly I was very impressed by the fact that we now becoming the world headquarters in the Space Data Association. I thought that that is certainly very good in promoting the Isle of Man, and for members who were not there, it was dealing with collision avoidance of satellites and removal of space debris.

45 I think that certainly the people I spoke to there said that the Isle of Man were very forward-looking as far as the space industry was concerned. I heard your talk promoting the Isle of Man, which I thought was excellent.

50 **Mr Stott:** Thank you, sir.

Q183. The Chairman: Can we come to start off with talking about the 2004 agreement, which ran until December 2010,

55 One of the things you say was that the following clause was inserted at the Government's suggestion in recognition of the vital importance of long-term certainty in regulatory matters, and the quote is:

60 'Following the termination of this agreement, other than for breach, each of the parties hereto will negotiate in good faith with a view to extending this agreement for a period of 15 years. The terms of the extension shall be agreed between the parties.'

So what you are actually saying that Government suggested that this agreement should have this clause in it for renewal? When you say 'Government' – it almost says 'Government insistence'

– who are you referring to as Government? Was it the Communications Commission, or was it the Department?

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Mr Stott: Thank you very much, Mr Singer, Mr Butt and Mr Phillips, this morning. (**The Chairman:** Mr Quayle.) Mr Quayle, I am sorry! Do you know that I am so focused on that – I am sorry, Mr Quayle!

70

Thank you again for this opportunity to speak, and again, thank you for coming yesterday, you were most welcome and it was excellent to see you.

75

The question on the 2004 contract which expired in 2010, that clause was actually put in – from my memory, and I would have to go back and check notes – but from the Attorney General’s office. The actual moving from an exchange of letters to a contract in 2004 came at the request of ManSat. We actually asked to pay a licence fee and then, as part of that ongoing process, it was – from memory again – the Attorney General’s office that put that clause in and recommended that, but it was a reflection at the time of their understanding of the long-term nature of this industry and how filing works. It is not an overnight process, but takes many years, often with no guarantee of success.

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The Chairman: Do you want to ask a question?

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Q184. Mr Quayle: First of all, I see this Committee being here to make sure that the people of the Isle of Man are getting value for money in all the activities of the Department of Economic Development, Treasury, Chief Minister’s office. We are given the task of making sure that whatever Government has signed up to that comes under the Departments is value for money for the taxpayer.

90

First of all, as a businessman, I must say I respect your skills as a businessman for negotiating the contract, but would ask: are your skills benefiting the people of the Island as well as ManSat, or ManSat?

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Mr Stott: I think the best way to look at that is a reflection on what we have built for the Island, sir. Above and beyond my role as Honorary Representative for the Isle of Man Government, as appointed by Tynwald and CoMin for the last 12 years, I believe, above and beyond that, the role that we have done is if you look at the number of companies on the Isle of Man today – as of this morning the present count of 36 satellite space and communications companies working through the Island – most, if not all, of those are *not* clients of ManSat; they are people who have come to the Isle of Man through the space industry that we have worked very hard, formerly with Treasury, now with our colleagues at DED, to build through the marketing contract. Even before the existence of the marketing contract, we worked very hard to bring in numerous other companies that have actually nothing to do with ManSat’s core business of satellite filing.

100

At every step of the way we have tried so hard to do what is right for the Island, to do what is right for the Government, to do what is right with budgets. As you know from the paper, we were the first – and I think we might be the *only* – people, when the VAT bombshell hit the Island back in 2010, to voluntarily reduce our fees, and again tendered this last year on the marketing contract. People at the time questioned us as to why we would do that; because, we said, it was the right thing to do.

105

So what we have tried to do at every step of the way is build something that brings jobs, it brings opportunity and I think another reflection of that, not just on the number of companies that have come *to* the Island, it is also the number of companies working *through* the space industry on the Isle of Man. At the last count, as of yesterday, we had 22 companies registered through Space Isle, which they do for free, and it is a way of promoting their business on the Isle of Man but also recognising that activity.

110

Then also, again – and probably you have been speaking to a number of people, but I think you are welcome to you speak to as many as you wish – everything we do is open, it is transparent and everything we do is for the benefit of the Isle of Man, sir, and as a passionate Manxman, we make absolutely sure of that. It is even in our company name.

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Mr Quayle: Very good.

Q185. The Chairman: So, can you tell me who – you do not mention – who are the direct... can you explain the number of people who work for you, who the directors are and how their involvement comes into ManSat?

125 **Mr Stott:** Absolutely, of course, sir.

We have a team of 16 people. The core team is four. We have Dr Don Jayasuriya, very kindly sitting behind me – he is an expert in everything satellite, but also satellite regulation, formerly of the Radio Communications Agency, formerly of a company called ICO – for the record, that is ICO all capitals – and a noted expert in satellite comms and regulation around the world, who has done various work with the Central European Post and Telecoms on behalf of Ofcom at the Radio Communications Agency, at the ITU. We have Ian Jarritt with his history in satellite finance and banking, his time at NatWest in the Isle of Man Bank before that. We have Ian Pullen, also working in London with Dr Jayasuriya, who has over 25 years’ experience in the BBC, he has on-satellite regulations, satellite broadcasting, a further 12 years’ experience with the Radio Communications Agency in Ofcom in a similar field and has now joined us. He has been with us quite a while now actually, building that team out for us. And myself: I do not often talk about myself, but formerly I worked in Westminster and formerly in Washington with a passion for space policy, and then moved on from there, through the International Space University masters degree programme, to work for McDonnell Douglas, a former US Aerospace Corporation on satellite launchers. We then merged with Boeing, so I spent a lot of years with the Boeing Corporation and then we moved to Houston, where I worked with Lockheed Martin Space Operations, flying various fleets of satellites and working in deep space network for NASA and then, after that left them in 2000 to form ManSat, where I have been for the last 12 years.

On our board of directors, non-execs, we have Mr Victor Bernstein, who sends his apologies, he has a broken knee and cannot travel at the moment. He is in New York. Victor is a former General Counsel of AT&T, former General Counsel of Loral Skynet, Stellat and EuropeStar, and board member there as well. Victor was the gentleman who first brought Loral Skynet to the Isle of Man to make orbital filings back in the year 2000. When he retired from Loral, with their main board’s permission, he joined our board and has been an excellent board member. Arguably he has done more work in more jurisdictions bringing satellite filing and is a choice for satellite operator than almost any other satellite company, an excellent gentleman.

We have Chris Hall, former Managing Director of Manx Telecom and now Vice-Chairman of Manx Telecom, with his background in telecomms and telecomms regulation; and we have Mr Anthony Hewitt as well, the former Director of the Communications Commission, former Royal Navy, who joined us at ManSat about two and half years after he left the Communications Commission.

Then our Board of Advisers, and again if I miss someone, please forgive me, because they are an excellent bunch and the way we look at this too, we are very much an ongoing team. It is not just the core four; we are constantly in touch with each other, constantly looking at issues and constantly working on this.

We have Mr George Abbey, former NASA Center Director of the Johnson Space Center, now the Fellow for Space Policy at the Baker Institute at Rice University; Mr Abbey is the former head of the Astronaut Office, the former head – various positions with the Apollo shuttle and space station programmes; George has over 53 years’ experience in his work at NASA and since then, at the Baker Institute for the last eight years, where he founded that part of their programme.

We have Mr Jay Honeycutt, former President of Lockheed Martin Space Operations, former Center Director of the Kennedy Space Center, Presidential Medal of Freedom winner, for having his work on saving *Apollo 13* and former manager, too, of NASA’s entire fleet of communication satellites, Deep Space Network etc. Jay brings immeasurable experience to us.

We have Dr Henry Chasia, former Deputy Secretary General of the International Telecommunications Union (ITU) itself, a very august and distinguished gentleman in actually running the body which we work with in Geneva.

We have the Hon. Nigel Evans, currently Deputy Speaker of the House of Commons. Nigel is the former Vice-Chair of the Space Committee in Parliament. He is someone I worked with when I was a researcher in Parliament on space issues, someone very knowledgeable on the regulatory process, but also space in general.

We have Mr Sune Abrahamson. Sune is currently working in the satellite insurance field, I believe in Generali, but I could be mistaken in that. He is former head of contracting for Arianespace, former head of contracting for Intelsat, did the first ever dual payloading of satellites and pioneered the process of milestone management for a satellite operator at the satellite manufacturers’ plant, primarily at El Segundo in California with the Hughes Space Corporation, now Boeing itself as well.

We have Mark Fullbrook. We really did try to put an incredible world-class team together! We have Mark Fullbrook who is a political adviser in Westminster and Washington. He has worked

185 primarily in Conservative politics, but works on all sides of the House in that regard and has been
actually helping us understand Commonwealth politics as well, especially when we are doing
international negotiations and satellite frequency co-ordination.

And of course, my father, Bryan Stott, who sits as Chair of our Board of Advisers: my father is
pretty much one of the co-founders of ManSat, bringing in the financial side of things, as you
190 might imagine. Currently a member of the FSC, I believe he is Deputy Chairman of the Financial
Supervision Commission here on the Isle of Man, with 25 years at NatWest, as Chairman of
NatWest Offshore, the Isle of Man Bank before that, and his work in property on the Isle of Man
too. A unique set of individuals.

195 **Q186. The Chairman:** I understand that, but obviously we are looking into the Isle of Man
industry as such and we are looking at the people who are involved in the Isle of Man. All those
people you mentioned are obviously not directly involved with the Isle of Man and marketing that
you are doing for the Isle of Man, are they?

200 **Mr Stott:** I would say, actually, no sir, they are very much, sir. They might not be physically
present on the Island. Of course, Mr Jarritt is presently here. Obviously Lionel Kelly, of course, as
our Corporate Secretary is present here. Sadly, Rachael passed away before Christmas, one our
former employees – a sad loss. Myself, I am back every six weeks. I am Manx born and bred.

205 But you have to understand that the industry on the Island is the international industry. We
might see the barrier down there at Ronaldsway or here in the harbour, but the satellite industry
itself is a relatively small set of people around the world. Very interconnected, as you saw
yesterday from the Conference with the Space Data Association. It is a community much like the
Island, where everybody knows each other. You have to perform. You must keep a good track
record of yourself. You will find that even though these people are scattered around the world,
210 where the industry is, they are there, promoting the Isle of Man, understanding who the Isle of
Man is, talking about the Isle of Man and helping reassure those international businesses that when
they come to the Island, or are making a choice of coming, they are there to backfill and help them
to make the right decision.

215 **The Chairman:** Thank you for that background.
Do you want to follow up on that?

Mr Quayle: I would just like to explain my route of questioning.

220 **Mr Stott:** Oh, sure.

Q187. Mr Quayle: An automatic renewal of a contract, without advertising, is something
Government does not allow. It is not in any of the conditions that we have to... Well, in my own
Department, I was not allowed to automatically renew an aerial photographer just because they
225 were the only ones, but I was forced to readvertise. So I am going to obviously work on just
discussing the contract to make sure that everything was straightforward because it is automatic. It
has not been advertised to the public for anyone else to get. So I am just wondering who the
people were that you dealt with from the Communications Department who negotiated your
contract?

230 **Mr Stott:** Well... and sort of take a step back as well and understand where this all came from,
which I think is important.

235 **Mr Quayle:** Yes, if I could just say I have no objection to you getting exclusivity for the first
contact. There was no industry there. You came along, you set it up, and I have nothing but praise
for the work that you have done to set it up.

As a politician, the fact that there was automatic renewal in it, which gave no one else the
chance to, or the transparency that Government goes for, that is why I am just wanting to make
sure that everything was straightforward.

240 **Mr Stott:** Absolutely, and that is why at the time, as well, we asked to move from an exchange
of letters to a contract to make it more formal to do the right thing. Again, from memory, and I
would have to check notes, but from memory that suggestion purely came from the Attorney
General's office. At the time we did not reject it, and one the reasons we did not reject that
245 suggestion is because when you make satellite filings it is a long-term process. The industry was

still in its beginnings and it still is in its beginnings today, and the idea being that to give certainty to those companies that were coming in to make a satellite filings...

Sorry, is there someone behind me? You keep looking – (**Mr Quayle:** No, no!) No, I am sorry. There we go. Sorry, just checking.

250 So to give certainty to those companies, because when you make a satellite filing you have 193 different ITU member states to choose from. When you include their jurisdictions, you are probably talking over 200 countries and jurisdictions around the world. When you are making those filings you need absolute regulatory certainty that the process you are about to begin is going to be there when you need it to be there.

255 The Government at the time, CoMin at the time and I think the Attorney General's office at the time understood this, if you are about to put \$500 million or more on the line on the life-cycle cost of a satellite, the cost of the satellite manufacturer, the cost of the launch, the cost of the insurance, the operations and the roll out, you are looking at a 15- to 20-year commitment. The satellite filing process itself for an FSS satellite – fixed satellite service – you have got seven years to make and use a filing. If you have not used it within those seven years, it disappears, it goes; for broadcast satellites, eight years.

At the time we were four years in. The satellite filing process had begun in September 2001 with the Loral Skynet and at the time we made that known to the Communications Commission, and we made it known to the Attorney General's office, to CoMin, to everybody, that this is a long-term process. We asked them for help and the Attorney General's office said, 'Well, what about this?' and we said, 'Yes, that would help. Thank you very much.'

265 I think it is also worth noting that even today we are the only private company in the world that do this. We perform this compliance and due diligence. We are totally and utterly unique. Still today, even back eight years ago, we were still just as unique and just as fragile too and...

270 Go ahead.

Q188. Mr Quayle: Sorry, my original question was: who did you deal with on the Isle of Man, when you – ?

275 **Mr Stott:** Oh, I am sorry. That was the Attorney General's office.

Q189. Mr Quayle: So purely the AG?

280 **Mr Stott:** Purely the AG on that.

Q190. Mr Quayle: The Communications Commission, when you negotiated the contract, you did not negotiate with them? (**Mr Stott:** No.) It was all down to the AG's office?

285 **Mr Stott:** Yes, sir. (**Mr Quayle:** Alright.) And that is what we were asked to do by CoMin at the time.

Q191. The Chairman: And they wrote the contract, did they?

290 **Mr Stott:** They did, sir. Yes.

Q192. The Clerk: You say you are the only company. (**Mr Stott:** Yes.) In Gibraltar, they also do filings, don't they? How do they organise it there? Who runs that?

295 **Mr Stott:** They are excellent people in Gibraltar. If I would say anything, Gibraltar is probably our most noteworthy competitor in the world in this particular area. They are really good people, solid people – a great history behind them as well. As you know, they deal with one main operator, and have done historically there. There, there is the Gibraltar Regulatory Authority (GRA), that is part of their government, I believe – and I could be wrong – but a statutory body of their government.

300 **Q193. The Clerk:** So it is like our Communications Commission.

305 **Mr Stott:** It is, sir, yes. Then they supplement that with outside consultants, who are also excellent people.

Q194. The Clerk: So what I am getting at obviously is that not having a ManSat and yet they

are a successful competitor: why is ManSat necessary or a good idea, if Gibraltar can do without an equivalent?

310 **Mr Stott:** Well, do you know, and I would suggest there, it is two or threefold. One is the fact that what is a cost for the government of Gibraltar is not a cost for the Isle of Man. We undertake those costs and we generate revenue. There has to be someone to do due diligence and compliance. Satellite operators, even with the best will in the world, no matter how big and how wonderful cannot regulate themselves. There has to be compliance. There has to be due diligence.

315 **Q195. The Chairman:** Is this not so in Gibraltar?

Mr Stott: Do you know, sir, I would not want to comment on their process. That is up to them as well.

320 **Q196. The Chairman:** We know, we are quite aware that satellite companies do file through Gibraltar.

325 **Mr Stott:** One does, yes.

The Chairman: Successfully. So is that a –

Mr Stott: Since 1996.

330 **Q197. The Chairman:** Is that exclusivity in Gibraltar or can anybody file through Gibraltar who wishes to?

Mr Stott: Can I make... there are two questions there and I am still answering Mr Phillips's question.

335 **The Chairman:** Finish that one, then.

Mr Stott: If I may, then I will come back.

340 In your question – to keep answering your question, sir – what we are looking at there is that what is the cost to other countries is actually a revenue generator for the Isle of Man, through the licence fees that we pay at ManSat. We undertake that risk; we undertake that cost. We have as many people working at ManSat as does the Communications Commission itself.

345 The second part of that is, unlike the GRA and others, we are able to go out and talk to the operators and try and win that business and bring that business to the Isle of Man; we are able to compete for that business and that is one of the things we do. I think the level of success there is that we have four operators working through the Isle of Man. The door is always open for more, *always* open and we are always trying to work and bring others in –

350 **Q198. The Chairman:** But they have to work through you?

Mr Stott: Because it is a regulatory compliance, sir. That is why. That is the most important point in this. It is all about the regulations, just as it is for banking and just as it is for e-gaming, just as it is for shipping and aviation.

355 **The Clerk:** So, just to make it absolutely clear, because –

Mr Stott: Absolutely, of course.

360 **Q199. The Clerk:** Everybody has to regulate, because that is clearly necessary. In Gibraltar, the government does it through their equivalent of the Communications Commission, and here, we do it through you as the agent.

Mr Stott: That is correct, sir, yes.

365 **Q200. The Clerk:** And so you collect fees and transmit part of those fees onto the Government; in Gibraltar, they have costs but they also collect fees – and presumably they make a profit too, otherwise they would not do it.

370 **Mr Stott:** I do not know, sir, I could not speak to their accounts; but then you have got other nations around the world that do this, other British dependencies, Bermuda –

Q201. The Clerk: Absolutely. So what I am trying to get towards is the added value that doing it this way would represent.

375 **Mr Stott:** I think the greatest added value on that one is the third point, and thank you. The third point is that commercial neutrality.

What we have found in the past, in the 50 years that there has been a space industry, is where you have... say, at any given time there are 54 or 55 satellite companies in the world. Most of those are rooted in one jurisdiction. Of the ones that will leave their home country and work to make orbital filings, choose to make orbital filings in other jurisdictions and there are about 14 of them, maybe 15... about 14... Of those, I think the market decides where they go, especially on pricing, on value, on good service and good regulation, and of course four are on the Isle of Man, one is in Gibraltar and that one has been there since 1996. It was GE Americom that was purchased by SES. So in essence they have been there since 1996.

385 We actually looked at their model and we looked at how they did it and we thought we could do better and hopefully we have proved that we can do better. But that commercial neutrality, 193 countries, over 200 when you count the jurisdictions, all chasing that business and what we have found historically on the record is that when one large operator comes into a jurisdiction, they dominate. (**The Clerk:** Right.) That has been the case in Gibraltar, most certainly, and others around the world. Where one dominates the others hesitate to enter because they say, ‘Why should we?’

390 It really is a question of, ‘I have got 193 other countries knocking on my door. Why don’t I have a very strong relationship with someone else?’

395 And when you look at –

Q202. The Clerk: Sorry, now this is the part that I do not understand – may I, Chairman? (**The Chairman:** Sure, fine.) Why would somebody care that another person happened to be using a particular jurisdiction? Why would it harm their business? Why can’t you have *two* operators going – ?

400 **Mr Stott:** Sure. Exactly. Here we have four.

The Clerk: Yes, so presumably they –

405 **Q203. The Chairman:** But individually operating, not being directed through one conduit. It is like everybody has got to be correct –

Mr Stott: Yes, of course they are.

410 **The Chairman:** – and go through ManSat, at the moment.

Mr Stott: Of course they are. Yes.

415 **Q204. The Chairman:** In Gibraltar, let’s come to Gibraltar –

Mr Stott: You have got one operator there.

Q205. The Chairman: We know we have SES operating from Gibraltar –

420 **Mr Stott:** That is right. Yes.

Q206. The Chairman: But if another company wanted to go to Gibraltar, one of these 54 companies –

425 **Mr Stott:** There is nothing to stop them at all.

The Chairman: – what I would like to say is why wouldn’t they go to Gibraltar, if the terms that Gibraltar are offering are suitable? Why wouldn’t they go there?

430 **Mr Stott:** You just answered my question for me, sir. (**The Chairman:** I did?) Well, okay, I
will take it back a step and answer it then. You are right. If Gibraltar is so wonderful, if they are *so*
much cheaper, if they *so much* better, why do we have four and they have one? They have been
doing it longer than we have. They have had the GRA since 1996. We are doing something right
435 here, sir, and proving to be right.

Q207. The Clerk: Is it price that is the key component for an operator or are they looking for
something else as well?

440 **Mr Stott:** I cannot answer the question for operators, but what I can say is that – (*Interjection*
by the Clerk) Yes.

The Clerk: The main selling point.

445 **Mr Stott:** Thank you, sir. Yes, we offer a world-class service at a fantastic price, we believe.
The reason I say that is that we have, again, the four operators. One of those operators put us up
against every other jurisdiction in the world and this is in the last 24 months – actually, no, the last
18 months. We had to compete price-wise – they said we know your service is excellent, we know
450 the regulations are excellent, we know the Isle of Man is wonderful, but at the end of the day: how
much? And we had to compete against nations in the South Pacific, against nations in Africa, we
had to compete against North Americans, we had to compete against Gibraltar and the gentleman
– and may he rest in peace – Mr Dean Olmstead, one of the founders of our industry – a fantastic
man, sadly passed away last year from cancer, an incredible gentleman, one of the true giants of
455 the industry – was the same gentleman who put GE Americom in Gibraltar. He knew all about
Gibraltar, how they operate, how they work, and that there, as head of this new company many
years later, he chose to come to the Isle of Man, and we competed *against* Gibraltar for that
business and we won on price. (**The Clerk:** On price?) On price, yes sir.

Q208. The Clerk: You can be *cheaper* than Gibraltar?

460 **Mr Stott:** Yes.

Q209. Mr Quayle: Can I just... before we move off the contract onto other things, I wanted to
clarify something because I am not quite... I cannot understand how the Attorney General's office
465 would do the entire negotiations. I want it for the record that no negotiations were entered into
with the Communications Commission; it was all purely done by our own Attorney General's
office?

Mr Stott: From my memory, or my memory could be wrong, but from my memory that was
470 how we did it at the time, sir, yes.

Q210. Mr Quayle: Right. For me, it seems strange that our own Communications Commission
had no input into the negotiations –

475 **Mr Stott:** Oh no, I am not saying that. What I am saying is that ManSat dealt with the Attorney
General's office on this. I have no knowledge of what happened on the other side of the table in
Government.

Q211. Mr Quayle: So you did not meet with the Communications Commission to discuss the
480 contract? It was purely done through the AG's office.

The Chairman: Or the Department of Trade and Industry?

Mr Stott: No, we were never DTI, sir. We were always Treasury and before that, we were
485 always working with CoMin.

Obviously, I cannot say who was consulted. I do not know the other side of that table. All I
know is that we were directed to work with the AG's office on that work.

Q212. The Clerk: Was that about simply drafting the terms of the contract, once you had
made the 'in principle' deal? Or was it about the policy, the principles of the deal itself? What

490 questions were they asking you? Did you go to the Attorney General's office, knowing that you
had a deal in principle, with the main heads of the agreement?

Mr Stott: No, I think from memory at that time – and again, I would have to go back and check
my notes on this – we approached the Government and said, 'Things have begun. So far so good:
495 this experiment that you call ManSat that we work on as this agency role.'

Q213. The Chairman: What do you call the Government? Who do you call '*the*
Government'? You said, 'we approached the Government'. (**Mr Stott:** Got you. Yes.) Was it
CoMin? (**Mr Stott:** Yes.) Chief Minister?
500

Mr Stott: At the time it was the Chief Secretary's Office and the Chief Minister's Office and
CoMin itself. Those are the people who the original exchange of letters were with. Then in 2004,
that is when we said we had got this exchange of letters, it was with the Council of Ministers, with
the Chief Secretary's Office.
505

I think the original letters were signed by Fred Kissack, when he was Chief Secretary in 2004.
So we went and said, 'Look, we would like to take this exchange of letters that we are working
under and make it a more formal contract'. Then in 2004, we said, 'We would please like to work
with the Communications Commission, we believe they are the right people to work with on this.
Also, we would like to pay a licence fee.'
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Q214. The Clerk: So it was a design brief for the Attorney General's office on the basis of the
exchange of letters, which they then were translating into contract?

Mr Stott: Yes, sir, yes.
515

Q215. The Clerk: So did the exchange of letters actually talk about continuity of the
relationship?

Mr Stott: I honestly cannot remember, sir. I would have to go back and look. Honestly, I
cannot remember.
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Q216. The Clerk: A surprising thing for the Attorney General's Chambers to think up,
unprompted. Not prompted by you?

Mr Stott: No, sir, no. We asked for a continuation of exclusivity, but it was just for that
particular contract.
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Q217. The Clerk: You asked for the continuation?

Mr Stott: In the 2004 contract, but the clause was put in on the renewals and... yes, who were
we to question the Government on that? And when I say the Government, I mean the AG's office
and CoMin etc.
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Q218. The Chairman: So, you actually *asked* for the continuation, then?
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Mr Stott: No, sir. I did not say that, sir. What I said was in 2004 we asked for exclusivity. The
Attorney General's office suggested a continuation at the end of the contract.

The Chairman: Right. Okay.
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Q219. Mr Quayle: I suppose it begs the question: what was the point of having a
Communications Commission at that time, if they had no input into the drawing up of a major
contract to start off something major like this?

Mr Stott: No, I think unfortunately, Mr Quayle, I would have to go back in time and look at
this again and say that, at the time, the idea of the Isle of Man doing satellite filing was still new, it
was still at its infancy, and the relationships between the then Radiocommunications Agency were
changing as they became Ofcom. The Communications Commission have always been excellent
and they have always been greatly understanding of this relationship. We have always performed
with them and, of course, legally they are responsible, which is why in 2004 they became
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responsible for this in the new contract.

555 **Q220. Mr Quayle:** I suppose, to be blunt, and that is where I am coming from, but the question has to be asked: you have got someone who was on the Communications Commission at the time of this contract being awarded now working for your company; we have got to make sure that everything was above board.

560 You are saying it was done through the Attorney General's office, not through the Communications Commission – obviously, we will go back and look into that – but is there anyone else who has worked for your company, who was involved in the drawing up of the contract?

565 **Mr Stott:** No, sir, and excuse me, sir, Mr Quayle, I take great umbrage at what you are insinuating there. We are very honourable people, we are Manx. You should always be blunt with us, but there is absolutely no way we would –

Q221. Mr Quayle: I am being blunt, because, you know, these questions are fair questions to ask when you are investigating the economic activities of various Government sections.

570 **Mr Stott:** Got you. You are quite right to ask the question, fair enough. Actually, Mr Hewitt joined us two and a half years after he left the Communications Commission. I believe the UK regulations state two years. I believe Members of this august House have joined companies less than months after leaving Departments.

575 What I would say is, Mr Hewitt's reputation is honourable, he is fantastic, he has a fantastic history and understanding of regulation in general, and when he joined us two and a half years afterwards, it was on his own express wish. It is minuted in our minutes and we noted it at the time, that he be completely excused from any discussions about our contract with the Communications Commission. He totally, utterly and honourably removed himself from those. He is a fantastic gentleman.

580 **The Clerk:** Okay. Thank you very much. I am just returning to your business –

Mr Stott: Sorry about my passion there. I cannot help it. I am Manx!

585 **Q222. The Clerk:** Returning to your business model, which is interesting, as I understand it, you are, at the moment, the only agent acting for the Communications Commission?

Mr Stott: In the field of satellite regulation, yes. And satellite filings, yes, sir.

590 **Q223. The Clerk:** Would there be a problem, because you were very clear you wanted exclusivity? Seen from your side of the table, every reason why that would be the case, but from the other side of the table, what problems can you point out, if the Communications Commission had two companies acting as its agent doing your business, or even three?

595 **Mr Stott:** A good question, sir, and actually, I would take two approaches on that. The first is looking at the regulatory process. Working as an agent, we apply the Ofcom regulations very strictly. We do the compliance and the due diligence and we ensure that that process is followed. We are held legally accountable by the Commission, by Ofcom and by Her Majesty's government in London to make sure that we do that properly.

600 **The Chairman:** It is for your own customers.

Mr Stott: Yes, so if someone else came –

605 **Q224. The Chairman:** I think what you are trying to say is –

Mr Stott: I was trying to get to that.

610 **The Chairman:** – if there was somebody else he wished to go – if there was not this exclusivity – who wished to work through the Communications Commission, they would have to... well, there is no reason why they should not be able to conduct their activities exactly as you are saying, on their own behalf, to make sure that everything is clean with them.

Mr Stott: I am sorry, sir, I will have to ask you to rephrase that question.

615 **Q225. The Chairman:** You are giving us a reason why people have to work through you because of –

Mr Stott: Through a compliance and regulatory process, sir. Yes.

620 **Q226. The Chairman:** Surely this compliance and regulatory process could be undertaken by another operator, if they wish to, to go through the Communications Commission?

Mr Stott: No, sir.

625 **Q227. The Chairman:** Why couldn't they do what you do?

Mr Stott: Because what we do is that compliance and due diligence. You cannot have a poacher be their own gamekeeper, sir. A satellite operator cannot regulate themselves.

630 **Q228. The Clerk:** I think we are at cross purposes here. Essentially you are the agent of the Communications Commission and people come to you much as they go to an advocate who is an officer of the court.

The Chairman: They have got no choice.

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Mr Stott: I see what you are saying. Yes.

Q229. The Clerk: They would come to you and you do your due diligence and you do your professional expertise and there is a quality element and there is a price element – fair enough –
640 much as you go to a lawyer, you want to go to a good lawyer and you want to go to one you can afford.

The question I am asking you is, could you not have – treating you as an advocate now – (*Mr Stott:* Sure.) say, two or three firms or more acting as agents of the Communications Commission, that the operators could go to? So in other words, could you have a competitor on the Island, doing
645 what you do and not have exclusivity? Would that work?

Mr Stott: I would suggest it would not, primarily because, when you are looking at a regulatory process, you have to ensure that that process is followed and the Isle of Man's jurisdictional integrity is very much held accountable online in London and Geneva. By having
650 two people follow that process, you cannot be guaranteed that they will both ensure that the satellite operators coming through are following it to the exact same qualifications and in the exact same manner.

655 **Q230. The Clerk:** Could you explain why that is?

Mr Stott: Sure. For example you are looking at... basically it is like having the analogy of saying you have two FSCs doing banking licences.

660 **Q231. The Clerk:** No, you are talking about having two advocates firms who are responsible as officers of the court who must obey the law and give their clients proper legal advice, but who operate on behalf of the court, to some extent, to help people go through legal procedures properly.

So part of what you do is acting like an advocate, advising the operator, but you are responsible to the Commission for making sure they obey the rules properly. My question is why
665 couldn't somebody with similar expertise to you set up in competition as an agent of the Communications Commission, and the Communications Commission would have to monitor you both, or all three of you, or however many there were? I am just asking if there a commercial reason why that would not work, or a practical reason?

670 *Mr Stott:* I think, sir, to take your analogy, it is, with the greatest respect, the wrong analogy because that is not what we do. What we do is actually normally done in most governments around the world by the governments themselves. What we do is actually normally done by their versions of the Communications Commission, by Ofcom etc, and I think that is the difference.

We are acting as their agent in that regard, held responsible and legally accountable to ensure that regulatory process and compliance and due diligence with that process.

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Q232. The Clerk: But you do more than that, don't you, because you go out and you sell the Island?

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Mr Stott: Exactly... as well. Yes.

Q233. The Clerk: So presumably if we had more people doing that, more firms doing it –

Mr Stott: No, sir, and I will tell you why.

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The Clerk: – then that will be to the Island's advantage.

Mr Stott: No, sir, it would actually be counter-productive, very much so, and I will give you an example why.

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Going back to this 193 different countries chasing this business, and again the 200-plus with the other jurisdictions going after the business of 14 satellite operators, these literal rocket scientists. I have worked in this industry over 20 years. I know these people as friends and colleagues. They are some of the most intelligent, some of the most capable, some of the most competent people in the world. They manage the human race's communications network.

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Part of my duties at ManSat is to pay that licence fee, again which we volunteered to do. Our duty is to raise this revenue for Government and to be cash positive for Government – that licence fee. What they would immediately do is pit different people in the Isle of Man against each other and bring down those fees to the point where not only are those licence fees and revenues diminished to Government at a crucial time when Government needs revenues, but a point when the quality of that service would be diminished because you would not be able to hire the competent individuals if your prices had been pushed down and you cannot actually have the money to make the process work. It would turn itself... it would eat itself alive. It would turn on itself.

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The Chairman: We have been talking about... you have got to understand that we are lay people here –

Mr Stott: No, that is alright.

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Q234. The Chairman: Some of these questions might seem a bit naive to you, but obviously we want to ask them on behalf of the public as well.

These regulatory processes: let us go back to when we talked about Gibraltar. So, all these regulatory processes must go through Gibraltar as well, and yet as far as we know, they do not have an exclusivity, so if somebody else wanted to go to Gibraltar to file, they can do that and you are trying to say to us that the regulatory processes are not equal here, because this –

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Mr Stott: That is right and Gibraltar do have a separate regulatory process to us. They have an additional layer of regulation and that historically, has been a point of contention with Ofcom. I think they have since overcome that, and there are people, as I said, the colleagues in Gibraltar are excellent. So I think you are missing the point on this. One company in Gibraltar, four companies here. They *choose* to come here. We do not make them. If Gibraltar was more wonderful they would be down there.

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Q235. The Chairman: I understand that, but if somebody else chose to go to Gibraltar –

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Mr Stott: But they are not choosing to do so.

The Chairman: – they would not have to be funnelled through one company?

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Mr Stott: No, but they would have to be funnelled through the Gibraltar Regulatory Authority. (**The Chairman:** Fine.) We are the equivalent here on the Isle of Man for the Communications Commission, sir.

The Chairman: So you are actually –

735 **Mr Stott:** The fact that we are a commercial company was an experiment in the first place. This is something new. This is something that has been –

Q236. The Chairman: So, in fact, are you poacher and gamekeeper?

740 **Mr Stott:** No, sir. We are absolute gamekeeper, because we are not a poacher. We are not a satellite operator, and that is that commercial neutrality. That is what gives these other four major international companies the ability and the confidence to be able come into this, because they are not just dealing with the Government and a regulatory process; they are dealing with a commercial company that is *bound* by legal contract, that is *bound* by nondisclosures in a very uncertain world, and these are the people who deal with every single country in the world. They find great comfort and legal certainty in the transparency of these contracts, the transparency of the relationship with the Communications Commission and the strength of regulation and the rule of law on the Isle of Man.

750 **The Chairman:** You are dealing with... Can we just check –

Mr Stott: We are a commercial buffer is the way to think about it in that regard. We are held accountable by everybody. It is not always the nicest feeling in the world, but it works.

755 **Q237. The Clerk:** And the pricing, how do you structure this pricing? What are these fees made up of? Where does the money go? Obviously some of it has to be profit to pay into the company because –

Mr Stott: And to the shareholders who put the original risk into the system and took this risk alongside the Government as well.

Q238. The Clerk: Absolutely, so that is perfectly legitimate. Where does the rest of the money go? What is it for, as it were? There is the cost of doing the work, but are there set fees that you have to transmit to, say, the UK, or what? Is there money going in – ?

765 **Mr Stott:** No. Most of the work goes on ensuring that we have the very best people we can afford to have on the Isle of Man working these processes.

Q239. The Clerk: So most of your fees go on salaries to the company. I am not saying that in a hostile way –

Mr Stott: No. Absolutely. It is to make sure that we have very best people etc. Yes, sir. The actual satellite filing fees, as they are in every other jurisdiction of the world, the ITU fees are cost recoverable fees, normally refundable to the actual companies themselves. That is a standard thing.

Q240. The Clerk: Cost recoverable in the sense of what?

780 **Mr Stott:** The ITU charges fees to make orbital filings and the satellite companies themselves pay those fees. (**The Clerk:** Right.) ManSat does not profit from those fees in any way, shape or form. (**The Clerk:** Okay.) That is the same whether you are in the United States, it is the same whether you are China, the same in France, Germany or the Isle of Man.

785 **Q241. The Chairman:** Can we come to filings now? (**Mr Stott:** Sure.) I think you have actually had 60 filings. Is that approximately –

Mr Stott: Actually, at the moment – we were doing an account this morning, of course – around about 60 to 67 at the moment. In the last few weeks, we have had two more come in as well.

790 **Q242. The Chairman:** And then the Government receives a fee for each filing. Is that correct?

Mr Stott: No, sir.

795 **Q243. The Chairman:** Our Government? (*Mr Stott:* No.) We don't receive. So what do we receive from filing?

Mr Stott: The Government receives a licence fee from ManSat that is based upon the monies that we receive, but also based upon the future success of those filings. Because a filing is made, it does not mean that it will be used.

800 **Q244. The Chairman:** But out of those 66 or 67 filings, is it right that you have only had one launch?

805 *Mr Stott:* 'Only had one', the way you say that, sir, it is –

The Chairman: I am talking from a lay person's perspective.

810 *Mr Stott:* Absolutely. That is 12 years of work. This is a business where there is no guarantee of success. At any one point in time, there are hundreds of thousands of filings in the system from governments to commercial programmes, geostations to LEO systems, it is quite amazing. So the fact that the Isle of Man has had one success so far is amazing. It puts us in the league far beyond most other countries in the world. It also is a great reflection –

815 **Q245. The Chairman:** But you said, we are the third largest –

Mr Stott: For the number of satellite communications companies choosing to come through the Isle of Man, yes, we are. We are second... or third, next to the United States and the United Kingdom.

820 **Q246. The Chairman:** Out of hundreds of –

Mr Stott: Of countries, sir, but not satellite operators.

825 **The Chairman:** – hundreds of satellites in orbit –

Mr Stott: Of course there are.

The Chairman: – one of them has been launched – ?

830 *Mr Stott:* So far, one is through the Isle of Man, yes.

You are confusing, sir, the number of satellites in orbit and the number of companies making satellite filings.

835 **Q247. The Chairman:** I am looking at the income for the Isle of Man. The Isle of Man does –

Mr Stott: So, the Isle of Man – one satellite is in orbit –

The Chairman: It does take a portion of the profit, doesn't it?

840 *Mr Stott:* Through our licence fee, they will get a portion of that profit, yes.

Q248. The Clerk: The licence fee does not change, according to whether there is a satellite there or not?

845 *Mr Stott:* Of course it does, sir. (**The Clerk:** Does it?) Because there should be... hopefully that satellite will be successful and there should be some revenues coming in from that.

Q249. The Clerk: Which you will take, as a company?

850 *Mr Stott:* Absolutely, yes, that is for our shareholders, but of course a portion of that goes to the Commission as well.

The Chairman: This is what I was asking.

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Mr Stott: So the more successful we are, the more money goes to Government.

Q250. The Chairman: So you are saying from every filing, we do not get a cut out of that?

860 **Mr Stott:** At the moment from every filing, unlike any other jurisdiction in the world because of the way we set up the public/private partnership with the Commission, to date since 2004, we have actually paid in licence fees \$576,000 to the Commission – *without any satellites being up*. So they have had some money coming in, sir.

865 **The Chairman:** I understand that. That is not –

Mr Stott: So when the satellite is up there should be more coming in, is the hope.

870 **Q251. The Chairman:** I understood that the more filings we had, the more money came to Government. (**Mr Stott:** No, sir.) Right. Okay, you have cleared that.

And for every launch, the Government received a continuing percentage

Mr Stott: Yes, and they will do.

875 **The Chairman:** At the moment, we have had one. Right. Okay.

So obviously the more... The interest of this Government, as far as income is concerned, is in launchings, not filings, because if we are getting (**Mr Stott:** No.) money on your filings –

880 **Mr Stott:** No, sir, because you have missed the point again, unfortunately, sir. Sorry, Mr Chairman, you have unfortunately missed the point.

The point is that in 12 years of ManSat working this, and since 2004 with no satellites being launched, we have still paid \$576,000 in licence fees to the Communications Commission. So it is still being cash positive with no cost that way to Government.

885 With the satellite launching, there should be *more* fees coming in. So satellites launching is a good thing. It works. It is a good thing.

The Chairman: That is exactly what I have just said. That is exactly what I said.

890 **Q252. The Clerk:** It might be useful for you to explain the basis on which you paid money to the Isle of Man Government.

You pay a licence fee in return for the exclusivity of being their agent. (**Mr Stott:** Yes, sir.) Is that a fixed percentage of your profits or is that a fixed sum, or what? How much is – ?

895 **Mr Stott:** I believe that was discussed by the Department of Economic Development. It is a fixed percentage of our revenues.

Q253. The Clerk: Of your revenue, not your profit?

900 **Mr Stott:** Yes, sir. (**The Clerk:** Right.) In 2004, it was of our profit and in 2010, that changed to our revenues.

Q254. The Clerk: So the more finance you have, the more revenue you have. (**Mr Stott:** Yes, sir.) And therefore the more money you pay to the Manx Government?

905 **Mr Stott:** Well, actually, I would say, the more customers we have, the more revenue we have, because it is not charged per filing. It is not charged per filing at all, because when you look at the filing process, there is no guarantee of success, even for the satellite operator who chooses to make the filings.

910 Basically, for example, they want to put satellites over North America. Because of the congestion in the satellite filing process – the congestion at orbit with the satellites – finding a place to put those satellites is like squeezing in on the Monopoly board, trying to find a new place on that board, or on the chess board.

915 **Q255. The Chairman:** When you say you have had 60 filings, those are not successful filings?

Mr Stott: No. Some are ongoing: they last seven years for FSS and eight years for broadcast.

920 **Q256. The Chairman:** When you are putting a filing in, you are going to be told, 'Yes, you have got that and it can last –

Mr Stott: No, actually that is not the whole –

925 **The Chairman:** – for seven years'?

Mr Stott: I see the misunderstanding: no, that does not guarantee that at all. When you put in a filing, subject to meeting the due diligence and regulatory compliance etc, that filing then goes from us through Ofcom to International Telecommunications Union in Geneva, where it joins a queue of, as I said, thousands in the commercial jurisdiction and hundreds of thousands of other filings.

930 The way that works is that, say for example, I want a filing over the Greenwich Meridian, or over Douglas or Peel or whatever, when I go into that process, it is on a first-come, first-served basis. So, there are 100 other countries making these filings. Some of those countries have *never* had a satellite launched. Those countries are ahead of us and you look at that regulatory process, and say I have got seven years to use something, but ahead of me, there are 12 other countries. They are two, three, four, five, six years into that process and in the old days, back in the 1970s and 1980s, you could have no-one ahead of you, so you made a filing and you got something done and it worked. Flash forward to 2012, you have got many other nations ahead of you, or they might be 1° separated.

940 When you make a filing, you give a point in space: you say, 0° Greenwich Meridian, 'I want to be 0° in these frequencies' and it is kind of a footprint looking down on the earth; but there could be people at 1°, 2°, there could be people ahead of you, they could be building a satellite or not building a satellite. You have then also got the people who are already in space around you and they are broadcasting. The International Telecommunications Union guarantees protection from harmful interference, so you have to co-ordinate with them as well – they may not even let you *use* your own satellite, if you cannot share the frequencies with them or prove you are not causing them interference.

945 **Q257. The Clerk:** So you get fees from your customers from the start, because they are paying for your services, (**Mr Stott:** Yes, sir.) presumably, and whether they are successful in filing or not, the gamble is with them and the risk is with them.

Mr Stott: Absolutely. Yes.

955 **Q258. The Clerk:** If they are successful and they actually launch a satellite, in what way do your fees increase?

960 **Mr Stott:** The way the fees increase – and this is, again, subject to commercial confidentiality and it is purely for jurisdiction integrity because there are so many jurisdictions who would *love* to know how we do this.

The Chairman: Generically.

965 **Mr Stott:** Generically those fees increase.

Q259. The Clerk: So you take a cut from any successful filing and... so is it right to say that you have a customer who comes in and gives you money, some of which goes to the Manx Government, and then if it is a successful filing you get some more –

970 **Mr Stott:** And more of which then goes to the Manx Government. Yes.

Q260. The Clerk: And then if there is a satellite that actually goes up, you really make money.

975 **Mr Stott:** That is the hope, yes. That is what the shareholders and that is what the vision of the future, and that is what originally CoMin were looking at and saying, 'That is what we are looking at here. This is the...' –

The Clerk: The satellite is the jackpot.

980 **Mr Stott:** Absolutely for the Island, yes.

The Clerk: Well, for you –

985 **Mr Stott:** And for the Island. Yes.

The Clerk: – and for the Island, the revenues increase.

Mr Stott: Yes.

990 **Q261. The Chairman:** So when a company comes to you and says, ‘Will you go through all this system and the regulation and we want to file for a certain position’, they pay you a fee.

Mr Stott: They pay for our services, sir.

995 **Q262. The Chairman:** They pay you. (**Mr Stott:** Yes.) But the Isle of Man does not get anything out of that?

Mr Stott: Yes, they do, sir.

1000 **Q263. The Chairman:** This is going back the very first question: I asked where our income comes from and you said, no, we do not get anything. Now you are telling me, yes, at each stage, we would get an increase?

1005 **Mr Stott:** No, sir. I am sorry, Mr Chairman, I think you are misunderstanding again. What I said was, again I went back for the last 12 years, and under the 2004 contract, the Isle of Man Government has received £576,000 from ManSat. In addition, I should point out the Isle of Man Government has received \$70 million from the investments made by some of those satellite companies and others on the Isle of Man through the VAT. So when companies come to the Isle of Man, when that one satellite is being used, a portion of those revenues – and again I am under commercial confidence – flow through the Isle of Man. So those revenues go to the banks and taxation and other things and VAT as well.

The Chairman: So, to clear things up –

1015 **Mr Stott:** So the Isle of Man Government has done *incredibly* well out of this.

The Chairman: – this annual fee from you.

1020 **Mr Stott:** Yes, to the point where my shareholders often complain about the fact that the Isle of Man Government has done far better than they have.

Q264. The Chairman: At what stage in the whole process does the income then further increase to the Isle of Man?

1025 **Mr Stott:** When a satellite is launched.

The Chairman: Right, okay. So, we just get the initial –

1030 **Mr Stott:** So the Isle of Man Government are getting money out of the choice these operators are making in coming to the Island to make their filings –

The Chairman: We get the initial fee –

1035 **Mr Stott:** Then if they are successful, and they get a satellite launched – which is very rare, it is very difficult to do these days – then again, we get extra fees.

Q265. The Chairman: So, basically, we have been getting the basic fee, a basic licence fee and the only extra income we are getting now is from that satellite, which has been launched?

1040 **Mr Stott:** For the Communications Commission under that contract; but the larger Government benefits.

The Chairman: That money is coming into Government – the actual Government itself?

1045 **Mr Stott:** Yes. And again that is into the Communications Commission in that regard. That is not including the larger benefits through the taxation system, through everything else we have had happening in the Isle of Man and the VAT etc.

1050 **Q266. The Chairman:** When we had the Government... when we had Mr Shimmin here and Mr Craine here and as you know, we spoke to SES, who have launched several satellites, I understand they have got more hope of –

Mr Stott: Absolutely, yes, they are an excellent company. Great people.

1055 **The Chairman:** Mr Shimmin actually said that they had been talking to you about the possibility of... If SES wanted to actually come through the Isle of Man, it is obviously a lot cheaper for them to go through Gibraltar.

1060 **Mr Stott:** No, sir. That is not true. That is something that has been said by other people. I would like to see proof of that, actually, because we have competed against Gibraltar and won on price.

Sorry, am I... notes in the back or something?

1065 **Q267. The Chairman:** If you have got a company that comes to you – and we have got to talk about SES because they are the only company here – who want to launch satellites and have got a record of launching satellites –

Mr Stott: One of the best companies in the world, I would have said.

1070 **The Chairman:** – they come to you to see whether there could be some agreement that would be advantageous, both to you and to the Isle of Man, in that, because they are based in the Isle of Man, if there was some co-operation between the two of you, maybe even a fee reduction, you would make money, they would make money and we would make money.

1075 **Mr Stott:** I am sorry, Mr Chairman, I am confused. Are you negotiating on their behalf?

The Chairman: Of course, I am not!

1080 **Mr Stott:** I am sorry, but you just seem to be doing that, right now.

Q268. The Chairman: These are questions that... Mr Shimmin had said to us that they had approached you and you were not willing to listen.

1085 **Mr Stott:** That is not true, sir. That is absolutely not true and I think you will find –

The Chairman: Did you hear Mr Shimmin say that?

Q269. Mr Quayle: Yes, we did receive evidence –

1090 **The Chairman:** I think it was minuted. It was minuted.

Mr Quayle: – and this is why we are asking. I think you are taking our comments personally.

1095 **Mr Stott:** Having built the industry, I am, sir, yes.

Q270. Mr Quayle: We received evidence which said that more launches would have happened on the Isle of Man had they been cost effective; but as a result they had been put through Gibraltar and therefore we had lost.

1100 **Mr Stott:** No, sir. I think that was a misunderstanding on Mr Shimmin's part.

Q271. Mr Quayle: And that is why we are asking our questions, because it is logical that if only one has been launched in x number of years, but some of the companies who launch have gone through Gibraltar, because they are saying the fee on the Isle of Man was too great, then we, the taxpayer, you could say, have lost out on the... as you said earlier in your evidence, the satellite is the motherload from an earning point of view for yourselves and for the people of the Isle of Man as taxpayers. So I think that is the point that Mr Singer is maybe alluding to.

1110 **Mr Stott:** There seems to be a great deal of confusion on this point. We work regularly with SES, we work with the regulatory teams – monthly – if not more so. We first started talking with SES, who are a fantastic company. Actually, ManSat modelled itself on SES's exclusivity in Luxembourg by the way – something maybe to note.

1115 We first started talking to them about making satellite filings in September 2000, at a meeting with their then CEO and Chairman Romaine Bausch. We have been in ongoing discussions with them for years – at the Government's request. We put in a tender sheet, we put in a term sheet to them 18 months ago and we have never heard back since.

Q272. The Clerk: So, Mr Stott, just to pick you up on something you happened to throw into the mix about SES's exclusivity in Luxembourg, but you said earlier that you were the only company in the world that did your work. What has SES exclusively got in Luxembourg?

1125 **Mr Stott:** There, from my understanding, and from the early days of SES and reading their early documents and working through the various court hearings they have had on this very topic etc, it was the actual exclusivity they had, was to be the satellite operator *for* Luxembourg and so in effect they were given exclusivity on satellite orbital filings then as well. They work with the government of Luxembourg in that regard, but the difference is they operate and fly satellites; we do not. That is not an ambition of ours at all. They took it one step further, and rightly so, it has had a great value and great profit.

1130 **Q273. The Clerk:** But they also do other things?

Mr Stott: Yes, so that is the difference there.

1135 **Q274. The Clerk:** This is the only jurisdiction that employs a firm to do what you do?

Mr Stott: I do not know if they employ the firm to do that, but they have exclusive... from memory, but again, that might have changed recently – but from memory in the past they had the exclusive right to make filings – and to use them.

1140 **Q275. The Clerk:** And does Luxembourg make more filings than the Isle of Man?

Mr Stott: Oh goodness, yes. They make more filings than, I think, almost any other country in the world, maybe bar the United States.

1145 **Q276. The Clerk:** You see this is one of the slightly odd things about this whole inquiry, which is that there are so many different statistics. A minute ago, we were third in the world –

1150 **Mr Stott:** For the number of operators, sir, that worked through a jurisdiction. They have chosen to come in and work through a jurisdiction that was not their original home. They have attracted people in.

Q277. The Clerk: Okay, but how many operators does Luxembourg have?

1155 **Mr Stott:** I could not tell you, sir. I know they have SES. They founded the industry there. *(Interjection by the Clerk)* No, sir. I think maybe only SES and maybe one or two others.

We went back and we looked at the figures for every jurisdiction and we looked at people who have come in to make filings through and we are absolutely, fact-checkable, the third largest in the world in this regard.

1160 **Q278. The Clerk:** If Luxembourg, which is a small country, has made a lot of money out of

space –

1165 **Mr Stott:** I believe so, yes. I believe the Luxembourg government is actually a shareholder in SES.

The Clerk: So that is a different model –

Mr Stott: A very different model.

1170 **The Chairman:** Which works.

The Clerk: – which works.

1175 **Mr Stott:** Sadly ManSat did not have the financial resources to go off and build and launch our own satellites. Also, we came into this market at a far later stage. We came in with a very different goal, a very different approach and a very different model. We absolutely looked... SES are, I think, the second largest satellite FSS – fixed satellite service – provider in the world. They are certainly a leading company. They are excellent people. Like I said, we know many of their senior executives. We work with them on a regular basis. They are excellent people.

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Q279. The Chairman: With SES being on the Isle of Man, it might well be their wish that they would like to launch, or file and then launch through the Isle of Man, which is not possible for them now, is it?

1185 **Mr Stott:** Of course it is possible, sir. Our door is always open.

The Chairman: Unless they go through you.

1190 **Mr Stott:** Absolutely.

Q280. The Clerk: But they would not need to use you, because they have got their own –

1195 **Mr Stott:** No, sir. No. Quite the opposite, sir, because every satellite company in the world has teams of lawyers and experts that make these filings. They draw them up. They have the engineers. They have the regulatory experts on board in-house to be a user of the system. What is different is that ManSat runs the compliance and due diligence. We are accountable for that.

Q281. The Clerk: So, how does it work in Luxembourg, then?

1200 **Mr Stott:** You would have to ask them, sir. Honestly.

Q282. The Chairman: So, if we could finish this section, you would say that the exclusivity that you have is not impeding development on the Isle of Man?

1205 **Mr Stott:** No, sir and I think the way to show that is those four operators. At the end of the day, the market has spoken. They could have gone to any country in the world and they chose to come to us.

1210 **Q283. The Chairman:** These four operators – how long have you been dealing with these four operators?

Mr Stott: The first operator we have been dealing with since 2001; the second since 2007-08; most recently, in the last 18 months, two more operators have come on board.

1215 **Q284. The Chairman:** Is one of those operators the one that launched a satellite?

Mr Stott: Yes, sir.

1220 **Q285. The Chairman:** And the other three... Then all four of them, they are putting their filings through the Isle of Man?

Mr Stott: Yes, sir. And choosing to do so out of any other country in the world.

1225 **Q286. The Chairman:** Are these major companies?

Mr Stott: Major companies, sir. I am bound by commercial confidence. The Communications Commission –

1230 **The Chairman:** I am not asking you the names.

Mr Stott: But the Communications Commission, they have full record of this etc.

Q287. The Chairman: And from them, we have had 60 –

1235 **Mr Stott:** Sixty-seven filings. Yes, sir. It is really hard to make a filing. It is really hard to find an empty piece of the sky and to get the frequencies down and get them... because once you have co-ordinated it in space, of course, you have to get the landing rights on Earth and that in itself is an entirely different process too. It is very difficult. The people we work with are excellent people. The guys at Ofcom are first class. The people at the Commission are absolutely superb.

1240

Q288. The Chairman: This may seem a silly question, but of 14 companies... four companies that have filed through here; you say there are only 14 companies who are interested.

1245 **Mr Stott:** Out of about 54 or 55 satellite operators in the world. Some never leave their home jurisdiction. For example, say – and I will use a very prestigious one, Arabsat is based in Saudi Arabia. We would love to have their business, but it is highly unlikely that they would leave Saudi Arabia. SingTel in Singapore, for example – I mean there are excellent people who work through their home countries and jurisdictions. I think that is also important when understanding where the industry has come from, because it grew out of government programmes, post and telecommunications companies, the British Telecoms of the world in each individual country, and a lot of times the satellite operators came through them, but the ones that came up purely commercially and travelled the world for this work are very few and the ones that have grown outside their home jurisdictions. So you look at the major corporations and they choose to make filings in many different jurisdictions.

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Q289. The Chairman: When you wrote to us – I will make this the final question on this particular section – you wrote,

1260 ‘Some companies involved in the space industry are trying to push the boundaries. Doing so demonstrates flair and encourages innovation and generally this is welcome. However, this must not, even inadvertently, through a misunderstanding of the regulatory process be allowed to undermine the process.’

Have you got examples of people who have actually done that? Who actually undermined the regulatory process –

1265

Mr Stott: I said it must *not* be allowed.

The Chairman: – and are still in business?

1270 **Mr Stott:** Do you mean satellite companies?

The Chairman: You put:

1275 ‘Some companies involved in the space industry are trying to push the boundaries. Doing so demonstrates flair and encourages innovation and generally this is welcome. However, this must not, even inadvertently, through a misunderstanding of the regulatory process be allowed to undermine the regulatory process.’

Is this in fact happening?

1280 **Mr Stott:** I think, sir, at any given time, through a potential misunderstanding of ManSat’s role – as we are here today discussing it with you, sir – the idea being that a regulatory process is a regulatory process, it is the rule of law. No carve-outs, no special exceptions, no-one can be given any special waivers or anything.

1285 **Q290. The Chairman:** But you are implying that some people somewhere, other than the Isle of Man, are actually getting away with murder, you might say? Is it true?

Mr Stott: I would actually suggest that some jurisdictions in the world maybe do not apply the regulations as they should, but it is not for me to say that, sir.
1290

The Chairman: That would seem to imply that there were some here.

Mr Stott: Yes, it is like in any regulated industry. Companies come and choose the Isle of Man because of our strong regulation, because of our rule of law. It is very important. There are other countries in the world where they could go and be *less* regulated, if that is their choice. I cannot speak to their choices in that regard and I cannot speak to the choices of the countries who choose to or not to regulate them.
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Q291. The Chairman: Could we, because time is moving on, come onto the marketing side now. You have got the marketing contract with the Government. Where, in fact, are you actually marketing the Isle of Man? Is it mainly in the United States?
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Mr Stott: No, sir. Actually it is this big thing in space called planet Earth. Not to be facetious, but it is almost every single country in the world and the way we do this is because the actual space industry itself is so international. It is one of the first truly international industries. So when we are looking at marketing the space industry, we are looking at specific segments of that industry too.
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Last year, according to the Space Foundation, that global industry itself in total was worth \$289 billion, give or take. The year before – and I have got the figures here if you will allow me – it was \$276 billion, give or take; but that industry is broken up into different segments.
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I think it is important to know that the segments there cannot always be a customer of the Isle of Man. So when you are looking at the military programmes, the military agencies and spending in space, which is a lot, you are probably talking about, even the US alone about \$60 billion there. When you are talking about the civil agencies, the people who get most press in space, you are looking at the European Space Agency, NASA, you are looking at the stuff you see on CNN. NASA is approximately \$19 billion to \$20 billion; the European Space Agency probably another \$3 billion to \$4 billion; the total civil spend in space about \$30 billion.
1315

I should say, and also for the record, I coach at the Business School at the International Space University and have done for a number of years, and this is something we look at also with the National Institute of Space Commerce. This is one of those things that I actually teach to the post graduate students.
1320

So when you are looking at these segments of the markets and how the money from those governments is put into that industry, quite like tax dollars basically, tax pounds in the Isle of Man go to Manx companies. They tend not to go overseas. The same with American dollars staying in America, Euros stay in Europe. So when you are looking at chasing their business, when you are looking at trying to pull that business to the Isle of Man, it is sometimes legally impossible to do so. Those companies are not allowed to work here. So what we go for is a commercial industry, to answer your question, Mr Chairman.
1325

Q292. The Chairman: So from the US, they are not allowed to give business outside the US, are they?
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Mr Stott: If it is on a government programme, sir, no, they are not. There are very strict rules in Congress: the Federal Acquisition Rules (FARs) etc.
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Q293. The Chairman: What about other American companies, can they – ?

Mr Stott: If it is a commercial company, commercial space, then absolutely. We talk to those companies and we try and win their business: Canadian, American, South American, African, Asian, European and Russian. I mean the whole world, sir, if it is in that commercial segment and the commercial segment is about \$187 billion.
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Q294. The Chairman: As you say, you reduce the marketing budget (*Mr Stott:* Yes, absolutely.) costs to government.

1345

Mr Stott: No, actually, we adjust our fees.

The Chairman: The fees.

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Mr Stott: The fees – voluntarily, yes.

The Chairman: Down to [*a reduced amount in fees*]. Is it something like that?

1355

Mr Stott: Something like that, sir. Yes.

Q295. The Chairman: You quoted it down to [*a particular figure*].

So for [*that figure*] what, say in the last 12 months, can you tell me what exchequer benefits have you brought to the Isle of Man?

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Mr Stott: I am glad you have raised this, sir, because obviously having seen the banner headlines, which our competitive jurisdictions loved – and thank you for that – the Pricewaterhouse...

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Oh no, not you personally, sir. I am sorry.

Q296. The Chairman: This is not like a personal attack now.

From the figures that have come from the Department of Economic Development we understand in the past that there is money made, and a lot of that was due to VAT and the change in VAT, but the fact is that the Department came here and said that there was a negative amount, a net liability last year to the exchequer of £538,000.

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Mr Stott: We believe they are wrong and I will tell you why. The Pricewaterhouse report was commissioned just as we lost the VAT monies, and it was a forward-looking report. It was a forecast. We said, ‘What is going to happen now? What can we expect in the future?’ Using the strength of that report, we use it like a storm warning. We were able to sit down. We reduced our fees. We did many other things. We increased our marketing efforts and we increased our sales efforts. So that was a forecast of what might happen. The actual figures, we believe, are substantially different.

1375

I think – and I actually brought one of them with me actually... I brought one of the papers to hand in to you as well, to hand into the Committee for your consideration. We believe given the extra effort we made and our colleagues at DED who work in space – again, I must give them credit because you have got Tim Craine, Adrian Moore and the political Members who work around them – they work incredibly hard. They have got a lot of their plate, too, and that is why we are here to help them.

1380

I do not know if you saw the Oxford Economics Report from the government of Guernsey that came out in February of this year, and of course Oxford Economics are the very same consultant who the Isle of Man Government is using to do various work for them. They have estimated looking at the *actuals*, not forecast. What we have actually brought in is about £4 million a year, and actually we have also got another – (*Interjection by the Chairman*) Sorry, can I finish that?

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The Chairman: Just –

Mr Stott: Oh, sorry.

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Q297. The Chairman: You said that *you* brought in, or that came into the Island?

Mr Stott: That came into the Island, sir.

1400

Q298. The Chairman: What we are asking is, with *your* marketing budget, what have *you* brought in to the benefit of the exchequer? That is the question I was asking, really, because I know there are a lot of other people who are involved, who are not involved through you – for example, the optics, or whatever such. But what –

1405

Mr Stott: We also work very closely with Dr Kessler’s teams –

The Chairman: Yes, you may work closely with them, but –

Mr Stott: – and send business their way.

1410 **Q299. The Chairman:** From your marketing, and going out the last 12 months, what
exchequer benefit can you physically show has been brought in to the Island?

Mr Stott: Working from the reports, and also working from the Space Policy Report as well, it
1415 is estimated that we are bringing in £4 million to £7 million sterling a year, sir.

Q300. The Chairman: ManSat is bringing in £4 million to £7 million?

Mr Stott: The marketing contract, sir, through the Department of Economic Development,
1420 working with ManSat, is *estimated* by third parties to be bringing in £4 million to £7 million a
year.

Q301. The Clerk: Bringing in to you, or to the Government?

Mr Stott: No, to the Government, sir, absolutely, in revenues to Treasury. ManSat makes
1425 nothing in that regard from the marketing contract. These are not ManSat's customers we are
talking to; these are customers for the Isle of Man Government.

Q302. The Chairman: So tomorrow, if ManSat was not here, we would not bring any of that
1430 money in? I am trying to make out what ManSat is contributing now to the exchequer, not what
other companies are contributing.

Mr Stott: If ManSat was not here, sir, we would not be here today.

Q303. The Chairman: I think you are deliberately not listening –
1435

Mr Stott: No, I am, sir. I am listening to the question, sir. So, if ManSat was not doing this...
We approached the Government with the idea of the Space Isle concept and doing the marketing
1440 for two reasons. One is, by design, from the early days, we knew we had to build a bigger industry
on the Island. We saw the opportunity for the Island's financial, banking, legal services and
insurance markets. We saw them as a missing niche in the international space industry as it was
going from this government-based system into a commercial system. We saw that the spacecraft
engineering was fantastic, we saw the science was fantastic, but we also saw, and I saw personally,
1445 first hand... I actually co-authored Europe's first work on this, with the Adam Smith Institute. We
actually look at this back in the early 1990s... that the one thing a lot of these organisations were
missing was this understanding of finance, of the financial foundation needed in a commercial
space business, especially some of the international non-governmental organisations that were
becoming private companies through privatisations, and working with them, as clients and
customers when I was with McDonald Douglas and Boeing, and studying them, as a student at
1450 ISU, and working with them since, even at ManSat, we saw the missing piece that the Isle of Man
could bring. Growing up as a Manxman, surrounded by this incredible finance industry on the Isle
of Man, we rapidly came to realise that what we take for granted as common-day normal business
practice really was like a burning bush, speaking to them about... 'Wow!' We would get wowed
by the rockets and the satellites, and they in turn would get wowed by us talking to them about,
1455 'Have you structured the finance deal this way? Have you thought about treating satellites like
aircraft and ships? Have you met these people from these particular banks? Maybe they can help
finance.'

The more we started to do this, the more we realised there was a larger opportunity for the
Island, and it was an opportunity that really did not benefit our shareholders at all. At the time
1460 some of them were quite upset. They said, 'You are spending more time promoting the Isle of Man
than you are doing the orbital slot work.' So that is when we came to Government and said, 'Look,
there is something here.' We knew there was something here. We had always said there was
something here. 'Maybe it is time to have a formal entity within Government, to help push this
more formally.'

1465 **Q304. The Chairman:** So this [*marketing budget fee*], how is that spent?

Mr Stott: It was spent –

1470 **The Chairman:** Tell me how you spend it – the marketing.

1475 *Mr Stott:* Basically yes, it is sponsoring key conferences and that sponsorship allows speaking – it allows a speaking role for Manx people, it allows a discount for Manx companies attending, which is also very helpful. It also blocks competitors. There is a unique thing in the space industry, if you are a sponsor of a major corporation, you get a veto on similar. So if you are a law firm sponsoring a major, say, satellite finance event, you actually have veto on *any* other law firm sponsoring. So by sponsoring some of these, we actually have a veto on any other jurisdiction sponsoring them, which we have actually used.

1480 **Q305. The Chairman:** You will travel to an exhibition with DED?

Mr Stott: And any others who wish to attend too. Most recently in Washington we had the Cavendish Trust joined us in Washington most recently and some others, yes.

1485 **Q306. The Chairman:** So who has the final say who goes with you?

Mr Stott: No one really. (**The Chairman:** No one?) No. Actually, it is always open and it is always open to all countries.

1490 **Q307. The Chairman:** So you would quite categorically state that anybody on the Island who had an interest in promoting the Island, a genuine interest in promoting the Island, would not be stopped coming with a party from the Isle of Man to an exhibition or basically to market the Isle of Man with you?

1495 *Mr Stott:* Sir, I can categorically say for the record, give me a Bible and I will swear on it, sir –

The Chairman: That nobody has ever –

1500 *Mr Stott:* – that no one has ever asked and no one has ever been denied *ever* by myself or any one at ManSat.

Q308. Mr Quayle: As long as they are not from a competing country.

1505 *Mr Stott:* Yes, exactly. Obviously, we go to these things and Bermuda has delegations there and other people and things, sir. No one, sir.

Q309. The Chairman: So anyone from the Isle of Man is quite welcome to come on a marketing exercise?

1510 *Mr Stott:* Yes, sir. Always and openly, sir. Speaking as a Manxman and as a Christian, I can tell you, hand on heart, we have never denied anybody and no one has ever asked who has not come. Okay.

Q310. Mr Quayle: Thank you.

1515 Can I clarify, a point that you made earlier, so I have got it in my head. I appreciate your passion for the Island; I am a Manxman too, my family have lived here for 400-odd years –

Mr Stott: I should think we are related, sir.

1520 **Mr Quayle:** Probably! And for making money on the Island. That is what we want and I just want to clarify you are going to be giving us a document. You know Treasury accounts show that, according to our own accounting officers, we lost £538,000 last year.

Mr Stott: Ah, no sir.

1525 **Mr Quayle:** You are saying that is not the case and you can give me documentation showing £4 million to £7 million – which is fantastic news, I hasten to add. This is not a witchhunt; this is a Commission –

1530 **Mr Stott:** Sorry, sometimes it feels like one, yes!

The Chairman: They all said that! (*Laughter*)

1535 **Mr Quayle:** Yes, this is also looking at accounts given to us, showing the industry making a loss, someone with exclusivity and all we are doing is making sure that the people of the Isle of Man, who you too care passionately about – so do we – are getting value for money and fairness. That is all we are looking for.

1540 I think if you take offence by the structure of our questioning, some of it may be we are not specialists in the space industry, but we are genuinely looking after the taxpayer of the Isle of Man and I have no interest in personal attacks, whatsoever. This is us making sure that, whatever contract has been given to yourself is for the benefit – not just for yourself, because everyone has to make money – but to the benefit of the people of the Isle of Man.

Mr Stott: Absolutely, Mr Quayle.

1545 **Q311. The Chairman:** We are talking as lay people here, who are learning about it and some of these questions, you may think, they are not meant to be offensive, we are just trying to understand.

1550 **Mr Stott:** No. Thank you, Mr Chairman Mr Singer, Mr Quayle and Mr Phillips; again, sometimes my passion can override and it comes through and I do apologise. Nothing is *ever* meant personally, obviously.

1555 So, the documents, yes, one is a copy of the space policy: very prestigious – actually the only international publication that looks at space policy. I have a copy of that and of course, I think we can provide a linked copy to the Government of Guernsey's Report. It is really interesting: there is one of our competitors, as a jurisdiction, on many levels and they were doing a general report on economic development – not on space – and the one thing they picked out about the Isle of Man that they said they should try to emulate, they should try to copy, was the ManSat relationship with the Communications Commission. We did not talk to them, we did not ask them – goodness, I have never even been to Guernsey in my entire life – but that a *competitor* would focus on this as a core key strength for the Island –

Q312. The Chairman: Have they seen your contract?

1565 **Mr Stott:** I hope not.

The Chairman: Even we have not seen it! (*Laughter*)

1570 **Mr Stott:** No, but I understand the Commission has shared key points with you from a letter you sent and requested off them.

Q313. The Chairman: Yes, but we have not actually seen the contract; but I am just wondering how Guernsey could quote, as you just said, the relationship, when they have not actually seen the contract that is there?

1575 **Mr Stott:** They are doing it from seeing the results that we have brought to the Island and the results that the Island has gained from this. I think what they are saying is, for the Department of Economic Development in Guernsey, what a great example, the space industry and that relationship and the core of that relationship is for the Island.

1580 **Q314. The Chairman:** I think all of us here appreciate the work that has been done and the amount of money that has been brought in. It was demonstrated to us, yesterday, the general feeling throughout the world of the recognition of the Isle of Man and I think we are all very supportive of that. If you can be 'more than supportive', we are that, if you know what I mean!
1585 (**Mr Stott:** Sure. Of course.) It is brilliant, that with the Aircraft Register and Shipping Register etc, it is even more important now, with the situation we have financially, that the DED and all the wide range of the things that they do... It is important as everyone is reliant on them now (**Mr Stott:** Absolutely.) to bring the money in.

1590 **Mr Stott:** Yes, and honestly, that is always in the back of our minds when we are doing our work – constantly.

Mr Quayle: Can I speak?

1595 **The Chairman:** One question, then one more subject I want to talk about.

Q315. Mr Quayle: As a result of that last comment, what can we do, what can the Isle of Man Government do to help expand and improve the returns, I suppose, received by Treasury as a result of the space industry on the Island? Is there any legislation or more that the Isle of Man Government can do to help this sector?

1600 If you are saying it is bringing in x amount of money, then as a businessman, if I had some spare cash to help expand that sector of the industry to therefore bring me more money, then that is what I would be looking at. So is there anything in your opinion that our Government, Mr Singer, myself and others can do, whether it be legislation or whatever, to help expand the space sector?

1605 **Mr Stott:** Absolutely, thank you and I appreciate the question too. Thank you for the question.

It has been interesting, because, as you heard yesterday, having such a pro-space Government is absolutely key and I think that message to the international community is always important, because we look at a new industry coming in and we welcome it with open arms and as typical Manxmen, we go out and try to do the right thing. We have the proper regulations in place, which is very important. We have the regulatory processes in place, extremely important. Then, when we are looking at promoting the Island internationally – and I would obviously defer to our colleagues at the Department of Economic Development on this – but sometimes more resources can actually help. Absolutely, we could sponsor more conferences, we could go to more events, we could try and talk with more companies.

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1615 Do not forget, we are a handful of Manx people going out after an industry that employs a quarter of a million people, who operate in every corner of the globe and even with that, we have had solid success on record. We have been checking this with various academics around the world. The Isle of Man has seen the single, largest and fastest growth of the commercial space industry in recorded history, over the last 12 years, to the point where other governments go ‘wow’.

1620 One of those governments... and I kick myself for not putting this in my paper, my apologies to you as well, just so many things have happened in the industry and maybe that has been one of the things we have not done well; we have not promoted ourselves well. We have been too Manx about this. We have actually just gone down and done the work and it has obviously led to misunderstandings locally and some misapprehensions, and that is why we are here to clear those things up and I thank you for the opportunity to set the record straight on this.

1625 For example, one of the things, which was a great thing, was that the United States government approached us and asked us to travel to Tel Aviv and talk to the Fisher Institute about how the Isle of Man could be an example to the Israeli government in commercialising their industries.

1630 **Q316. The Chairman:** So you are talking to them. Is that going to bring us any business for the Isle of Man from that area then?

1635 **Mr Stott:** Yes, sir, and since then, and this is the thing too... It is not as if we go to a conference and say, ‘Well, that is great. I will be there tomorrow.’ It is a long-term business. They have lots of questions. You have got to make sure it works for that company, their markets etc. We put it akin to casting bread on the water. It took us, say, 12 years to get one firm to come the Isle of Man – not one our customers at ManSat, but one of the other larger corporations doing their work here – because they are very conservative people. These are many engineers, literal rocket scientists, fantastic financiers, and when they are making that decision, ‘Where do I put my \$500 million programme that is going to be 20 years in length and the revenues...? Where do I do that?’, they very tentatively come to the Island. We talk to them. We bring them in.

1640
1645 So I can say that we are in active discussions with *several* Israeli companies talking about coming to the Isle of Man from all range, from satellite operators all the way down through. Even some of the smaller start-ups, who are looking at manufacturing on the Isle of Man. Again, a totally different set of strengths and skill bases that we have. That was where one of the benefits of moving from Treasury, the functions went from there to the DED, that was fantastic because it opened us up to the manufacturing base. We always knew it was there. We would always help them and always work with them, but having the aerospace component and the aerospace cluster as well has proven absolutely vital, and it is great. We were able to remind people that parts of

1650 Atlas, Delta and Ariane rockets are made on the Isle of Man (**The Chairman:** Yes, brilliant.) and when you are talking to someone who is about to buy one of those, they are like, ‘Wow, okay!’

1655 You know how it has been said in the media a few times and it has been talked about from the different industries when people are talking and promoting the Isle of Man internationally, the public relations benefit of having a space industry. It is when you are in there and you might be talking banking or finance and they say, ‘Well, what else does the Isle of Man do?’ ‘Oh, we have space.’ ‘Really? What do you guys do in space?’ ‘Oh, we do this, this and this, and these major international corporations are here.’ ‘Wow.’ It is beyond that sort of sex appeal moment because it adds a different dimension to the Island.

1660 But then, with the manufacturing based on the Isle of Man, even internally when we are talking to our colleagues in the space industry and they say, ‘Well, what else happens in space in the Isle of Man?’ and we say, ‘Oh, that rocket you just launched yesterday, part of that was made on the Island.’ ‘Really?’ It is a fantastic process and it is a great strength.

1665 I think that has been one of the great things about doing a marketing contract with the DED, that their core competencies all come into play. For example, some of the world’s leading space entrepreneurs also are internet entrepreneurs and many have visited the Isle of Man. Some actually even now live on the Isle of Man because of this, and obviously I cannot quantify them buying houses and doing all sorts of stuff on the Isle of Man as a different economic benefit, but the idea that we are able to cross-pollinate space. Space is telecommunications. Space is the backbone of the internet. Internet billionaires are active in space, and vice versa. So it really does add something to the Island, or at least I would like to suggest it does, and especially that international awareness for us.

Q317. The Chairman: Thank you for that.

1675 I just want to ask you one more section of what you actually do, and that is the Space University. (**Mr Stott:** Yes, sir.)

Can you tell us how ManSat is involved first of all in the Space University?

1680 **Mr Stott:** Sure, exactly. I am a graduate of the University myself. I graduated from their first Masters programme in 1995. The concept and idea for ManSat came when I was sitting in a lecture. I have one of those strange memories, so I tend to remember a lot of bizarre things. (**The Chairman:** A vision.) Yes, I had a vision. Yes, I did. It was at 9.36, Tuesday, 6th September 1995. I remember sitting in a class and Prof. Ram Jakhu, one of the leading space law professors from McGill University, was teaching us about space law and regulation and he was talking about what GE Americom were doing in Gibraltar, filing. He talked about AsiaSat in Hong Kong, what they had been doing since 1988, making filings in Hong Kong – not exclusively; talked about SES and Luxembourg and how they had done their work and a literal light bulb, a flash of light in my mind and I was like ‘wow, wait a minute – we should be and could be doing this on the Isle of Man!’ That is upon graduation, waiting for my various visas and requirements to go and work for McDonnell Douglas, I approached the Isle of Man Government and said, ‘Guys, have you thought about doing this?’ This could be really good for the Island. Some of our competing jurisdictions are doing this?’ and that is when they said, ‘Well, you know, it is great idea, Chris, thank you very much. Space – really? The Isle of Man – really?’ I said, ‘No, honestly, I am passionate about this.’ They said, ‘Well, you take the risk. You go, form a company. You do this. You put up the money. We will take something in the future.’ I said, ‘Well, then,’ so many years later, ‘have a licence fee.’ So it was always on us to perform, to do something, and we like to think we have.

Q318. The Chairman: I know that you promote people from the Isle of Man to go to the Space University.

1700 **Mr Stott:** Absolutely. Oh, I am sorry. I will get back to the question. I was off...

1705 So post-graduation, I notice that my colleagues from the University and from different years in different classes of the University usually tend to do very well because of this well-rounded education you get there, where they talk about the three I’s: the interdisciplinary, international and intercultural. We learn all these different aspects, but the most important thing I noticed – and this is why it is important for the Isle of Man and why we promote that as well – is that they are the only university in the world in such a manner, and there are some competing universities now, but the ones that do it so well for the international element of this and the intercultural element, they teach the business of space. You can go to some incredible universities and get a fantastic PhD in spacecraft engineering, in spacecraft design, etc; but looking at the actual business of space, they are incredibly rare, and they have a leading programme in this way.

1715 Also I notice – sorry, Mr Chairman – that when you talk education to people, if I was going to sell you on something, you know I am coming in as a salesman and the shields, metaphorically, go up. But, when I come to talk to you about education, when we both meet in a classroom and as we have done with various people going from the Isle of Man into this programme, when they sit down as classmates and colleagues with companies that are potential clients for the Island, those barriers come down and there is more open and honest discussion about things. We have had direct results of companies coming directly to the Isle of Man from those discussions.

1720 **Q319. The Chairman:** What qualifications are given by this Space University. What qualifications can they –

Mr Stott: Oh, sure, absolutely.

1725 **The Chairman:** – and what sort of length are the courses?

1730 *Mr Stott:* Sure. There are various courses. I have been on the board of trustees as since 2003 and on faculty since 2003 and co-chaired the Business School since 2006. The courses that come out, it is a postgraduate university, it was founded by a gentleman called Peter Diamandis, who has also founded the X PRIZE and Singularity University and various other things; but more importantly, was founded along with NASA and the European Space Agency at the end of the Cold War, as a way of getting people to talk to each other, to break down those cultural barriers and realising that for space programmes and companies to be successful, you need a lot of people from different backgrounds, different teammates, engineers, scientists, businessmen, lawyers, politicians, etc. It all has to come together to make something work successfully. The importance of that for the human race, which I could – but I will not – but I could talk for hours on, and the Isle of Man's key position in that. We have directly positioned the Isle of Man to be *the* jurisdiction for the world, hopefully, for this; but also back to your question, I am sorry.

1735 As a postgraduate university, they offer two masters degrees, one executive MBA degree, a Masters of Space Science, a Masters of Space Management, both one-year degrees at the main campus in Strasbourg. They offer an executive MBA program, which I helped originate, a superb programme that does various components around the world. We shall be doing their graduation here in the Isle of Man in September.

1740 They have a Space Studies programme, which is a 10-week programme, accredited – and the University is accredited in the European Union as well, of course, through France. They do a 10-week programme, which is looking more of a... you actually spend 24 hours a day in the University; it is a very intense programme. This summer that will be at the Kennedy Space Center and the Florida Institute of Technology. Last summer it was in Graz, Austria, it moves around. We did not compete for that. Next summer it is in Brazil and the summer after that, it is in Montreal. And they also have a professional development programmes, one-week courses, basically used heavily again by the satellite industry, where you have executives, who will be coming in from a different part of the world, different backgrounds and you need to bring them up to speed very quickly. Everything from 'the pointy end of a rocket goes up', all the way to who are the major players, how do satellites work, how does regulation work, etc.

1750 Also what we have found is we have got about 3,500 graduates of the University in the world and I think they are about 7% of the European workforce and 2% of the US workforce. I think we are up on the Chinese side, the Russian side and some of the other countries are quite high as well.

Q320. The Chairman: So it is professional development. This is a one-week course.

1760 *Mr Stott:* Absolutely, sir. Very much in at the deep end. We have just had several people attend, too.

Q321. The Chairman: So what do they learn in a week?

1765 *Mr Stott:* In a week?

The Chairman: Yes, it seems a very short time.

1770 *Mr Stott:* It does seem a short time, sir. It is like continuing education, professional education. So what they learn in a week –

Q322. The Chairman: They are already involved, are they, in the space industry?

1775 **Mr Stott:** Yes and no. They can be involved in the industry or they can be new to the industry. That is my 'no' part of it. They could have just joined a major company or an agency from somewhere else and they need something just to... basically, in that week, we teach them what they do not know.

1780 **Q323. The Chairman:** So if they do not come out with... What do they – ?

Mr Stott: They just come out with a basic certificate. They do not come out with a degree from that week. Oh, not at all.

1785 **The Chairman:** Just a certificate saying they have attended.

1790 **Mr Stott:** But also it makes them part of that alumni and it is breaking down the barriers again. Twelve years ago, if you walked into any space conference in the world and said 'the Isle of Man', it would be 'The Isle of where?'. Today, you walk in and everybody knows the Isle of Man. We have worked really hard to build up that reputation amongst very conservative-minded people. People who build and launch these incredible things in space and today too, you walk into those organisations – the boardroom of almost any company is open, because they now know the Isle of Man. We can go and talk to them, have an upfront conversation, not what we can do, what we might do, but what we have done.

1795 **Q324. The Chairman:** This is not just you, this is people on the Island, who –

Mr Stott: This is the people, yes, sir.

1800 So there are 22 companies now involved in the Space Isle programme, which are local CSPs, banks, law firms, accounting firms, who also actively promote the Isle of Man and we ask them to attend the ISU too, because, again, it is making sure that they do know the pointy end of the rocket goes up and they are incredibly good people.

1805 Also it gives them a chance to network, to make sure that they understand there is a business there and business has come to them from attending even this one-week programme, but also when they go into a company or a country where they have never been before and they know nobody, they have that ISU lapel pin, and they say, 'I am an ISU alumnus. I am coming into São Paulo tomorrow morning. I am hoping to meet with this company and that company out there?' And the e-mail chain starts and it is like, 'Yes, actually, welcome', or 'I tell you what, who are you meeting? Oh, I know him, or I work with him', or 'I work with her', or 'how about we meet the night before, make sure you are okay, where are you staying, how can I help you?' It is like that little extra cushion, that alumni base, and the same with the Society of Satellite Professionals International, which was just recently formed on the Island too: same thing, trying to put these layers and layers, so if ever I get hit by lightning or get hit by a bus, things do not stop.

1815 **The Chairman:** Okay, have you got any more questions, Howard? Have you got anything, Clerk?

Q325. The Clerk: Only a very general one, about what the future holds. What is your vision for the future of the Island, going forward?

1820 **Mr Stott:** Good question, sir, and I am always considered to be a horrific optimist. You can tell – sorry – I am full of things, constantly; ask my parents! Back in 2003, I gave a talk up at the Museum, when I said that the space industry for the Isle of Man in the future will be a major part of our public portfolio, it will be a good contributor to the Treasury, there will be many companies here. I think people back then looked at me funny – 'What do you mean?'

1825 Here we are today in 2012: 35 companies, 22 other Manx firms involved, \$70 million in revenue to the Treasury, hopefully – and debatable – there will be another study – not for me to suggest, but maybe there would be – that goes back and makes sure...

1830 By the way, let me just say that if we are not contributing to the Treasury, we should not be doing this. If space is not of value to the Isle of Man, we should not be doing this. This must not become one more industry on the Isle of Man that just receives subsidy to keep an old aged idea going. As a Manxman I say that, and if we were not doing this, I would not be doing it. It is not for personal profit *at all*. It is purely out of passion.

1835 So for the future, looking at this, from the platform that we have today, it is just the beginnings
of things. I would say we have worked so long, so hard, for so many years to build this reputation
of the international industry, where the Isle of Man is now seen as an absolute choice of
companies to consider. Whether it is always the right choice, that is not in our hands; it is always
1840 for a company to decide that. But at least we are there as a choice now. As we go forward – as you
have seen with these non-governmental organisation (NGOs) coming to the Isle of Man, who are
not coming for taxation reasons; they are coming because of great regulation, level launchpad,
sound playing field, strong rule of law.

1845 My hope – without giving too much away to other competing jurisdictions – is that the Isle of
Man will continue to grow. We are on a good strong growth track for the industry on the Isle of
Man – solid benefit, solid financing. I have always said I would love for us to be the Switzerland
of space; but actually, what I would love is 20, 30 or 40 years from now people, other countries
turn around and go, 'I want to be the Isle of Man of space. How is it those guys have done this?
How is it they have such a lead?' I think the lead has always been listening and building on our
core strengths, because those core strengths are really needed by the industry. Those strengths are
finance, insurance, banking, strong regulation.

1850 Like I said yesterday, in a world gone mad, the Isle of Man is one of the last places in the
world where we appreciate commerce. In a world gone mad, the Isle of Man is one of the last
places in the world, when people come in, they are welcome, as businessmen.

1855 **Q326. The Chairman:** Therefore, a final point then: how do you consider us? Are we a major
player in the space industry or are we a small player, but active?

1860 **Mr Stott:** I would say we are a David to their Goliaths, sir. Often underestimated, and yet we
have proven results for those who choose to come here – and they can choose to go too! They only
stay because we deliver results to them, and I think that kernel is the snowball rolling down the
mountain – it is where my optimism gets hold of me. *That* is where I want us to be in the future.

1865 We are there for the satellite communications industry, and growingly so. They are the
dominant part of that \$187 billion a year of commercial economic activity in space; but we are
also... This is one of those things with the marketing contract as well: if we look at the
commercial satellite industry as the Great Redwoods – the massive big trees, very established, and
the small saplings at their feet are these new space companies – the companies that are doing new
things in space, opening up new markets. Whether it be on the international space station for
experiments or whether it be people trying to send experiments to the moon or space-based solar
power or space tourism, those are the Googles and Microsofts of the future and our hope is that the
Isle of Man will be their home, for the same sound reasons that the others are.

1870 **The Chairman:** If you are right next to the large Redwood, you have got to make sure that
there is room to put your roots down. (**Mr Stott:** Absolutely, sir.)

Thank you very much. Thank you for coming today. Thank you for taking an hour and three
quarters and I hope it has not been too onerous for you.

1875 **Mr Stott:** No, thank you for the opportunity and I am sorry if my passions took hold of me
every now and then.

The Chairman: So I now close this session and thank you again.

1880 **Mr Stott:** Thank you.

The Committee adjourned at 12.12 p.m.