
UPDATE ON THE PROGRESS OF DISCOVER SPACE UK (DSUK)

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this paper is to provide the Policy and Resources Committee with an update on work already undertaken together with the future direction of travel for the Discover Space UK (DSUK) consortium, of which, Argyll and Bute Council is a consortium partner.
 - 1.2 DSUK, working with consultancy Capital Ambassadors, has been developing networks through attendance/presentations at conferences and meetings with UK and global aerospace industry leaders. They have had success in fostering interest in the location by being active within the network of potential spaceports and by ensuring that the full potential of the site and Campbeltown is understood at a UK level.
 - 1.3 Campbeltown Spaceport has the potential to be a transformational project for both the Argyll and Scottish economy which requires an initial investment to take it to the next stage of development. It is proposed that the next phase of activity, carried out by Capital Ambassadors, on behalf of DSUK, will provide significant returns in terms of determining the direction that DSUK will take in developing a Space-based business plan. The total cost of this new period of enhanced activity is £120,000.
 - 1.4 The Department for Transport has changed the process to becoming a spaceport. Sites will be invited to apply for a licence to operate a spaceport. To this end the UK Government has just published a "Draft Spaceflight Bill", for the purpose of regulating space activities, sub-orbital activities, and associated activities carried out in the United Kingdom. Previously, the process meant that the applicant must apply to be the sole delivery agent for all activities of a modern spaceport. While the new model potentially lends itself to more than one spaceport, this is still a highly competitive process, hence the request for funding support through the next phase.
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- 1.5 Members are asked to:
 - Note the content of this paper.
 - Approve the request for funding of £40k drawn from the established Inward Investment Fund as the Council's contribution to the new period of enhanced activity.

UPDATE ON THE PROGRESS OF DISCOVER SPACE UK (DSUK)

2.0 INTRODUCTION

- 2.1 The purpose of this paper is to provide the Policy and Resources Committee with an update on the work already undertaken together with the future course of activity for the Discover Space UK (DSUK) consortium, of which, Argyll and Bute Council is a consortium partner.
- 2.2 DSUK, working with consultancy Capital Ambassadors, has been developing networks through attendance/presentations at conferences and meetings with UK and global aerospace industry leaders. They have had success in fostering interest in the location by being active within the network of potential spaceports and by ensuring that the full potential of the site and Campbeltown is understood. In addition, their preparatory work is laying groundwork for influencing what a UK spaceport should be and how the Machrihanish site has the scope and ambition to meet the needs of the growing UK space industry. A number of visits to Machrihanish by industry representatives and local MPs and MSPs have also been facilitated.
- 2.3 Campbeltown Spaceport has the potential to be a transformational project for the Argyll and Scottish economies which requires initial investment to take it to the next stage of development. It is proposed that the next phase of activity, carried out by Capital Ambassadors on behalf of DSUK, will provide significant returns in terms of determining the direction that DSUK will take in developing a space based business plan. Further marketing of the possibilities of DSUK as a significant player in the process to become the UK's Spaceport will also be undertaken. The total cost of this new period of enhanced activity is £120,000.
- 2.4 The Department for Transport has changed the process to becoming a spaceport. Sites will be invited to apply for a licence to operate a spaceport. To this end the UK Government has just published a "Draft Spaceflight Bill", for the purpose of regulating space activities, sub-orbital activities, and associated activities carried out in the United Kingdom. Previously, the process meant that the applicant must apply to be the sole delivery agent for all activities of a modern spaceport. While the new model potentially lends itself to more than one spaceport, this is still a highly competitive process, hence the request for funding support through the next phase.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to:
- Note the content of this paper
 - Approve the request for funding of £40k drawn from the established Inward Investment Fund as the Council's contribution to the new period of enhanced activity.

4.0 DETAIL

- 4.1 DSUK has been part funded by the Council since June 2015. To date, Argyll and Bute Council has invested a total of £30,000 of core funding utilising existing budget in phase one of the project. DSUK is very clear that any developments at the site should carry with them long-term, sustainable employment for the local community and comply with all health and safety requirements. They are clear that this should not be a facility where people fly in, launch a rocket, and leave. What is of utmost importance are the delivery of downstream research and development jobs associated with the space industry that can be brought to the area and its associated industrial supply requirements. If DSUK is successful in their bid to become a UK space port it has the potential to lead to a transformational change in the employment opportunities in Kintyre, Argyll and Bute and Scotland. However, There is no site specific economic analysis available anywhere to date. Current UK Government target is to capture 10% of the £400 billion global space market by 2030 with potentially 100,000 skilled jobs being generated in the UK. It is anticipated that 20% of that future £40bn will be generated from 'launch services', including spaceport related activities, hence the government's requirement to have a spaceport as a catalyst to achieving that growth. In 2012–13 the UK space economy generated a turnover of £11.8 billion, directly employed over 35,000 people and had delivered year on year economic growth rates of around 8% over the previous decade.

Westminster Event

- 4.2 At the end of 2016, Brendan O'Hara MP offered to host a briefing event at the Palace of Westminster to present Campbeltown's case for a spaceport to MPs and invited guests from the aerospace industry. The event was organized by Mr O'Hara's office, Argyll and Bute Council's economic growth and marketing staff, and MACC. Invitations were sent to MPs and Industry representatives. The event received substantial media coverage on the day (BBC news, radio) and subsequent to the event (press coverage) which has helped to raise the profile of Machrihanish at a UK level.
- 4.3 The event served to provide a platform to deliver a clear outline of the Campbeltown offer for a spaceport. The picture was one of a facility with the necessary infrastructure required, an ability to deliver the stringent safety criteria as well as the backing of the local authority, enterprise agency and local community. Feedback from guests leaving the event was that they had welcomed the opportunity to attend and had found the information they received highly informative and useful. The event also helped to raise the profile of Argyll and Bute as a place to do business in with a number of positive comments received in relation to Argyll and Bute Council being so supportive of such a venture.
- 4.4 Contacts were also made with additional members of staff from Innovate UK, UK Space Agency, the Satellite Applications Catapult, Bird and Bird (an influential legal practice) and In-Space Missions Limited. Two requests for site visits were made with one now arranged for late February 2017.

- 4.5 A further development announced at the Westminster event was that DSUK has signed Memoranda of Understanding (MoU) with Telespazio VEGA UK and Qinetiq. Under the terms of the MoU partners have agreed to investigate the launch capability at the Campbeltown Spaceport, develop feasibility and business cases as well as engaging with government and other stakeholders to advance the UK space industry. These are two major players in the aerospace industry and while these MOUs are not exclusive, this is the first time either company has signed one with a potential spaceport site. This underlines the credibility of the Campbeltown case as put together by DSUK and Capital Ambassadors so far.

Outputs resulting from first Developmental Phase

- 4.6 The consultants used in the first development phase enabled DSUK to do the following:
- Identify and rank likely operators and users of a UK Spaceport.
 - Identify and rank spaceplane manufacturers likely to be interested in the UK.
 - Engage in informal exploratory discussions with the top 5 operators, manufacturers and users to establish:-
 - The requirements of such operator/manufacturers.
 - The alignment of MACC's facilities to those requirements.
 - The favoured operating model of the operators.
 - The hurdles envisaged in achieving operational status by 2018.
 - The nature of any "showstopper" issues.
 - Identify the steps needed to address the points established above.
 - Using existing available data provide draft scope of likely technical requirements for a UK Spaceport based on experience from existing sites worldwide and feedback from operators.
 - Using existing available data provide draft scope of likely service requirements for a UK Spaceport based on experience from existing sites worldwide and feedback from operators.
 - Identify the consultancy expertise needed to ensure next stage of the bid has maximum chance of success.
 - Report to the consortium with findings and recommendations.
- 4.7 In addition to this the consultants were instrumental in influencing the Department for Transport to change the spaceport project to become a matter of obtaining a license rather than a competition and for vertical launch to be included in the project. Furthermore, the consultants also built up an understanding of what the MACC site offers within the aerospace industry and have been pivotal in delivering the Memoranda of Understanding mentioned below.

Proposed outputs from the next Developmental Phase

- 4.8 DSUK would like to further engage Capital Ambassadors to start developing a plan for outlining critical projects that will help it to overcome future known obstacles to development in order that the momentum built up to date is not lost.

Their proposed role will be to:

- Develop a detailed operating model with input from stakeholders and partners.
- Obtain and analyse data to develop a business model with stakeholders and partners.
- Identify key challenges, both technical and financial, and investigate and recommend solutions.
- Align all stakeholders and partners on critical projects.
- Investigate and submit funding applications from Government sources.
- Support DSUK with all questions and queries from UKSA, DfT and CAA.
- Support DSUK with a political and public opinion capture plan in association with the council and Weber Shandwick.
- Assist DSUK in discussions on the legal entity needed for future third party investment in order that control remains in local hands.

- 4.10 The UK Government has recently announced a grant fund that potential spaceports and industry partners can apply to. In order to access this, an outline business plan must be provided for launching small satellites or providing sub-orbital spaceflight from a UK spaceport from 2020. This fund, with an application deadline of 15th April 2017, does not have a set limit but an exceptional case would need to be made for proposals over £10m. No limit has been set on the number of proposals funded or the number of proposal an applicant can take part in.

The fund is intended to support spaceflight capabilities, such as building spaceport infrastructure or adapting launch vehicle technology for use in the UK. DSUK are investigating the possibilities of this newly announced fund, however, it is possible that this fund is not suitable for MACC's needs.

5.0 Financial Implications and Risks

- 5.1 It is proposed that the next stage of activity, carried out by Capital Ambassadors will provide significant returns in terms of determining the direction that DSUK will take in enhanced marketing and developing a space based business plan. The total cost of this activity by Capital Ambassadors is £120,000. It is proposed that this will be paid in equal amounts (£40,000 each) by DSUK, HIE and Argyll and Bute Council. It should be noted however that given the speculative nature of this work there is no guarantee of positive outcomes for Argyll and Bute in terms of increased employment or diversification of the economy. It is however anticipated that further work here will continue to raise the profile of Argyll and Bute as a place to do business and open to new opportunities.

5.2 This next development phase of DSUK fits well with the initial purpose for funds from the Argyll and Bute Council Inward Investment Fund. The original paper presented on the 12th May 2016 to the Policy and Resources Committee outlined the following criteria believed to be relevant to the DSUK proposal;

- Alignment to current strategic priorities of the Council and our Community Planning Partners, **for example, the Single Outcome Agreement (SOA), particularly in terms of the overall objective (Argyll and Bute's economic success is built on a growing population) as well as long-term outcomes 1, 2 and 3.**
- A deliverable and demonstrable economic benefit. **DSUK strives to ensure that their bid to become the UK spaceport takes account of all levels of scale e.g. a commitment to attracting business to the area whether they attain full or partial spaceport activity.**
- Potentially transformational change (e.g. Spaceport, Oban as a University Town) and/or promotes inward investment that supports the Council's existing infrastructure. **If the DSUK bid is successful it will mean a significant step change in the number and quality of employment opportunities in Kintyre and associated Argyll and Bute supply chain.**
- Creates jobs. **MACC and DSUK are committed to ensuring that a maximum number of jobs are created locally. Contract will be made with incoming investors to ensure that employees, wherever possible, live and work in Kintyre and wider Argyll and Bute.**
- Ability to attract additional funding and partner involvement. **DSUK have made significant inroads into securing Memoranda of Understanding (MoU) with Space Industry leaders. These MoU are an indication of the high regard for the DSUK bid within the space industry. This work will be jointly funded by DSUK, HIE and the Council.**
- Each investment proposal will be based on a business case clearly demonstrating the above requirements. **The £40k funding request for the next phase provides the basis for a competent business case, allowing DSUK to maximise the opportunities for the realisation of Campbeltown as the base for the UK space port.**

A standard funding request assessment which considers policy, governance, finance, deliverability and risk has also been completed. This is attached at appendix 1.

5.3 It is the opinion of officers that this application fits well with the criteria for the Inward Investment Fund as outlined in section 5.2. If the proposed business case supports the development of a spaceport at Machrihanish, a conservative figure for the potential employment in and around the base ranges from 50+ jobs in the initial civil engineering phase, rising incrementally to 100+ potentially high end STEM jobs. In addition to this it is likely that 100+ jobs will be created in the supply chain through transport and engineering operatives. The aforementioned posts have the potential to bring between hundreds of thousands to many millions of pounds to the local economy.

It is important to note that the funding currently being requested will not bring about these jobs by itself but will enable consultants to be engaged to work towards developing a competent business case for a spaceport which is the jobs generator.

6.0 CONCLUSIONS

- 6.1 Working with the Discover Space UK (DSUK) consortium as a partner has involved a financial contribution of £30k from the Council, met through existing budgets and officer time over a two year period. During this time a much clearer understanding of the UK space industry and the opportunities available has been reached. With significant assistance from HIE and our local MP Brendan O'Hara it is clear that the profile of DSUK has been raised significantly following the Westminster reception.
- 6.2 In order to keep the profile of the DSUK consortium high and enable Machrihanish to be in the best place to take full advantage of the growth of the important aerospace industry there is a need for further work to be undertaken. It is proposed to continue a three way equal split on funding with the contribution from the council of a further £40k taken from the established Inward investment Fund.

7.0 IMPLICATIONS

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| 7.1 | Policy | This work supports the key aims of the Local Outcome Improvement Plan including aims 1, 2 and 3 together with the Economic Development Action Plan. |
| 7.2 | Financial | There is a request for funding of £40,000 to allow for the next phase taken from the Inward Investment Fund. |
| 7.3 | Legal | None |
| 7.4 | HR | None |
| 7.5 | Equalities | None. |
| 7.6 | Risk | There is no guarantee that the expenditure of additional funds will deliver additional employment and growth in GVA. However if the decision is taken not to commit additional funds it is unlikely that the necessary work will be taken to reach the next stage of the process which will be to prepare a business case and access UK Government grant funding. |
| 7.7 | Customer Services | None. |

Appendix 1 – Funding request assessment

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19th December 2016

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