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ENCOURAGING ECONOMIC DIVERSITY

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Over the last decade, the Isle of Man has built upon the foundations laid in the 1980s to establish itself as a financial powerhouse. The Isle of Man now boasts a robust economy, with public finances that have been AAA rated by Standard & Poor's and by Moody's – a status which was recently reconfirmed. The last two years have seen record budget surpluses alongside an economy that has had average annual real output growth of approaching 10 per cent.

During this time the Island has created an international finance centre which is the envy of many of its peers. However, the flip side to this particular success story is that the Island might be seen as running the risk of becoming overly reliant on just one sector. The question is often asked, what would happen to the Isle of Man if this sector suddenly contracted – perhaps as a result of external circumstances or decisions over which the Island had no control? Fortunately, this has been recognised by the Island's Government and – while the finance sector is certain to remain the main driver of the Isle of Man's economic growth for the foreseeable future – steps have been taken to ensure that the Isle of Man's economy retains a diversity that is unmatched by most countries of a similar size.

Nowadays mention of the Isle of Man not only conjures up images of global financial services companies, but world leading telecommunications and Hollywood film stars too. The launch of Europe's first 3G mobile phone pilot and a £25 million development fund to attract big budget feature films to the Island are just two tangible examples of this. The sectors that comprise the Island's economy are extremely varied, including manufacturing (around 9%), construction (around 6%) and tourism (5%).

One key component of the commerce-friendly business environment is the fiscal framework that has been created. The development of the Island's tax strategy, first announced in June 2000 but subsequently further refined, means that the Island is on the road to a company tax rate of zero for most trading companies.

The new rate is currently scheduled to take effect from 2006 and applies to resident and non-resident businesses trading. Although the Treasury estimates that the change could initially restrict net revenues by approximately £20 million this takes no account of the additional economic activity in many different sectors that is likely to result from the change. Not only will the zero rate help to preserve the international business already in

place on the Island but it is likely to diversify the Island's economy still further giving it a powerful competitive advantage in the future.

One innovative way in which the Island's economy has diversified in recent years is through the development of a successful film and television industry. Since 1995, 45 films have been shot on the Island including *Relative Values* (starring Julie Andrews and Colin Firth); *The Heart of Me* (starring Helena Bonham-Carter); *Gathering* (starring Christina Ricci) and most notably *Waking Ned*.

The film industry received a further shot in the arm last year with the launch of a £25 million Media Development Fund aimed at attracting big budget films to the Island. Not only does the fund encourage investment in films but it also helps to develop the Island's infrastructure encouraging further film activity on the Island. By the end of 2004/5 the industry aims to be totally self-financing.

The Isle of Man has built a globally renowned reputation for its innovative and modern technological infrastructure. This has not happened by chance but is the result of the careful planning, firm commitment and support of the Isle of Man Government and the local business community.

Despite the boom and bust of many of the more high profile dotcoms covered in the media in recent years, it is undeniable that e-commerce is here to stay. Not only is it a new economic sector in itself it also facilitates the development of traditional industries on the Island.

The Isle of Man Government was one of the first to make a firm commitment to become one of the world's leading e-societies. With a state of the art telecommunications structure already being put in place it made perfect economic sense to concentrate on this burgeoning area of commerce with a supportive and specific government policy aimed at establishing the Island as a world class e-commerce leader.

The Isle of Man gained particular international prominence when its telecommunications infrastructure made it possible for Manx Telecom to launch Europe's first (and only the world's second) operational 3G mobile telephone network. A further example of innovative e-commerce legislation – the Online Gambling Regulation Act 2001 – has resulted in five of the world's biggest gaming operators, including MGM Mirage and Sun Online, setting up operations on the Island.

Last year Unisys decided to locate its AS 7000 platform on the Isle of Man to provide an ASP facility for the UK Government's G-Cat online catalogue. Further evidence that e-commerce is encouraging new industries to the Island can be found in the increasing interest from off-Island companies involved in

online computer gaming development, data warehousing, online insurance products and e-business solutions.

But it's not just high-tech and new industries that are helping the Island to retain a broad economic base. 'Old' industries – which have had to devise new ways of doing business to ensure they survive and thrive – are also contributing to the Island's general well being. Tourism is a good example of this. Realising that the industry could no longer rely on the mass visitor trade that was so much a feature of the industry in the first half of the 20th century and beyond, the Isle of Man has successfully re-positioned itself as somewhere to enjoy 'lifestyle' holidays such as walking; golf and sailing and also as a place that has 10,000 years of history to explore.

The Isle of Man Government's thinking about its economy is soon to be crystallised with the publication of an economic strategy. The strategy will not propose a radical shift in direction but will seek to ensure that the Island maintains its strong economic performance. One way to achieve this is to continue the trend of attracting new value-adding businesses to the Isle of Man while providing a framework within which existing industries can flourish.

A net inflow of new residents (some 5,000 in the last five years) has clearly lent itself to raising past economic performance but has also added to pressures on public services. One objective of the new strategy will be to achieve sustained economic growth whilst reducing the need for off-Island recruitment of staff compared to recent years, an objective that will require policy to pay exceedingly close attention to matters from marketing to labour participation and productivity.

If successful Isle of Man can secure its economic well-being long into the future.