

Statement to Tynwald by Chief Minister Allan Bell MHK

On Government's Priorities, 16 October 2012

Madam President . . .

This Honourable Court entrusted me with the role of Chief Minister a year ago.

I promised Tynwald and the people of the Isle of Man that I would lead an open and collaborative government.

I promised that Government would focus on three main priorities: stimulating economic growth, rebalancing Government finances, protecting the vulnerable.

In the year since then, Government has:

examined how it will meet the targets of our four-year budget plan;

initiated policy reviews;

sought the public's views through consultations and community meetings;

assessed external factors that impact on the Isle of Man's economy;

built partnerships with our local business community;

strengthened relationships with our political neighbours;

implemented an international marketing programme.

In keeping with my commitment to openness, I am beginning this new session of Tynwald with a statement setting out Government's priorities for the future.

But first, it is important to remind ourselves of our current economic position as we plan for that future.

Not long after this government took up its responsibilities, the Treasury Minister presented his Budget for 2012 -13, not taking a slash and burn approach, but a steady and careful approach to reducing expenditure over a four-year period.

. . . fair, equitable and sustainable, spreading the burden as widely as possible but recognising that the vulnerable should be protected . . .

I believe this measured approach is broadly accepted. Confidence in the economy is being maintained.

The economy is continuing to grow.

The most recent National Income Figures show the Island's economy overall delivered real growth of 3.4% in 2010-11, up from 2.1 % the previous year.

Given the economic uncertainty we see in the United Kingdom and Europe, this is a significant achievement although I acknowledge that some sectors of our domestic economy are struggling.

Our business community and our Island workforce deserve to be congratulated on the outcome of their efforts.

The Island's overall unemployment rate remains low at 2.3%, with nearly 500 more people in work in June 2012 than in the previous June.

Since April this year, 250 new jobs have been created to take advantage of the National Insurance incentive announced in February's Budget.

The finance sector, at 35% of our Island's GDP, continues to be an important contributor to the Island's economy.

The e-gaming sector, with almost 50 licence holders, now provides nearly 8% of our GDP.

Our space and manufacturing sectors make significant contributions to the economy as well as to international awareness of the Isle of Man.

It is expected that Island-based company turnover in the space sector will exceed £1.7 billion during the next three years.

Our engineering and manufacturing sector employs nearly 1,500 skilled workers. It has an annual turnover of £190 million and a local spend of almost £27.8 million.

Our specialist registries are earning international recognition for their high-quality services.

The Island's Aircraft Registry has more than 500 aircraft and has been voted the "Best Aircraft Registry in the World" by global aviation lawyers.

The Shipping Registry has achieved the top place in the Industry's Flag State Performance table for the past two years.

And it continues to sign up new clients and ships, including four of the largest vessels in the world.

We can be proud of our diverse economy, of our robust and innovative sectors and the skills and talents of our workforce,

-- all factors which contribute to our long-term priority of growing the economy.

Honourable Members,

What I am highlighting today are Government's key priorities for the future.

My colleagues in the Council of Ministers will be discussing with you, in the months ahead, how we develop and take forward these key issues.

Delivering what is best for the long-term future of the Island and its people has its challenges.

We are facing some hard choices.

We are addressing the changing economic and social nature of our Island.

We are making difficult decisions to ensure the sustainability of Government finances.

The Isle of Man's economic well-being is highly dependent on its relations with other nations.

If we are to safeguard our national future, Government must put international considerations at the heart of its work.

International bodies such as the IMF, OECD and FATF commend the Isle of Man for its compliance with international regulatory standards.

As a small nation with a competitive tax regime, we continue to be subject to external pressure and scrutiny.

That's not surprising when the global financial crisis has meant higher taxes and drastic cuts to services in many countries.

Right around the world and across the political spectrum leaders see a fundamental shift in public opinion.

The morality of legitimate tax planning is being questioned and the dominant view is that some people and companies are not paying their "fair share" and that this must change.

This change in attitude is being played out in the media, on the streets of capital cities, and in political actions that we ignore at our peril.

The G20 and OECD are actively advocating a shift away from exchange of tax information on request to automatic exchange of information as the new global standard in international tax co-operation.

The European Commission is expected to progress a second European Union Savings Directive soon to close existing loopholes and prevent tax evasion.

The American Foreign Account Tax Compliance Act, better known as FATCA, will require the automatic collection and sharing of tax-related information with the US authorities.

And it is likely that other nations will look for similar arrangements in the future.

We need to respond to these changes, not simply because it has been our long-standing policy to meet established international standards, but because a failure to do so will damage our economy in the medium to long term.

And so, as was announced last week, the Council of Ministers has agreed we will negotiate an Inter-Governmental Agreement and an amended Tax Information Exchange Agreement with the United States of America.

When the negotiations have been completed, I will of course bring this back to Tynwald.

A priority for the future must be to continue our constructive international engagement; to be viewed as a highly competitive jurisdiction with a good tax treaty network, with tax and regulatory regimes that continue to meet international standards and are not harmful to our trading partners, whilst maintaining a sustainable, diverse and growing economy and protecting the Island's own interests.

In this changing international environment, and knowing that we can no longer afford to provide the extensive portfolio of public services in the manner to which we have become accustomed, Government remains committed to stimulating economic growth, rebalancing its finances and protecting the vulnerable.

But determining how we do this will require us, as a nation, to face some hard choices together.

This is why we have been open to the views of the public on such issues as our tax strategy, reform of the social welfare system and the Scope of Government.

In aiming to achieve the objectives I set for this Government a year ago, the Council of Ministers has identified five areas for action:

in taxation and revenue,

in the management of our economy,

in social policy, especially to protect the vulnerable,

in the environment and infrastructure that support business and the community,

and finally, in the way Government runs itself, delivers its services and deals with the public.

Turning first to our priorities in Taxation and Revenue:

We are making good progress in meeting the rebalancing plan outlined in the Treasury Minister's 2012 Budget.

Three-year-budgets have been set for each Department to ensure that the fiscal deficit is reduced in a controlled manner, in line with the projections outlined in February.

Next year's deficit will be in line with budgetary predictions, and I remain confident that we will return to a balanced budget in 2015-16.

In December, Treasury will bring forward our revised tax strategy to Tynwald.

It will seek to create an income tax and national insurance system that is fair, simple to comply with, simple to administer and maintains the Island's competitive position.

The structure for determining rateable values for taxes on property requires reform.

By the end of this administration we will have introduced a fairer and more consistent approach.

We are determined that the "user pays" principle should apply for certain services from both local and central government.

We will identify such services within a year and implement these changes within two years.

Looking now at our priorities for managing the economy:

Further development and innovation of our diversified economy is vital to the success of our Island.

So let me tell you what we plan to do to make this happen . . .

We will endeavour to create the environment to foster growth and with it, jobs for our people.

We will help young people to find meaningful employment to give them hope and confidence in a future on our Island.

Government will support local businesses to promote the Island in target markets and will reduce bureaucracy for small and medium sized businesses, wherever possible.

We will re-energise the Island's ability to innovate and create new industries.

We will forge new relationships with target countries and business partners.

We will simplify the Work Permit system in order to align it to economic and population growth whilst protecting vulnerable sectors and individuals.

Looking at Government's priorities for Social Policy:

The Council of Ministers sees the continuing health, welfare and safety of our community as fundamental to our quality of life.

Government is committed to educating and developing our young people so they have the skills they need to be able to contribute fully to our society and our economy.

We are also committed to ensuring the safety and protection of all our children, taking into account the needs of the most vulnerable.

We recognise that the way we currently provide social welfare is no longer sustainable and needs to be reformed, so we have initiated a wide-ranging review, and held well-publicised consultations.

It is our intention to bring the issue to Tynwald for debate in December.

We will ensure scarce public resources are targeted to those in greatest need, being careful to assess, fairly and consistently, an individual's needs and ability to pay.

The present system of universal benefits is no longer sustainable.

As a result, the Department of Social Care will introduce means-testing for Universal Benefits, in particular child benefit, from 1st April 2014.

We will define those services which are universal to all and ensure they are high quality while being realistic about what we can afford.

We will aim to maintain key public services free at the point of delivery.

Our strategy will be to encourage self-reliance.

We will provide better support to enable people, including the long-term unemployed, to move away from a culture of dependency.

One of our greatest challenges is to respond to the opportunities and obstacles posed by rising life expectancy.

How the Island responds to the changing age demographic will define the shape of the Island for many years to come.

The commissioning of a review to examine these issues will be announced shortly.

We have already taken steps to protect the combined value of the basic state pension and the Manx Pension Supplement, a move especially important in the face of suggested changes to the UK pension provisions.

In April this year we introduced the new Government Unified Pensions Scheme to ensure sustainability for taxpayers and consistency of provision for pensioners.

Congratulations must go to the hardworking team, on all sides, who delivered this project which has been recognised for its innovation and excellence with a prestigious UK award.

Following extensive review and a public consultation on our housing strategy, we will make recommendations to Tynwald in 2013 that will bring fairness and affordability to public sector housing and first time buyer assistance, and provide a sustainable housing policy for the future.

One of my first actions as Chief Minister was to call for an overall package of reform to modernise the Island's Criminal Justice system.

A strategy providing a streamlined and efficient Criminal Justice system will be presented to Tynwald in December.

Also a year ago, I also commissioned an external examination of the structures, ethos and working practices in H.M. Attorney General's Chambers, with particular reference to its prosecution responsibilities, and sought recommendations for strengthening its cohesiveness and improving its performance.

This work has now concluded and all the recommendations are being systematically implemented.

I will be distributing an Executive Summary of the recommendations to Members shortly.

Turning to the Government's priorities on the environment and the Island's infrastructure:

We must provide an Island infrastructure that enables people to live, work, travel and to enjoy a good quality of life.

It must also provide the support which new and existing businesses need to flourish.

Another priority is to ensure that the Island's transport links are protected.

So it is our intention to review the Steam Packet User Agreement by March 2014 and start work on renewing the link span in Douglas Harbour by 2016.

It is our current plan that the Open Skies policy will be reviewed and we will report to Tynwald by June 2013.

Capital construction schemes that further develop our infrastructure and support economic development, as well as assist our currently depressed construction industry, will continue to be given priority.

Our commitment to Government's Town Regeneration scheme is ongoing and we aim to provide stronger support to local agencies to ensure dilapidated properties are repaired and improved.

We will continue to develop the policy, legislation and regulation surrounding planning to further support economic development.

This will include a review of the all-Island Strategic Plan.

It also expected that the Communications Commission will introduce legislation to develop an innovative and modern telecommunications and broadcasting sector on the Island which will support further economic development.

Of course, we must use our natural resources sustainably and ensure we respond to the global challenges and opportunities which food security, energy security and climate change present.

Work has commenced on a long-term marine spatial plan to guide future use of our territorial seas.

We will report on proposals for sustainable ways to reduce the cost of energy for businesses and consumers in the medium to long term, including options for renewable energy use and the refinancing of the MEA.

We will actively support local food businesses, and by the end of 2013 we will develop a realistic strategy for food security in the Isle of Man.

An extensive review of the Island`s local government structure has been ongoing for several months and the Council of Ministers expect to receive an interim report in December outlining possible options for modernisation.

I am grateful to those who have put a great deal of effort and thought into this much-anticipated exercise.

In providing the Isle of Man with good government:

Government is too large and cannot be expected to provide for every service requested, as it has in the past.

The Council of Ministers must lead the cultural change and do this in partnership with our staff, the Trade Unions, our business community and the Third Sector.

As part of this new direction, the Civil Service Commission will take on a broader role which reflects its expertise in Human Resources matters.

The Commission will become the agent for the Council of Ministers in respect of the development of, and consultation on, HR policies and procedures across both the public service and the civil service.

It will also have responsibility for oversight of the work of the Office of Human Resources, to ensure improved governance for the work which the Office performs on behalf of Government employers.

I believe that both these changes will help to improve the way we manage our staffing resources and provide the foundations for the future.

Our vision for smaller, simpler Government is based on providing essential services in a sustainable, cost-effective and efficient manner, using new options for service delivery where appropriate.

This work is being led by our Transforming Government Group.

It is disappointing that there has been resistance in a number of areas where change is being proposed.

It is my intention to restructure this Group and give it stronger and more focussed political leadership to remove those barriers and provide a more streamlined delivery of public services – which we all seek.

We will strive to contain Government's employment costs for the next three years.

We will reduce government bureaucracy wherever possible and improve transparency by routinely making more information available in anticipation of the introduction of Freedom of Information legislation.

We will improve customer service and reduce administrative costs.

I believe that the Annual Report we are all familiar with is no longer fit for purpose and so I am driving forward a new approach.

We will report to the public on our corporate performance, through an easily accessible and dynamic public website which I expect to clearly show the Government's priorities, values and targets, as well as regular performance reports against those targets.

This will allow the public to clearly see where this Government is targeting its resources, what we are trying to achieve at a national level, what we are achieving, how we are measuring performance, as well as areas where we are not performing.

We expect to launch the website early in the New Year.

Although this is a significant step forward, representing a major change across government, it may take some time for information from all departments to be included.

I want to thank everyone who contributed to the robust public discussion on the Scope of Government Report and I want to assure contributors, from whatever source, that the Council of Ministers is considering all suggestions in the process of identifying a workable new structure.

I expect to bring this matter back to Tynwald for further debate in the near future.

To support Government's overall objectives, the Council of Ministers has identified a number of Bills it wishes to introduce in this parliamentary year.

Honourable Members will have been informed about these in this morning's written response to a question from the Hon Member from Onchan, Mr Hall.

The response will also be published on the Tynwald website where members of the public will be able to see it.

In addition, we remain committed to our ambition to remove outdated and redundant legislation and introduce a "one in, one out" policy, wherever possible.

In 2008 the world changed and we must recognise that all our old certainties have to change with it, if we are to ensure a stable future for our Island and our people.

Choices taken during the life of this Government will define the basic principles of fairness, social justice and economic sustainability that will shape our society for decades to come.

I believe that our three guiding priorities of rebalancing public finances, stimulating economic growth and protecting the vulnerable are essential to deliver that long term ambition.

To achieve that, as I have said on many occasions, I cannot support a slash and burn approach to Government services and finances as favoured by some.

Indeed this approach is now being heavily criticised by many world economic commentators as being the cause of increased social and economic instability.

The Isle of Man is a small community and to achieve the changes we have to deliver requires a well-informed, well-researched and constructive debate, avoiding the demonization of any section of our community in the process.

I am aware that some people, including some Honourable Members, believe that we should be moving more quickly towards the implementation of change. Whilst I am sympathetic to those views, I must stress that a great deal of hard work is taking place across Government to prepare the way for change.

The Council of Ministers is currently preparing a more detailed statement for Honourable Members. It will form the basis of a wide-ranging series of policy debates, starting from next month, both in this Honourable Court and in more informal sessions, such as we had when we considered the Scope of Government report.

Your input into policy development, through these opportunities, will be vital.

Honourable Members, we have embarked on the most fundamental reform of Government's relationship with our community for at least 25 years.

Our Agenda for Change will cover at least the lifetime of the current administration and probably beyond. The issues which I have touched upon today are only some of the challenging and possibly painful issues we will have to consider during that period.

As Chief Minister, I do not have all the answers and so it is vitally important for us all to put partisan and parish pump politics behind us and work together to deliver the sustainable and cohesive future our Island community deserves.

We have all had twelve months to settle in and understand our various responsibilities.

Now, the hard work to deliver our Agenda for Change begins.