

CMS Cameron McKenna

# COMMUNICATIONS AND SATELLITE BULLETIN

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## The Health of the UK Space Industry and the Prescription to Make it Healthier

The UK Space Agency recently published a report on "The Size and Health of the UK Space Industry"<sup>1</sup>, the findings of which are of particular interest to show how the sector has been affected by the current recession, and to illustrate the significance of the sector for the UK economy.

### Size and Health of the UK Space industry

260 companies, which are actively involved in the UK space industry, were invited to provide input to the report. Altogether the companies recorded an impressive space-related turnover of £7.5 billion in 2008-2009<sup>2</sup>, of which the upstream sector (companies that provide space technologies) accounted for £930 million and the downstream sector (companies that utilise space technologies) accounted for £6.6 billion.

This represents a growth of 8% within the study period, 2007/2008 and 2008/2009, and of 21% since 2006/2007.

The growth has been driven by the downstream sector, which reported a growth of 24% during the study period. The upstream sector faced a difficult sales period and experienced a decline in turnover in 2008/2009 against high turnover figures in 2007/2008. However, over the study period the upstream sector still recorded an average annual growth of 3%. To put this in perspective, the national UK GDP grew by only 0.3% over the study period.

The results show that the space industry has performed strongly throughout the recession, expanding in terms of turnover, employment and contribution to GDP, and is in a strong position to continue to grow, particularly as the UK eases out of recession.

### The Significance of the UK Space Industry

As the Science Minister, David Willetts, stated: *"in space we have a sector which is growing as fast as the Chinese economy; and it is exactly the kind of area where there are things we can do to maintain its excellent performance; and on the public-sector side we shall fight to do so"*<sup>3</sup>.

With the growth rates that the industry showed during a recession, it would seem to be an industry worth fighting for.

Recognition of the value of the UK space industry was one of the catalysts for the creation of a joint UK Government, industry and academic Space Innovation and Growth Team (IGT), which was launched by Lord Drayson in 2009. What proceeded was a six month consultation period resulting in a detailed report setting out the Space Innovation and Growth Strategy (IGS) which defined a 20-year vision and strategy for the future growth of the UK space industry.

The purpose of the IGS was to involve the whole UK space community to identify the challenges and opportunities for the space industry, which will govern its future competitiveness, growth and success.

Following the publication of the IGS report, the Technology Strategy Board's Space Special Interest Group facilitated the development of National Space Technology Roadmaps.

<sup>1</sup> The report was prepared by Oxford Economics and can be found at <http://nds.coi.gov.uk/ImageLibrary/detail.aspx?MediaDetailsID=2555> 2. <http://www.ofcom.org.uk/consult/condocs/srsp/>

<sup>2</sup> This represents a value added contribution to UK GDP of £3.6 billion.

<sup>3</sup> "UK space funding: Steady thrust ahead?", Jonathan Amos, <http://www.bbc.co.uk/blogs/thereporters/jonathanamos/2010/10/uk-space-funding-steady-thrust.shtml>

We were involved in one such roadmap through our participation in a group called “Access to Space”, led by Craig Clark the CEO and Founder of Clyde Space.

### Encouraging Growth and Investment in the UK Space Industry

Joanne Wheeler led a subgroup looking at the regulatory, legal and insurance issues which hinder or encourage “access to space” in the UK.

There are clear growth opportunities for UK-based businesses in the space sector. It is essential, however, that the regulatory, legal and insurance framework in the UK does not place UK based business at a competitive disadvantage compared with businesses operating and seeking licences in other jurisdictions.

It is important that the licensing framework in the UK ensures affordable and efficient access to space and relevant spectrum and encourages businesses to operate from the UK. A supportive regulatory environment for operators and manufacturers in the space sector will also encourage technology spin-offs, industrial and technological skills and competencies, and spill-over into non-space related sectors.

To ensure that such goals are met and to encourage the progressive development of the space sector in the UK, efficient access to space and spectrum must be ensured. The working group was therefore tasked with identifying:

- growth opportunities for UK-based businesses in the space sector, and the economic and social benefits created by space based or derived activities; and
- the regulatory burdens which hinder or prevent such growth opportunities being fulfilled and the full realisation of the resulting economic and social benefits for the UK.

Perhaps the two most significant regulatory burdens identified, which place UK businesses at a competitive disadvantage compared with businesses operating out of other countries such as France and the US, are:

- the unlimited liability which a licensee has with respect to any claims brought against the UK Government in relation to damage or loss resulting from the activities of the licensee (section 10 of the Outer Space Act 1986); and

- the high third party insurance requirements faced by licensees, represented by the £100 million minimum liability cover, as a condition of the grant of a licence.

At a recent meeting attended by representatives of the UK Department for Business, Innovation and Skills (BIS), the UK Space Agency (UKSA) and the UK space industry, industry members expressed their concerns, which were received well by the UK Space Agency.

Following up with the UK Space Agency, we understand that they are working closely with the Treasury and other Government bodies with a view to conducting an impact assessment of proposed changes to the current full indemnification to be given to the UK Government in accordance with section 10, and the high third party insurance requirements. Through this assessment they are seeking to ensure that the UK remains competitive with other countries active in the space sector and to encourage growth and investment in the UK space industry; recognising the significance of the space industry for the UK.

We will keep you informed through these bulletins of these developments towards changes to the UK Outer Space Act.

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