

# Isle of Man Economic Review

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## Island changes set up platform for future prosperity

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Tim Craine,  
Director of Business Development at the  
Business Development Agency

# Isle of Man announces creation of new Business Development Agency

The Isle of Man Government has announced a series of high-profile structural changes designed to enable its newly created Department of Economic Development to help generate further economic growth for the Island.

At the heart of the Government's drive to ensure the Island builds on its reputation as a highly attractive business environment, will be the creation of the Business Development Agency. This central Agency is designed to bring greater focus and build on the success that has already established the Isle of Man as a leading International Business Centre.

The Business Development Agency will be led by Director of Business Development, Tim Craine, who was previously Director for E-Business and Space Commerce, and will now report directly to Colin Kniveton, CEO at the Department of Economic Development. The appointment of Mr Craine as Director will ensure the Agency can leverage his existing expertise, contacts and experience gained in both financial and non financial sectors.

One of the primary goals for Mr Craine and the Business Development Agency will be to build on the success the Isle of Man has achieved in establishing itself as one of the most business friendly regions in Europe. In particular, the Agency will work to promote activity and inward investment targeting for both new businesses and emerging sectors alike, with five main areas of focus, including; Financial Services, Non Financial Services, such as manufacturing and e-business, Tourism, New Sectors and International Sales.

Tim Craine, comments: "I am convinced that the new structures that have emerged within the Department and in particular the creation of the Business Development Agency will help to deliver a more focused drive for business development on the Island. I very much look forward to strengthening relationships with the private sector to work on the strategies and initiatives that will generate further prosperity for the Isle of Man."

Minister for Economic Development , Allan Bell MHK, is confident that the new structure of his department and the birth of the Business Development Agency will help ensure that the Governments business and economic ambitions are fully met for years to come: "Our responsibility is to drive the economic growth of the Isle of Man for the benefit of current and future generations. These announcements are the start of that journey."

## **Key functions of the Business Development Agency:**

- A clear and professional inward investment capability providing expertise advice and assistance to High Value Individuals and new corporate enterprises to the Isle of Man.
- A defined range of support services to existing businesses on the Island designed to drive economic activity and provide future employment opportunities.
- A clear structure to liaise and coordinate with the private sector and Trade Associations to develop the strategy of the Isle of Man in the coming years.
- Support and nurture the development of new sectors to the Island and help build new clusters of economic activity.
- Consider and develop a model to provide international representation for the Isle of Man in our target markets and regions working with other parts of Government.
- A coordinated business and individual promotional offering.
- Identify, evaluate and remove barriers to economic growth by working across Government on practical solutions.

# Profile: Department of Economic Development

On 1 April 2010, the most comprehensive overhaul of Government since the introduction of the Ministerial system in 1986 came into effect, creating with it the Department for Economic Development whose aim is to take responsibility for enhancing the Isle of Man's status as a leading International Business Centre.

Subsequently, the Department for Economic Development has been working, under the leadership of the former Treasury Minister Allan Bell MHK, to draw more inward investment by ensuring the Island is increasingly responsive and attractive to business opportunities. Since the inception of a new structure, Government has continued to successfully position the Island as a resilient and co-operative jurisdiction, while continuing to retain close partnerships with existing Island businesses.

The new department has brought together the Isle of Man Government's various commercial facets to unite under an integrated economic policy and approach. The key members are:



## **Alan Bell MHK: Minister of Economic Development**

During his tenure as Treasury Minister Mr Bell has overseen the strong growth of the Island's economy and its diversification, successfully leading the effort to have the Island's economy continually 'AAA' rated by both Standard and Poor's and Moody's.

Minister Bell also worked tirelessly in winning international recognition of the Isle of Man as a well regulated offshore financial centre, signing a ground breaking tax information exchange agreement with the Netherlands in October 2005.

Minister Bell first joined the Isle of Man Government in 1986. Since then he has held the Ministerial positions of Tourism and Leisure, Industry, and Home Affairs and Treasury. Mr Bell first won election to the House of Keys in 1984, representing the constituency of Ramsey in the North of the Island. Prior to his election, the Minister served as a Ramsey Town Commissioner for seven years.



## **Juan Watterson MHK: member responsible for Financial Services, Company Registry, Information Systems Division.**

After graduating with a first class honours degree from Lincoln University in 2001, Juan went on to join international accountancy firm KPMG, specialising in public sector work including the education sector, local and national government, becoming a Chartered Accountant in 2005. He was elected Chairman of the ICAEW's Student Council in March 2006, and is a past Chairman of the Junior Chamber of Commerce.

In November 2006 he was elected as the youngest MHK in the present House of Keys at 26. He has since held portfolios including social security, housing and planning.

Outside of politics he is still a member of an ICAEW advisory board, Treasurer of a local charity supporting independent living for older people, and a committee member of his local branch of the Royal British Legion.

**Alex Downie MLC:** member responsibility for Space, E-commerce, Ship Registry, Aircraft Registry, E-gaming.

Alex was elected to the Island's Parliament (Tynwald) in 1991, he has been Minister for Agriculture, Minister for Trade and Industry and for the last four years held a key position in Treasury which gave him responsibility for the development of Isle of Man Finance and the Government's Space and eBusiness portfolio. He was instrumental in setting up the Island's very successful Aircraft Register which now has over 250 executive aircraft registered on the Island.

Mr Downie has a proven track record in bringing new business to the Isle of Man and part of his new role within team at the Department of Economic Development will not only be focused on the further development of existing business, but also attracting new economic drivers which will be essential in maintaining the Island's position as a very well regulated and attractive place for businesses to locate.



**Clare Christian MLC:** member responsibility for Training, Work Permits, Job Centre, Manufacturing, Construction, Retail, Film, Energy Policy, Grants & Assistance and STEP.

Clare was born and educated on the Isle of Man and she read Science at the University of London.

Mrs Christian was a Member of the House of Keys from 1980 to 1986 and a Member of the Legislative Council from 1993 and Minister for Health and Social Security 1996 -2004.

In her career she has also been a member of the Department of Local Government and the Environment, the Department of Transport, the Department of Trade and Industry and she has also been the Chairman of the Planning Committee.

Mrs Christian is currently the Vice-Chairman of the Water and Sewage Authority and Chairman of the Public Accounts Committee.



**Geoff Corkish MHK:** member responsibility for Tourism, Motorsport and the Post Office.

Geoff Corkish was elected to the House of Keys at the 2006 General Election topping the poll in Douglas West. Since election he has worked within the Department of Trade & Industry, Department of Transport and is now a member of the Department of Economic Development with responsibility for Tourism, Motorsports and Post Office.

He remains Vice Chairman of the Isle of Man Post Office, has been a member of the Board of the Manx Electricity Authority, and was employed at the Isle of Man Steam Packet Company for 38 years.

In 2006 he was awarded an MBE by Her Majesty the Queen for his services to the Island and charitable causes.





## Information Exchange: Is the

*By Malcolm Couch, Assessor of Income Tax, Isle of Man Government*

The global financial crisis came close to destroying the banking sector in key economies, and subsequently precipitated a worldwide recession. Just as it appeared that this recession was starting to unwind, serious systemic problems developed in the eurozone, which could easily trigger a 'double dip' recession.

Faced with such enormous difficulties, where the impacts are in the trillions of dollars, there has been a growing collaboration between countries and, at least to some extent, co-ordinated actions by them. Bodies such as the G20, OECD, and FATF have suddenly gained far greater influence and power. Pushed by the most influential and economically powerful members, such as the USA, France, Germany and the UK, enormous pressure is being brought to bear on regulation, banking and the funds sector; to name a few.

In realising that concerted action was needed at an international level and therefore pushing it hard, those same influential and economically powerful states let a genie out of a bottle. The power now rests with more broadly based bodies than has been the case in the past. Countries such as China, India, Brazil and South Africa, are very much part of the new order.

Much of the pressure in the tax co-operation field over the last two decades has been of a consistent type, and therefore strategies to deal with it could be developed based on an understanding of that consistency. Many new ideas and approaches will be seen over the coming years, however; and predicting them will be difficult. It follows that strategic planning becomes that much harder.

Starting in 2008 with insider disclosure of information related to clients of LGT Bank in Liechtenstein, we have seen the regular appearance of tax evasion stories around the world. Singled out as a particular underlying issue has been banking and jurisdictional secrecy: as opposed to legitimate client confidentiality.

# Are there an upside for Private Banking?

While both the OECD and EU have been running partially successful campaigns against so-called harmful tax competition for over a decade, there is no doubt that the combination of tax scandals and global economic meltdown provided a massive boost to what we might call the 'anti-tax haven' lobby, and re-energized the organisations concerned. There now appears to be very little tolerance of the status quo ante, and a strong desire to deal with problems which have not been solved for a long time.

The rapid capitulation in the first quarter of 2009 of many financial centres under threat of sanctions if they did not dismantle banking secrecy and agree to share tax information with other countries was unprecedented. Some of them had been hoping that the challenges would go away if they kept their heads down for long enough. Others had been complacent and assumed that economic strength made them invulnerable. Both positions had to be unpicked, resulting in significant shifts in national policies by a number of governments.

In April 2009, some countries did not make it onto the OECD white list (based on implementation of the international standard on transparency and exchange of information), and their economies suffered as a result: as evidenced by the public comments of the financial services sector in the Cayman Islands. This outcome was most likely monitored by the OECD hierarchy and it must now be clear to them that threats work, and that 'naming and shaming' may cause damage as effectively as imposing sanctions.

The standard applied in drawing up the current version of the OECD lists cannot remain as it is. The goalposts will shift and this shift might not be numerical only. For example, the tax evasion and avoidance working party of the OECD tax bureau is already working on broadening concepts of information exchange to encompass automatic exchange of corporate income flows such as dividends, interest and royalties.

Also in the OECD camp, September 2009 saw a complete overhaul of the Global Forum on Taxation. It now has a formal constitution and an initial three year mandate to concentrate on transparency and exchange of information. Peer reviews have already started and are carried out in a way similar to the FATF/IMF process. These reviews will be published with the explicit aim of showing if there are any differences between form and substance in the tax standards of countries claiming to have them in place.

The EU Code of Conduct Group is reviewing again the corporate taxation systems in the three British Crown Dependencies. In addition, it has apparently been agreed that pressure ought to be put on Liechtenstein and Switzerland to bring their tax systems into conformity with the EU Code of Conduct on Business Taxation.

All of the issues which have been mentioned need to be considered before a forward strategy is put in place: either at financial centre jurisdictional level or at the level of individual business such as a private bank or fiduciary company. It needs to be remembered that at neither level is there much economic or political clout on the international stage.

Regulation of the financial services sector is vital. Countries and individual businesses must conform to the rules of the game, especially when there is a common acceptance of these rules to the extent that they can genuinely be called standards. It is not possible to opt out on the grounds of being small or unique in some other way if you want to be in the game. Is exchange of information now one of these rules? It would certainly appear so.

Financial services centres like the Isle of Man are important players in the markets. However, they are specialists: in business terms they are not in the commoditised or branded market, but in the niche services market. This niche market involves offering individually tailored and therefore highly 'value-added' services.

It is evident that a number of the world's economies are starting to move powerfully out of recession. This means that the market for international financial services will return to growth, and that the providers of those services, whether at institutional or jurisdictional level, will, if they are positioned well, also see healthy growth.

So, assuming that countries and businesses associated with global financial services are not harbouring financial and tax crime, a key positive aspect of exchange of information can be to legitimise, and hence both protect and foster such services.

# Developments in Forensic Accounting in the Isle of Man

Offshore jurisdictions such as the Isle of Man are often used by wealthy families and international companies to mitigate their tax exposure and as a consequence company and trust structures are formed to own and manage assets in various jurisdictions. By far the majority of such arrangements proceed to the reasonable satisfaction of all the parties. Unfortunately, in life people fall out or are, or come to believe that they have been, badly advised, misled or cheated by people they do business with or employ. Very often the dispute has an accounting dimension, and forensic accountants have been used for many years to assist with financial investigations, help resolve disputes and act as expert witnesses.

What has changed in recent years is that the Isle of Man, in further developing its role as a highly regulated and responsible environment, has moved towards the provision of more effective remedies for the clients of fiduciary service providers who are aggrieved with the conduct of directors and others. For example, under the Company Officers (Disqualification) Act, 2009, any past or present member or creditor of any company may be able to apply for a disqualification order, and the Companies Act, 2006, contains provision for derivative actions. In this new environment it has therefore become more important than ever for fiduciary service providers to be worthy of the trust of their clients, and this involves maintaining good and transparent relationships, and being able to account promptly and properly for transactions, and the assets entrusted to their care.

This new environment is likely to create exciting new challenges for forensic accountants. Where relationships become strained, and the degree of trust existing between the parties is not all it should be, the use of an independent external forensic accountant can help to resolve disputes and facilitate settlement by showing clearly the true position to all concerned, and thereby avoiding costly Court proceedings. And if all else fails, and there is resort to litigation, an independent forensic accountant can demonstrate the position to the Court by formal report conforming with the form and content requirements of the Rules of the High Court of Justice 2009, and, if it goes to trial, by appearing in Court as an expert witness.

To be effective, the forensic accountant must not only be independent but must be seen to be independent. It is part of any accountant's role as such to create confidence in financial information and in that respect the forensic accountant is no different. He cannot do so properly unless he commands the credibility of all the parties. For these reasons the accountants previously employed by one of the parties to the dispute may not be the best option when choosing a forensic accountant.

A forensic accountant is an expert, and it is a sine qua non that he must have experience and expertise in the areas where he gives evidence. If he feels that he is not an expert in the relevant field, obviously he cannot act as such. Areas of expertise required might include tax, including direct and indirect taxes of the Isle of Man, fiduciary services in the Isle of Man, and other aspects of Isle of Man practice. It follows that it will be Isle of Man accountants who will be faced with most of the challenges arising from the changing business environment.

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**Paul Seaward FCA**  
**Director, PKF (Isle of Man) LLC**



## Isle of Man signs significant Memorandum of Understanding with India at major trade conference

A Memorandum of Understanding between India and the Isle of Man has been signed at the recent high-profile annual Confederation of Indian Industry (CII) conference, held in London in June.

The significance of this formal partnership has also recently been highlighted further as the UK Government embarked on its first major trade delegation to India.

Department of Economic Development Member, Clare Christian MLC, was supported at the CII event by Mike Hennessey, CEO of Isle of Man Chamber of Commerce, who signed the historic Memorandum of Understanding with India in front of a large audience, ensuring a partnership to deliver greater mutually beneficial trade and investment.

Both the Isle of Man and the UK have recognised the significance and importance of establishing strong ties with India, a country which now has the second fastest growing economy in the world, and which is seen by many as one of the key drivers for sustained global economic recovery.

With GDP growth at 8.5% for this year and a projection of double figures for 2012, India is recognised as a major player in the global economic recovery; emerging economies alone are expected to contribute 60% of the world's growth over the next few years.

Mrs. Christian, who shared the platform at the recent Confederation of Indian Industry event with fellow speaker Anand Sharma, Indian Minister for Commerce and Industry, comments:

"Restoring the health and prosperity of the global economy relies in large part on the growth of economic giants like India. That is why we, on the Isle of Man, are proud to have signed a Memorandum of Understanding ensuring we continue to work closely as International partners to promote strong economic and industrial growth.

"India has recognised the value of the Island's fiscal incentives, responsive Government, sound international reputation and robust legal system. There are still more Indian AIM listed companies registered in the Isle of Man than in any other country.

"India is now recognised as a major economic partner by many countries and the significance of our agreed framework with them is timely given the UK Government's visit to India to establish their own 'special relationship'.

"I believe by leveraging the Department of Economic Development's inward investment strategy in conjunction with the Chamber of Commerce, we will position ourselves as an attractive growth platform for Indian enterprise. I'm positive that we have the right infrastructure and environment to help Indian industry thrive."

The two day event also proved a highly successful platform for Isle of Man to build business ties and network with high-profile figures including former Secretary of State for Trade and Industry, Patricia Hewitt.

# Isle of Man raises profile at this year's international Transcontinental Trusts Conference

The Isle of Man had a strong presence at the 25th annual Transcontinental Trusts conference held in Geneva, with a number of firms from the Island attending the event.

The Isle of Man Government's Department of Economic Development was represented by Malcolm Couch, who presented one of the key speeches at the event. John Rimmer, Chairman of the Society of Trust and Estate Practitioners, and Partner at Appleby, Isle of Man, also hosted a briefing on trustee conflicts of interest.

The conference provided an opportunity for the newly formed Department of Economic Development to support the Island's professional, fiduciary and wealth management sectors at this leading trust and private wealth event, recognised as the most prestigious of its kind. Speakers at the event came from as far as Hong Kong, Singapore and the United States to address over 140 professionals from international law firms and trust companies. Firms from the Isle of Man that attended the event included IFG International, CM Management, Greystone Trust Company, RBS Coutts, Dougherty Quinn, SMP Partners and Caledonian Trust.



Steven Beevers,  
Head of Inward Investment &  
Business Support, Financial Services

Steven Beevers, Head of Inward Investment & Business Support, Financial Services, Department of Economic Development, commented, "The conference was a great success for the Isle of Man in terms of contributing to the intellectual debate on the future of private wealth management and also in terms of ensuring the Isle of Man continues to be seen as a major player in this space.

"This is the leading event for the fiduciary industry and provided a great opportunity for those attending from the Island and the Department of Economic Development to engage with those who have the gift of placing private wealth with the banks and fiduciary service providers here."

The Department of Economic Development's presence also generated a profile for the Isle of Man through an exhibition stand and the Department hosted a group of senior industry professionals at a reception and dinner event.

Sandra Georgeson, Managing Director, Caledonian Trust (IOM) Ltd added: "The conference was a great opportunity to meet with an international mix of senior practitioners and discuss the topical issues in the industry. The presence of the Isle of Man as lead sponsor provided good networking and profiling support for the Island's fiduciary industry, and helped facilitate some positive meetings."

This year's event looked at the issues facing the international wealth management industry in a time of increasing pressure and scrutiny on the financial services industry. The event considered how more regulation will affect private clients, their advisors and private bankers.

# Isle of Man has strong presence at this year's Farnborough International Airshow

The Isle of Man Aerospace Cluster's presence at the Farnborough International Airshow 2010 as part of the North West Aerospace Alliance (NWAA) stand was testament to the Island's aerospace sector's growth and current standing.

Farnborough proved to be the perfect arena to showcase the Cluster, which was represented by the Department of Economic Development, Bladon Jets, Tritec Tools and Target Aerospace. Their presence at the event highlighted the co-operation and close links between the private and public sector on the Isle of Man.

Manufacturing in the Isle of Man continues to be an important contributor to the success of the Isle of Man economy. The sector accounts for 7% of the economy and employs over 3,000 people. It is a highly diverse sector serving a global blue chip customer base within industries including aerospace, oil and gas, laser optics and space. Key to the Island's ongoing success in manufacturing has been the development of the Isle of Man Aerospace Cluster (IOMAC) established in 2006. The Cluster has become part of the North West Aerospace Alliance in the UK, linking the Isle of Man to one of the largest and most proactive Aerospace Clusters in Europe.

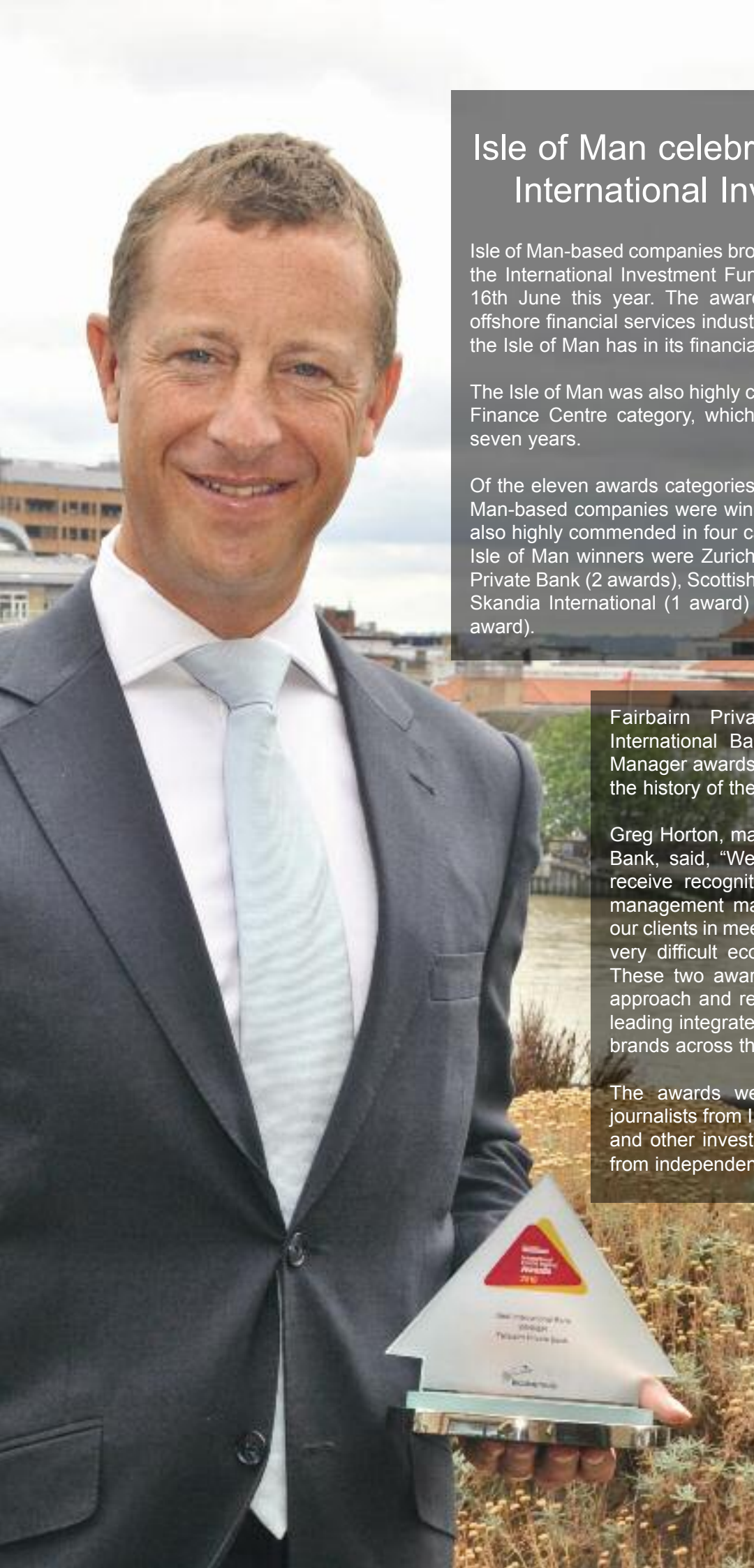
The IOMAC unites the 16 aerospace manufacturers and service providers on the Isle of Man, collectively employing a 1000 people. The IOMAC provides a framework which enables greater collaboration, networking, economies of scale purchasing, and support specific to all sector related businesses. Through the IOMAC the Isle of Man is seeing benefits in areas like waste management, energy efficiency

and joint procurement. Added to this, Isle of Man high-tech manufacturers involved in the aerospace cluster produce essential components for use in airliners, submarines, spacecraft and oil rigs, to name but a few. Recently it has been involved in major global projects such as the manufacture of the Airbus A380, Boeing 787 and the Phoenix Mars Lander. Current projects the Cluster is involved with include the Joint Strike Fighter, Airbus A400M military transporter and Astute Submarine programmes.

The development of IOMAC has also been a key element in the Government's strategy to bring high-paid sustainable manufacturing jobs to the Island. Through local schools' programmes, the Isle of Man has seen engineering apprenticeship schemes oversubscribed. IOMAC also developed its own innovative apprenticeship scheme which offers a taste of all aspects of the industry, as opposed to previous schemes where apprentices may have only been trained in one specialist area.

Ambitions for IOMAC are considerable. Adrian Moore, Development Manager for Manufacturing in the Department of Economic Development said: "We went to Farnborough with a very clear proposition highlighting our world-class capabilities in design and manufactured solutions and as partners in excellence to our existing client base. There were several hundred visitors to the stand and the show exceeded our expectations in terms of qualified leads and offers of work generated. Although commercial sensitivities exist, some of the highest profile names in the global aerospace industry have expressed a desire to develop relationships and do business with the Cluster."





## Isle of Man celebrates success at the International Investment Awards

Isle of Man-based companies brought home a total of 11 awards from the International Investment Fund & Product Awards in London on 16th June this year. The awards recognise achievements in the offshore financial services industry, and displays the depth of quality the Isle of Man has in its financial services centre.

The Isle of Man was also highly commended in the Best International Finance Centre category, which it has won five times in the past seven years.

Of the eleven awards categories presented at the ceremony, Isle of Man-based companies were winners in seven categories, and were also highly commended in four categories.

Isle of Man winners were Zurich International (2 awards), Fairbairn Private Bank (2 awards), Scottish Widows CMI Isle of Man (1 award), Skandia International (1 award) and Standard Bank Isle of Man (1 award).

Fairbairn Private Bank won both the Best International Bank and Best International Wealth Manager awards, which is a first for any company in the history of the awards.

Greg Horton, managing director of Fairbairn Private Bank, said, "We are absolutely delighted to again receive recognition of our success in the wealth management market, where we continue to assist our clients in meeting their financial goals despite the very difficult economic and investment conditions. These two awards confirm the consistency of our approach and reaffirm our reputation as one of the leading integrated banking and wealth management brands across the UK and British offshore islands."

The awards were judged by a panel including journalists from Incisive Media, fund managers, IFAs and other investment professionals, alongside data from independent organisations.

Pictured: David Stearn,  
Head of Business Development  
Fairbairn Private Bank

## Isle of Man attend biggest ever annual AIRMIC Conference

The Isle of Man was well represented at the Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC) conference in Manchester this year, which showcased the Island to over 650 delegates who attended the event.

This year's conference, held in June at the Central Convention Centre in Manchester, was the highest attended conference in AIRMIC's history. AIRMIC brings together representatives from across the insurance world, and provides the opportunity to exchange creative and innovative ideas with the key players in the industry.

This year's conference for the member organisations for insurance and risk management professionals tackled topics ranging from the impact of recession on the industry, to regulatory change, and addressed key issues such as Insolvency II which will affect insurers coming out of the economic crisis.

The event provided the Isle of Man with the opportunity to discuss current risk management issues and network with the most influential international risk and insurance managers.

John Batty, Business Development Manager, Department of Economic Development attended the conference commented: "This year's conference was particularly strong, with representatives from insurers across the UK and Europe attending. The conference is always one of the highest profile platforms for the industry, and it enabled us to showcase the innovative and comprehensive solutions we can provide for clients and brokers. We look forward to representing the Island next year and are confident it will continue to grow."



John Batty  
Business Development  
Manager

## Captive Association appoints new chairperson

The Isle of Man Captive Association, which represents the interests of all of Isle of Man authorised insurance managers and captive owners, has named Gaynor Brough as Chairperson for the Association.

The Association aims to promote and develop the Isle of Man as a quality domicile for captive and general insurance businesses. Its activities involve encouraging the development of local facilities for management services of captive businesses on the Isle of Man, and to offer advice to the Isle of Man Government on behalf of industry.

Captive Association's 166 insurance companies on the Isle of Man manage over £5 billion in funds and handle £1 billion in annual premiums. The captive insurance sector also employs over 100 people directly on the Isle of Man.

Ms Brough, who is the Managing Director of Island-based Aon said : "I am delighted to be appointed as the Chairperson for the Isle of Man Captive Association. It's a very exciting time to take up this position given the recent formation of the Isle of Man's Department of Economic Development and its ambitious plans for the growth of the Isle of Man's economy."



Gaynor Brough  
Chair of the Isle of Man  
Captive Association



# Shipping Registration in the Isle of Man

*Richard Slee, PR and Marketing  
Communications Manager, Department of  
Economic Development*

The global recession has meant stormy waters for the shipping industry. Although the notorious volcanic ash cloud affecting Northern and Western Europe may have meant a temporary boost for sea passenger numbers, it had virtually no impact on the amount of cargo carried with very little transported via air.

The fall off in world trade has led to significant over-capacity and the associated tumbling of freight rates, often falling below the operating costs of some vessels.

The issue of over-capacity was not only driven by the drop off in trade but also by the fact that significant numbers of new vessels were delivered at the height of the recession, having been ordered when global economies were enjoying strong growth.

With the lead time from ordering a new ship to build completion averaging two years, the swift, almost unanticipated, nature of the global downturn led to too many ships chasing a dwindling amount of business.

Although over-capacity will remain an issue for the foreseeable future, there are signs

that things are improving, thanks largely to the still impressive growth of the BRIC economies. China's economy is expected to grow by around 10% this year and demand will be strong for raw materials. As the market for manufactured goods improves then container operations will also start to recover. Additionally, some ship-building projects have been cancelled or deferred.

However, even ships in lay-up still need registration, management and crewing. Hence, ship owners are keen to look at ways in which they can keep their operating costs to a minimum. Some in the industry have been quick to respond. As well as operating one of the most reputable registers in the world operating to the highest international standards, the Isle of Man Ship Registry offers very competitive fees. Unlike other registries, their annual fee is not dependant upon the size of the ship or type. The fee has been set at an economical £700 per merchant vessel which allows direct and favourable comparison between the costs of registration with competitor flags. In addition there are substantial discounts available for multi-vessel owners registering with the flag. They have also announced a revised structure for fees in recognition of the tough times that many owners now face.

Due to high-profile media coverage, the issue that most people outside of the industry will be aware of is piracy, especially a problem off the coast of Somalia. The situation is worsening. In April this year the BBC reported that the EU naval force (Navfor), which is attempting to counter pirate activity in the area, said that the rate of activity it saw in arch was double that of the three months from September to November 2009. Costs of shipping goods in the area have increased, but the cost is more than financial. For example, around 90% of the World Food Programme's aid to Somalia arrives by sea and suspension of deliveries has often occurred.

Part of the maritime industry that bucked the trend in terms of the global downturn is the commercial yacht market, especially at the larger end of the market. This is reflected in the continued growth of the yacht management sector in the Isle of Man for yachts that are registered both on and off the Isle of Man. However, even here there are issues to contend with. One of them involves VAT regulation and whether a yacht is treated as commercially operated for VAT purposes.

Where it can be demonstrated that there is a genuine yacht charter or leasing business 'earnestly pursued', then VAT registration and VAT recovery is possible. 'Genuine' businesses will have a propensity of usage by unconnected third parties. Circumstances where the funder/owners also the sole or primary user will not be accepted as business ventures for VAT purposes.

Depending on the nature of the actual business activities there may also be a liability on the owning entity to either pay VAT or become VAT registered in other EU Member States.

EU Member States (including the UK and Isle of Man) will challenge those structures found to be avoiding VAT through the use of artificial chartering or leasing.

Further information on these issues can be found in the Isle of Man Customs and Excise Practice Note for Yachts via the following link :- <http://www.gov.im/lib/docs/treasury/customs/practicenote26april2010yach.pdf>

These issues in maritime are just a flavour of those affecting the industry as a whole. One could go on to discuss the coming implementation of the ILO Maritime Labour Convention in 2012, although this should only really formalise what quality ship registers have been doing for some time.

In conclusion, it would appear that especially in the current economic environment where fragile recovery is just starting ship owners and operators are best advised to continue using a reputable, high quality register, such as the Isle of Man.



# Manxman becomes Freeman of the City of London

Philip Caine, the younger brother of well-known Manx Radio broadcaster Jim Caine, was awarded the privilege of Freeman of the City of London at a ceremony in the Chamberlain's Court at the Guildhall, in central London on June 25. In keeping with the tradition, Mr Caine was 'Clothed in the Livery' of the Worshipful Company of Coachmakers and Coach Harness Makers of London in an additional ceremony held on July 7.

The significance of the Freedom of the City dates back to 1237 and was formerly associated with various privileges, including the right to be married at St Paul's Cathedral. It was traditionally associated with membership of the City Livery Companies, whose members elect the Lord Mayor of the City of London each year - the most famous former incumbent being Dick Whittington.

Mr. Caine was awarded with the Freedom of the City of London in recognition of a long and successful career working in the heart of London's financial centre. Mr Caine was born on the Island and educated at King William's College in Castletown, before studying mathematics at Cambridge.

Caine spent 20 years working as a stock broker for a well-known firm which is now part of UBS. He then worked at the London Stock Exchange itself for 12 years, the last nine years of his time there being spent in charge of handling complaints from the public.

On receiving the award, Mr. Caine said "The Freedom of the City of London is one of London's oldest traditions. I have worked in London's financial centre all of my professional life so to be recognised in this way is a great privilege".



Pictured: Phillip Caine at the signing ceremony