

**REPORT OF PROCEEDINGS OF
HOUSE OF KEYS**

**Douglas, Tuesday, 22nd June 1999
at 10.00 a.m.**

Present:

The Speaker (the Hon N Q Cringle) (Rushen); Mr L I Singer and Hon A R Bell (Ramsey); Mr R E Quine OBE (Ayre); Mr J D Q Cannan (Michael); Mrs H Hannan (Peel); Hon W A Gilbey (Glenfaba); Hon S C Rodan (Garff); Hon D North (Middle); Mr P Karran, Hon R K Corkill and Mr G T Cannell (Onchan); Messrs J R Houghton and R W Henderson (Douglas North); Mr A C Duggan (Douglas South); Mr R P Braidwood and Mrs B J Cannell (Douglas East); Messrs J P Shimmin and Hon A F Downie (Douglas West); Hon J A Brown (Castletown); Hon D J Gelling (Malew and Santon); Sir Miles Walker CBE LLD (hc), and Mrs P M Crowe (Rushen); with Prof T StJ N Bates, Secretary of the House.

The Chaplain took the prayers.

Apologies for Absence

The Speaker: Hon. members, we have apologies this morning from the hon. member for Douglas South, Mr Cretney, who is away on government business, and the hon. member for Garff, Mr Rodan, who is attending a funeral and will be joining us later this morning.

Parish Walk – Congratulations to Participating Members

The Speaker: Hon. members, last Saturday morning, in a gentle shower of rain, some 600 people left the Villa Marina at the start of the annual Parish Walk. The gentle rain developed into driving rain, mist and strong wind, and this morning I am happy to report that the team of four hon. members all completed the 32¹/₂ miles to Peel and I personally congratulate Mr Cretney, Mr Braidwood and Mr Henderson who, as newcomers to the event, at least attained eight parish churches in atrocious conditions.

Members: Hear, hear.

European Integration – Preservation of Manx Autonomy – Question by Mr Cannan

The Speaker: Hon. members, we turn then to our order paper and, item 1 on the order paper, I call upon the hon. member for Michael, Mr Cannan.

Mr Cannan: Mr Speaker, I ask the Chief Minister:

Following the results of the election of the European Parliament will you strengthen your policy to preserve the autonomy of the Isle of Man by further distancing the Island from European integration, and advise the Secretary of State for the Home Department accordingly?

The Speaker: I call upon the Chief Minister to reply.

Mr Gelling: Mr Speaker, I see little point in trying to pretend that the European Parliament does not exist and, far from seeking to distance the Island from Europe, we are endeavouring to build relationships to improve the collective understanding of what the Isle of

Man stands for. We suffer most from ignorance and find that when we speak directly to people from the European Parliament they are certainly receptive and interested.

In particular, since the recent elections to the European Parliament, I have written to those members who we have met on a regular basis in the past and all those from the north-west of England, congratulating them and providing them with more information about the Isle of Man. It would be my hope that we will establish a friendly and constructive relationship with all of those members during their terms in parliament, Mr Speaker.

Mr Cannan: I thank the Chief Minister for his answer, but will the Chief Minister agree that the current events within the European Union do threaten the autonomy of the Isle of Man, as evidenced by the Second Interim Report of the Code of Conduct Group on Business Taxation which is chaired by the UK Paymaster General, Miss Primarolo, and does the Chief Minister have a copy of that report and, if so, will he provide members with a copy?

Mr Gelling: In reverse order, Mr Speaker, no, I have not a copy of that report. It is restricted, it is confidential and we have asked on several occasions and we do not have a copy of it, although I do know it was being quoted from at a seminar in Dublin by a firm of accountants, but certainly we have not that full report.

Secondly, the hon. member for Michael refers to the EU. We are under threat all the time. Every time we go to any of these meetings we hear about new enquiries or people making enquiries about offshore jurisdictions. Now, I see the EU actually less enquiring than, for argument's sake, the OECD, of which we are a member, so these are threats that are there all the time but I think we have to continue with being able to inform the people about the Isle of Man because I am quite sure a lot of it is perception. They do not quite understand the situation of the Island vis-à-vis the United Kingdom and of course we get this confusion about tax harmonisation and what that really means. Of course, it is not tax harmonisation in the terms of all of the members being of the same harmonised tax; it is a code to which they are looking at different jurisdictions to see what they believe is an unfair advantage or an unfair tax. Now, I believe that the Isle of Man will be able to defend the position the same as we did with Edwards, sir.

Mr Cannan: A further supplementary, Mr Speaker. Can I ask the Chief Minister, how can the second interim report of the Code of Conduct Group, as I have mentioned, be considered confidential when in fact it can be obtained on request, by a telephone call to the European Council, and at this present time is currently circulating within the United Kingdom? The report is not marked 'confidential', and therefore why is the British Government restricting the Isle of Man Government official access to the report when certain individuals can, with a telephone call, obtain a copy?

Mr Gelling: Mr Speaker, well, I think we will all be better informed, and certainly I will after today, because Dawn Primarolo will be appearing in front of a select committee in the Parliament of Westminster to answer that very question, because she is being questioned by Members of the Parliament of Westminster as to why they cannot see a copy of this report also, sir.

The Speaker: A final supplementary, the hon. member for Michael.

Mr Cannan: Can I ask, the standing committee on Finance and External Relations, that is the all-party standing committee of the House of Lords, is indeed meeting this afternoon, and can I ask the Chief Minister, is he aware that the chairman and every member of that select committee has been given a copy of the second interim report? Can I ask the Chief Minister, as it is a public session, is a representative of the Isle of Man there as an observer and, if not, why not?

Mr Gelling: Well, first of all certainly I would assume that the committee will have a copy of it now, seeing they are going to ask questions to the lady. Secondly, we have no observer there but certainly we will be kept informed because we were only at the Home Office last Friday, we were updated with the situation then and no doubt we will be updated even further after this meeting today, Mr Speaker.

Mr Cannan: A final supplementary, with your permission, Mr Speaker.

The Speaker: I did indicate that the last one would be the final supplementary, sir.

Sulby – Investigation into Flooding – Question by Mr Quine

The Speaker: Item 2, I call upon the hon. member for Ayre, Mr Quine.

Mr Quine: Thank you, Mr Speaker. I beg leave to ask the Chief Minister:

- (1) Has an investigation been conducted into the cause or causes of the severe flooding which took place in Sulby on 24th October 1998;*
- (2) if so, who conducted this investigation;*
- (3) will a report on the incident be published and made available to the public;*
- (4) if so, when will this take place; and*
- (5) if a report is to be published and made public will it provide a full account of the facts and circumstances?*

The Speaker: Again, I call upon the Chief Minister to reply.

Mr Gelling: Yes, Mr Speaker, in answer to the question, the Department of Transport has been asked to report on the flooding that occurred on 24th October 1998, and that report will deal with several locations but will obviously include Sulby.

I understand that the Council of Ministers should receive the report very shortly and until we have the report I am unable to comment, obviously, on its contents. The handling of the report, including whether it should be made public, will be decided by the Council of Ministers.

Mr Quine: Can the Chief Minister confirm that, in accordance with the Department of Transport press release, that investigation will embrace the causes of the flooding, and would he be so good as to give a commitment to this hon. House today that those causes will be made public?

Mr Gelling: Yes, Mr Speaker, I do not think I have any problem. As I say, we will receive the report, the Council of Ministers will make the decision on what happens to that report but it will only be if the report includes speculation or judgements. If I could take on board what I said to the hon. member in the question in another place last week, if indeed we are legally told that this would affect government's position, but I see no problem with it as long as it is a

factual report on all the items that the hon. member has asked about - in other words, what is the cause, can we ameliorate this for the future so that it will not happen again?

Mr Quine: Can the Chief Minister advise whether or not this report is a matter that is going to be discussed with government's insurers with a view to ensuring the insurers' interest vis-à-vis any incurring of liability and that, with the possibility of an insurance provision being breached, can he advise us whether those matters have been discussed with the insurers before this report has reached this stage even?

Mr Gelling: Again, Mr Speaker, having not read the report, obviously I am not aware of the final contents of that report but I would suggest that in all cases, if it is seen that there is a possibility that it might in fact affect our insurers, I would suggest that they would be informed, which is the normal practice.

Mr Quine: Why has this report not been carried out by an independent party? After all, the Council of Ministers have commissioned the Department of Transport, but they have statutory responsibilities; they are one of the parties against whom accusations have been made, so why have we not have an independent investigation into this?

Mr Gelling: Mr Speaker, the purpose of the report was to establish the facts and to see if there are any actions which can reasonably be taken to reduce the possibility of future flooding and adverse consequences for people living in vulnerable areas. Now, when I say that I mean all areas of the Isle of Man, because we know that there was torrential rain at that time and flooding took place in many places within the Island. The aim of the report was not to try and find someone, for argument's sake, within government who we could blame; it was to try to get the facts of the case. Now, this was set up by the Council of Ministers to do just that: to see if we could find out what happened, why it happened and perhaps what we could do in the future that would save the flooding again if we got such torrential rain.

The Speaker: A final supplementary, hon. member for Ayre.

Mr Quine: Would the Chief Minister not agree with me that we seem to be going away from what was made public in the first instance? In the first instance what was made public was that this investigation was going to address the causes. I do not see how you can address the causes without looking at the responsibilities that are attached to different parties. If the Chief Minister is now saying that all we are going to do is broadly identify areas for improvement, that is a totally different proposition and quite clearly this government report is not going to address the wider public concerns.

Mr Gelling: Mr Speaker, obviously the report was asked for to see if we could find out why the flooding happened. Now, that does not mean to say it is not looking at the causes, but it could very well be, I would suggest, with the torrential rain we had at that period that those causes were something that happened due to, as it is often called, an act of God; it was not anybody's fault, nobody had done anything to cause the flooding. Therefore, obviously, that is what we want to look at, to see whether it was so unusual and whether or not this flooding could possibly happen again, as maybe the climates change. I do not know. This is something which I look forward to reading in the report and I cannot comment, therefore, on what perhaps were the causes, whether indeed there were any causes. It could just as well have been, as I have suggested, an act of God, sir.

TT Races – Associated Events – Future Planning – Question by Mrs Cannell

The Speaker: We go on to item 3, hon. members, and I call upon the hon. member for Douglas East, Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker. I beg leave to ask the Minister for Tourism and Leisure:

- (1) *Are you satisfied with the associated events organised by your department during this year's TT races; and*
- (2) *will you undertake that the department will invite representatives of interested parties to planning meetings for such events in the future?*

The Speaker: In the absence of the minister, I call upon the member for the tourism and leisure department, the hon. member for Onchan, Mr Cannell.

Mr Cannell: Thank you, Mr Speaker. Before answering the hon. member's question, I would like to convey the department's thanks and appreciation to all those involved in helping make this year's TT such a successful event. The dedicated services of so many people play an important, vital and integral part.

With regard to the question raised, the successful strategy of the Department of Tourism and Leisure over recent years has been to enhance the festival atmosphere by providing entertainment for visitors and locals alike during the TT race period. The department is more than satisfied with the associated events organised with help from the department this year which included motocross, beach races, sprints, trials, a vintage rally, the Suzuki village, the Honda parade, et cetera. As has always been the case, these events are organised with specific audiences in mind. In particular the screen, opposite Bushy's beer tent on Douglas promenade, was specifically aimed at the bikers while the Red Arrows and the fireworks displays were more likely to appeal to visitors and locals. The department was delighted to promote, either individually or in partnership with others, each of these excellent attractions.

The entertainment zone was held on the North Quay over seven nights and the department has had a very positive feedback over the quality of the entertainment. It was estimated that over 40,000 visitors attended over the total period and the event went ahead without major incident even on the busiest night, which was Sunday. As a further supplement to the overall entertainment package, Summerland provided nightly entertainment from the Monday to the Friday of TT week and the Gaiety Theatre from the Thursday of practice week to the Friday of TT week. Both sites complimented the entertainment provided elsewhere in that they were indoors and provided race fans with the necessary element of choice. In total, it represented a tremendous range of entertainment to suit all tastes, aimed at reinforcing the fine reputation enjoyed by the department for providing a fun environment.

As I have previously stated, my department undertakes an annual appraisal of the TT event following its completion. This appraisal includes the entertainment organised and provided by the department, the conclusions of which impact on the decision-making processes for the forthcoming year. In principle, the department has no difficulty with inviting representatives of interested parties who are able to make constructive contribution to planning meetings for such events in the future. However, the appraisal process has not yet been completed and I am therefore unable to provide an indication as to whether this will be

necessary. Communication with interested parties, including local authorities, Tynwald members, various organisations and individuals has already commenced but if any member of the public has a view on the overall entertainment package provided, or any specific element of the TT promotion, the department would be delighted to receive written comment at the Sea Terminal, preferably before Friday, July 3rd.

Mrs Cannell: Mr Speaker, I thank the hon. member for his reply, but can I ask him whether or not the department has any plans to hold future entertainment zones within Douglas, and can he advise, if they are thinking of doing so, where that is likely to take place in the future? Can he also further advise where he got his figure of 40,000 visitors to the entertainment zone from and in fact who undertook a count - or was a count undertaken?

Mr Cannell: Yes, Mr Speaker, I can confirm, as I have just said, that the department will take into consideration all aspects of the TT promotion, and one of those will, of course, be the peripheral entertainment such as street parties. No decision has been reached as yet. All the advice will be considered before a decision is made and that would, of course, include its location were one to be promoted in the year 2000.

As regards the estimates of the numbers attending, like any other estimate, of course, these are done on an ad hoc basis which provides you with a figure in the same way that television audiences are estimated. It is not a case of standing there counting every individual, but over a seven-night period, it would be fair to say that that is a reasonably accurate figure.

Mr Duggan: Mr Speaker, could I ask the member, does he really think the street party was value for money, because the nights I was down there there were certainly very few people?

Mr Cannell: I think, Mr Speaker, that the street party was immense value for money because there was no admission charge. The entire promotion admittedly was done at the taxpayer's expense as part of the TT promotion but nevertheless provided perhaps a little bit of a quieter scene than was envisaged but nevertheless satisfied a great need for those who do not wish to get involved in the hurly-burly of the big entertainment at Bushy's. In other words, it provided something of a haven for the families and for others who wanted to be part of the TT but did not necessarily want to get quite into all the smoke, rubber and beer at the Jubilee Clock area.

Mr Henderson: Mr Speaker, I have two interlinked supplementaries. The hon. member has mentioned that the consultative period for public comment ends in a week's time. Does he not think that is too short for members of the public to enter some sort of constructive comment? And further, he mentions consultative process but has failed to give any assurance that any interested businesses in the North Quay area, if that is going to be the chosen area for next year, would be taken into the consultative process, because I believe they would be able to offer very valid and well constructed ideas and comments.

Mr Cannell: Mr Speaker, the period of consultation is regarded as being too short. That is not a date which is set in stone; I am sure it could be extended a little. However, we would be mindful in the department that the claim was before, of course, that there was insufficient notification of the promotion of events, so obviously, if we are to have all the information from this year's and decide on future strategy, the earlier the better to satisfy members' interest in that regard.

Regarding the consultative process for the persons on North Quay, I am sure they were delighted that none of the doom and gloom which it was forecast would occur in that area, came about. We will be delighted to take their views when the department considers whether that venue would be the location for any street party for the 2000 event.

Mr Singer: Would the hon. member take back his statement - because it was incorrect - that television audiences are almost guessed? In fact, they are done on a scientific basis, and would he accept that it is done on a scientific basis by monitoring television sets and telephone calls, and that in fact the department's figure of 40,000 is a guesstimate to suit the department's decision to justify the street party being on North Quay?

Mr Cannell: Mr Speaker, I do not see any correlation between the figure of the numbers attended and the particular venue. I am sure that the same figure would have applied whatever the location within reason. I will not take back anything regarding the TV. I never mentioned for a moment the word 'guessed'. I said that it was done on a similar system to TV, where a random sample is taken and multiplied up. That is a common practice, that is the way many surveys are done and therefore it is a reasonable estimate to say that that was probably around the figure, bearing in mind that is the total count for the entire week's promotion.

The Speaker: Hon. members, we are not going to get into a debate on how television audiences are justified at all. The hon. member for Douglas East, Mr Braidwood.

Mr Braidwood: Thank you, Mr Speaker. Can the member confirm, after his department has completed its in-depth analysis of the organised events, particularly the street party, will the report be made available to the elected representatives of the area?

Mr Cannell: Yes, I see no reason why a report on the particular activities of that direction cannot be made available to the elected representatives for the area in which that particular element of the promotion was organised, and there are certain areas of the TT which are, of course, confidential to the department, in that certain financial aspects might not be available. But I can broaden it out to say that if any elected representative, or indeed those who are not elected but are members of Tynwald, wish to have a copy of any information in this regard, then that could, I am certain, be provided at an early juncture.

The Speaker: I return to the original questioner for a final supplementary. The hon. member for Douglas East, Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker. With regard to those who are interested - and indeed elected members are interested in this particular issue, would the hon. member take it up with his minister and put it to him that it might be very constructive to actually invite the elected members, those who do have an interest in this subject matter, to meet with him at his department, with his Chief Executive and other officers, in order to have a very constructive input into the report prior to its publication?

Mr Cannell: Yes, Mr Speaker, as I gave an answer at a previous sitting of this hon. House, I did give that assurance, answering on behalf of the minister on a previous occasion, that there would be no objection whatever to the representatives for particular areas where promotions are concerned to be invited along for that element, though I would not go as far as saying that they should have actually the last say in it. They can certainly have the opportunity

to present their views, as indeed, of course, the hon. member requested when the street party was held at the Summerland end of the promenade on a previous occasion.

Hotels and Guesthouses – Appeal against Deregistration – Question by Mrs Cannell

The Speaker: Item 4, hon. members. Again I call upon the hon. member for Douglas East, Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker. I beg leave to ask the Minister for Tourism and Leisure:

- (1) *Is there a procedure for appeal against a decision to withdraw the registration of an hotel or guest house; and*
- (2) *if not, why not?*

The Speaker: Again, I ask the member for Tourism and Leisure, the hon. member Mr Cannell from Onchan, to reply.

Mr Cannell: Yes, Mr Speaker, the answer to this is that under section 15(2) of the Tourist Act 1975, any person aggrieved by a refusal of the department to register any land as tourist premises or the cancellation of the registration of any tourist premises may appeal to the Tourism Appeal Tribunal through the clerk to the tribunal in the Chief Minister's Office. The conditions to be upheld in such circumstances are referred to in schedule 2 of the Tourist Act 1975.

Mrs Cannell: Mr Speaker, would the member not agree with me that in order to lodge an appeal a proprietor first has to receive written notification from the inspector who underwent the annual inspection of the premises to confirm the deregistration of the premises and, indeed, that has to be met first before an appeal can be lodged?

Mr Cannell: Yes, Mr Speaker, I think that is a reasonable request. I do not see how any appeal can be mounted without the justification for declining or accepting any appeals in anything, not just this particular area of legislation, and I would think that anybody who would mount an appeal would, of course, have any right to approach anybody who was giving written reasons for judgement.

Mrs Cannell: Mr Speaker, if the member can help here, why then, when a proprietor underwent an inspection that was carried out on Thursday, 27th May of this year, has he still not received written clarification on the reasons for deregistration by the department from the inspector? Can he answer why that is? And could he also explain why it is that, when an official appointed by the department goes out to inspect such premises, they defer any decision or any advice that they may give until their return to the office and then follow it up in writing? Does he not agree with me that it is most unprofessional for an inspector working through the Department of Tourism to go and visit a proprietor, undergo an inspection and then tell them simply, 'I think you should deregister. Sign the form here, otherwise you cannot trade.' Does he think that is very professional?

Mr Cannell: Mr Speaker, I am not aware of the individual circumstances of the case the hon. member refers to but I can undertake to look that up and give her the response she seeks. But certainly in the case of any judgement made by any inspector in this field or any other, it is certainly not unusual for a decision to be deferred until the particular gentleman or

lady has gone back to the office to consult others and also to look up the relevant files and take every aspect into consideration. Even in High Courts judgments are often deferred for just such reasons, sir.

Procedural

The Speaker: Hon. members, I call upon the hon. member for Douglas North, Mr Houghton.

Mr Houghton: Thank you, Mr Speaker. I beg leave to move:

That standing order 43(2) be suspended to enable the remaining questions tabled for oral answer at this sitting to be put.

Mr Singer: I beg to second, sir.

The Speaker: Are we agreed, hon. members? Those in favour please say aye; against, no.

A division was called and voting resulted as follows:

For: Messrs Gilbey, Cannan, Quine, North, Sir Miles Walker, Mrs Crowe, Messrs Brown, Houghton, Henderson, Duggan, Braidwood, Mrs Cannell, Messrs Shimmin, Downie, Singer, Karran, Corkill, Cannell, Gelling and the Speaker - 20

Against: Mrs Hannan and Mr Bell - 2

The Speaker: Hon. members, the vote is 20 for and 2 against. We therefore continue with our order paper.

Street Traders (Amendment) Act 1988 – Exercise of Available Powers – Question by Mr Henderson

The Speaker: Item 5, hon. members, and I call upon the hon. member for Douglas North, Mr Henderson.

Mr Henderson: Thank you, Mr Speaker. I beg leave to ask the Minister for Trade and Industry:

Has any local authority exercised the powers available under the Street Traders (Amendment) Act 1998?

The Speaker: I call upon the Minister for Trade and Industry, the hon. member Mr North, to reply.

Mr North: Mr Speaker, the Street Traders (Amendment) Act 1998, which came into force on 12th April this year, made a number of amendments to the Pedlars and Street Traders Act to enable all local authorities to regulate the carrying-on of trade by itinerant traders on open spaces adjoining designated streets. Under the Act, a local authority must, among other things, seek the consent of the Department of Trade and Industry before an order, designating a street from which there is access to an open space can be submitted to Tynwald for approval. I can confirm to the House that to date no local authority has made application to the department for consent to make such an order.

Mr Henderson: Mr Speaker, I thank the hon. minister for his answer, but does he have any knowledge as to why such new powers of this Act have not been exercised, given the undue proliferation of mobile traders during this year's TT?

Mr North: Mr Speaker, the department wrote to each local authority at the beginning of February this year, giving notice of the department's intention to make the appointed day order specifically so that they would have sufficient time to act prior to TT if they so wished. Now, the power of local authorities to make bye-laws in respect of street traders is contained in section 30 of the 1906 Pedlars and Street Traders Act. This is not a matter which the Department of Trade is involved with.

Mr Henderson: Mr Speaker, a further supplementary. In that case, has the hon. minister any knowledge at all if possibly the Attorney General has been requested by a local authority to assist in the drafting of any such orders or bye-laws?

Mr North: To my knowledge, Mr Speaker, I do not know whether any local authorities have actually requested information from the Attorney-General. The provision of licences to traders is a matter for the local authority under powers, as I have said, obtained in the 1906 Act, and those contain provisions to deal with unlicensed trading. The Street Traders (Amendment) Act was introduced in order to extend this control to specified open spaces adjoining streets, and Tynwald has given the local authority the power to deal with such problem and it is up to them to decide what they want to do.

Mrs Cannell: Mr Speaker, would the minister not agree with me that there has been a failure on the part of the local authorities in relation to making a bye-law in order to be able to charge for the issue of a licence under this particular Bill, and would he also not agree with me, or is as knowledgeable as I in relation to this matter, that the first request did come from the Douglas Corporation in relation to tightening up legislation to include private land because of the problems with mobile traders and that, given that Douglas Corporation is the largest local authority on the Isle of Man, does he not consider that they have indeed failed abysmally in relation to this?

Mr North: Mr Speaker, I am aware that the request for this legislation did come from Douglas Corporation originally but I think this is a matter which the hon. member interested in this might wish to take up with the Minister for the Department of Local Government and the Environment and see what is actually going on from his side, but it is a local authority matter.

Mrs Crowe: Mr Speaker, would the minister agree that complaints regarding off-street traders during this year's TT were minimal? The Office of Fair Trading's enforcement officers received only three complaints: one from an hon. member of this Court and two others from her constituents. *(Laughter)*

Mr North: Mr Speaker, I have no knowledge of this, but I accept what the hon. Chairman of the Office of Fair Trading says.

Mr Karran: Vainstyr Loayreyder, would the minister not agree that his department needs to look at amending the street traders legislation in order to give the power to remove these hot-dog stands away off the likes of the promenade? Having old hot-dog huts there at the present time must be unfair on the hoteliers that have to live next door to these things being left there to rot.

Mr North: Mr Speaker, I understood that that is what this legislation was all about.

Mrs Cannell: Mr Speaker, is the minister aware of a conversation that I had with the Chief Trading Standards Officer, who said to me during the beginning of race week that never before has the Island had such a proliferation of mobile traders and that indeed the provisions laid down under this new Bill must be implemented with all due haste in time for next year?

The Speaker: I am quite sure the minister is not aware of the conversation you had -

Mr North: Mr Speaker, that is hearsay! But I accept what the hon. member says.

Mr Henderson: Given the aforesaid information, Mr Speaker, would the minister not give an undertaking to liaise with the Chairman of the Office of Fair Trading because she seems to be at odds with the information, which seems to be the contrary as presented this morning, sir?

Mrs Crowe: I only have the statistics.

Mr North: I am sure this needs to be followed up, Mr Speaker.

Mr Brown: Mr Speaker, could I ask the minister, is he aware of the standard of the traders that were dealing with this in Douglas during the TT period? I was. I walked through Douglas right to the other end of the promenade, and the standards that I saw were very high, which are of course covered by environmental health. And also, can he confirm that it is a matter totally for a local authority as this House has done its job in passing the legislation and, if the local authority does not wish to implement it, there is no reason why they should?

Mr North: Mr Speaker, standards I do not think are anything to do with it. The point is that the local authority to my knowledge, Douglas Corporation in this particular case, requested this legislation -

Mr Brown: After being browbeaten.

Mr North: - and it is up to them to implement the bye-laws.

Mr Brown: If they want to.

Mr Karran: Vainstyr Loayreyder, would the minister not agree that if the local authority does not want to have the powers to remove these huts that are left after the TT event, would his department be prepared to take those powers in order to remove them off the promenade as they are causing some distress to hoteliers trying to run a business?

A Member: Hear, hear.

Mr North: Mr Speaker, that is a whole new scenario.

Isle of Man Film Commission – Commercial Expertise and Experience – Question by Mr Karran

The Speaker: Item 6, hon. members, I call again on the hon. member for Onchan, Mr Karran.

Mr Karran: Vainstyr Loayreyder, I beg to ask the Minister for Trade and Industry:

What commercial expertise and experience of the film industry have those persons working for the Isle of Man Film Commission?

The Speaker: I call upon the Minister for Trade and Industry, the hon. member Mr North, to reply.

Mr North: Mr Speaker, the Isle of Man Film Commission is staffed by two full-time civil servants: a film officer at executive officer level and an administrative officer. Specialist support and advice is provided as required by the department's economic development group manager and the director of finance. The department's consultants provide continuous expertise, support and advice to the film office.

In conjunction with the department's consultants the film officer has developed valuable and extensive contacts at the highest level with all sections of the film industry, including financial and legal, corporations, production companies, sales companies and distributors. The experience, skills and contacts that serving officers have developed and implemented over the past four years are a major factor in the continued success of the Island's film industry.

Members: Hear, hear.

Mr Karran: Vainstyr Loayreyder, I was not going to ask a supplementary, but could the hon. minister just inform us, what other experience have these individuals got as far as this industry is concerned? Have they got anything outside the Isle of Man or have they learnt it all in the last four years?

Mr North: Mr Speaker, the staff of my department, to my knowledge, have no outside interests other than those that I have already mentioned.

Mr Bell: Mr Speaker, could the hon. minister confirm that the financial consultants used by the Film Commission, extensively from day one of the operation of the Film Commission, have now developed a worldwide reputation for expertise in the financing and packaging and promotion of the film industry particularly in London but more so now in Hollywood and in the American film industry?

Mr North: Mr Speaker, that is absolutely correct and that is an ongoing situation. The aim of the department and its consultants is to build up the contacts and the network within the film industry to enable the Island to obtain better and better pictures to make here.

Film Industry – Studios, Bookings and Financial Support – Question by Mr Karran

The Speaker: Item 7, hon. members, I call upon the hon. member for Onchan, Mr Karran.

Mr Karran: Vainstyr Loayreyder, I beg to ask the Minister for Trade and Industry:

- (1) How many film studio facilities are there on the Island;*
- (2) for how many weeks in the past year have these film studios been booked for the production of films attracted to the Island by the Isle of Man Film Commission; and*
- (3) what financial support is provided to the film studios on the Island?*

The Speaker: Again, the Minister for Trade and Industry to reply.

Mr North: Mr Speaker, there are currently two studio facilities on the Island with planning applications submitted to the planning officer for two further ones. All four facilities are, or are proposed to be, operated by private sector companies. My department is not aware of how many weeks each of the existing studio facilities have been occupied with film production. This

information is commercially confidential and is not available to us. The availability of all studio facilities is brought to the attention of all potential production companies requiring such services. The development of studio facilities may be eligible for financial assistance under the department's industrial grant scheme. The scheme is discretionary in its operation and each case would be considered on its own merits.

Mr Karran: Would the minister make it his business to go and ask these different studios how much time they have actually had? I am sure they would be more than happy to inform him about the lack of activity in these studios.

Mr North: Mr Speaker, that is an interesting supplementary, because the lack of activity in one particular studio on the Island appears to be a problem of that facility. We have sent a lot of production people visiting the Island, recceing the Island, to have a look at where they might use down to, as I have said, all the facilities. With one particular facility at Balthane there appears to be an attitude problem with people handling it, and we have had report after report back that the people visiting that particular facility would not want to use it. Now, that might appear a little strange and it shows in my opinion, if it is true - and I have no reason to doubt the information coming back - a lack of professionalism which we need on the Isle of Man in this industry, and if we are going to have studio facilities the people who are handling those facilities need to be professional, not people who have an attitude problem who, I am informed, within minutes of meeting some of these production people, start to run down the Isle of Man Film Commission, which I find most peculiar.

Mr Cannell: Run them out of the Island!

Mr Bell: Mr Speaker, would the hon. minister not agree with me that one of the main reasons for any shortage of uptake of studio time on existing facilities in the Isle of Man is that the facilities themselves are not up to the standard required by modern film production and that the real answer to the problem is that the Island urgently needs a purpose-built modern film studio providing full sound stage facilities for future film development?

Mr North: Mr Speaker, I would agree with those comments.

Mr Karran: Vainstyr Loayreyder, would the minister please investigate the other film studios and whether they have had much activity, and does he not think that it is too simplistic to put it down to just that?

Mr North: No, I do not, Mr Speaker.

Poultry Production – Subsidisation – Question by Mrs Cannell

The Speaker: Item 8, hon. members, and I call upon the hon. member for Douglas East, Mrs Cannell.

Mrs Cannell: Mr Speaker, I beg leave to ask the Minister for Agriculture, Fisheries and Forestry:

Does your department intend to continue to subsidise poultry production and, in particular, the battery hen system of production?

The Speaker: I call upon the Minister for Fisheries, Agriculture and Forestry, the hon. member Mr Downie, to reply.

Mr Downie: Thank you, Mr Speaker. The hon. member will be aware from her previous question in this House that my department is in the process of drafting a revised farm and horticultural improvement scheme that will effectively remove the subsidy currently available in respect of birds purchased which are intended for battery system egg production. The previous department informed the Island's four battery egg producers of its intention to withdraw this support. The revised scheme is currently being redrafted following the consultation process which took place with the industry. It is hoped that the revised scheme can be introduced at the earliest opportunity and is targeted towards the production and promotion of free-range eggs.

Mrs Cannell: I thank the hon. minister for his reply, but can he inform the House whether or not any capital support grants have been granted in respect of new battery cage systems since the previous ministerial assurance that none would be provided?

Mr Downie: I am not aware that any support has been granted and, following the recent decision from the European Union that battery egg production will be banned in the European countries with effect from January 2012 - and this effectively spells the end of this type of egg production - it is therefore most unlikely that the department will look favourably on any application under the Agricultural Credits Act which relates to buildings aimed at battery egg production.

Mrs Cannell: Mr Speaker, can the minister then give the hon. House an assurance that, whatever the position is in relation to subsidy on January 1st in the year 2000, his department will ensure that none of the existing old style cages will still be in use in the Isle of Man after that date?

Mr Downie: I thank the member for her concern in this regard. However, the department are in a situation where we have a number of producers who are providing eggs for a valuable local market. It is the department's intention to seek to introduce a free-range system at the earliest opportunity and the policy of the department will be one of evolution rather than revolution. It takes a considerable amount of time to rear birds on and to provide the necessary facilities, and the department are also looking at ways in which we may be able to use some of the existing buildings which house the battery cages. When the battery systems are removed altogether they may provide perfectly adequate accommodation for a free range type of production, and there is a commitment from the department and I am hoping next week to meet with the egg producers themselves and try and get a clear policy that everybody understands together with a proper framework of support for our industry.

The Speaker: A further supplementary, the hon. member Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker. My last question to the hon. minister: I am pleased that he is looking at a revised scheme, but in relation to the present scheme can he advise when the pound subsidy for each new laying bird which we were promised was going to be stopped in May will be stopped, and in particular, when will this subsidy to battery egg producers be stopped as these producers can manipulate the system in their favour with the shorter lifespan of their stock, or flock?

Mr Downie: That is a point which I will be raising with the egg producers when I meet them. I am perfectly prepared to keep the hon. member, and any other hon. member who takes an interest in this subject, aware of the situation but I would just like to add one note of

caution: if we totally eradicate battery egg production in this Island we have no powers whatsoever to stop cheaper imports of battery produced eggs -

Mrs Crowe: Absolutely.

Members: Hear, hear.

Mr Downie: - coming into the Isle of Man and I think, as I have said earlier, this is a system of evolution rather than revolution and we have to be aware of our own industry and the people who actively want to promote us, and I am trying to do the best possible - slide our existing battery production over to one of free range.

DHSS – Report of Inquiry into Patient’s Death – Question by Mr Houghton

The Speaker: Item 9, hon. members, and I call upon the hon. member for Douglas North, Mr Houghton.

Mr Houghton: Thank you, Mr Speaker. I beg leave to ask the Member for Health and Social Security:

Has the report of the inquiry into the death of Mr George Watterson been received by your department?

The Speaker: I call upon the Member for Health and Social Security, the hon. member for Onchan, Mr Karran, to reply.

Mr Karran: Vainstyr Loayreyder, the simple answer to the hon. member’s question is yes, the inquiry team’s report was received on 3rd June and was published in full by the department on 17th June at the same time as hon. members were sent a copy of the report along with a copy of the department’s press release.

Mr Houghton: Mr Speaker, I thank the hon. member and his department for furnishing me with a copy of the report together with enclosures and a press statement from his minister. However, may I ask the member: would he certainly agree that this report is quite damning, to say the least, and for that very reason alone would he be willing to convey an open apology here and now to the family of the late Mr Watterson on behalf of his department for the disgraceful and thoroughly unprofessional circumstances which led to Mr Watterson’s untimely death, sir?

Mr Cannan: Hear, hear.

Mr Karran: Vainstyr Loayreyder, I believe that every hon. member in this hon. House is distressed to see this sad affair that has happened. I think every member who knows the family is sad to hear of the sad consequences of what has happened because of this affair, and I think that we all feel sorry about that. I would also say that the department must learn the mistakes that have arisen as far as this incident, and I think the department will as far as that is concerned. What is important from this inquiry is that we learn the lessons and make sure that no other family ends up going through the problems that have arisen over this whole affair.

Mr Singer: Could I ask the hon. member: who, besides your minister and your chief executive, had any input into the fixing of the terms of the reference of this inquiry and were

you yourself or any other members of your department consulted on the terms of reference as far as this inquiry is concerned?

Mr Karran: Vainstyr Loayreyder, as far as I am concerned I think the terms of reference are reasonable and fair. I have made a suggestion to the minister that maybe we should invite the chairman back in to see if he has any thoughts after doing the inquiry and if there are any other issues that we do need to address, but I would hate the impression to go out that somehow we would gerrymander the terms of reference of this inquiry to try and cover up. It is not in any interests. It could have quite easily been my father or my mother that was the one that was operated on by this individual who should have been stopped.

Mr Henderson: Mr Speaker, I thank the hon. member for the department in his constructive replies in special reference to indicating that this report will be printed in full. Now, I just want to ask: given that information, can the hon. member give this hon. House a full assurance that it is in full and not subject to any of the legal implications that we have heard in previous questions and questions in another place?

Mr Karran: Vainstyr Loayreyder, I would make it quite clear, as both affairs seem to be in my department as far as the Water Authority and the health division are concerned, that there is no intention as far as I am concerned to manipulate the facts. I feel that the question that was on before was quite unreasonable, as the individual knew the true facts would be sitting on the Council of Ministers which we statutory board chairmen do not have the opportunity to do, but I would assure the hon. member that there will be no hiding from the facts. We have already admitted liability as far as that is concerned. I hope that we have learnt the lessons, and if the hon. member is wanting to see a real commitment to this report maybe he should ask in six months' time for an update as regards what has been implemented, and I think that is something that would not go amiss, and I am sure my department members would support that.

Mrs Crowe: Yes.

Mr Cannell: Mr Speaker, a supplementary, if I may. Would the hon. member for Health not agree with me that there has been no cover-up, but the departmental members were consulted and made their views known that the report should be published in full and made publicly available and that the department does regret this incident entirely, it is a very sad affair, and that there is also in the matter of the death of Mr Watterson a referral by the department to the General Medical Council in relation to the questions raised in the report about medical competence?

Mr Karran: I can agree with my hon. colleague; that is the case.

Hyperbaric Chamber – Future Financing – Question by Mr Houghton

The Speaker: We move onto item 10. Again I call upon the hon. member for Douglas North, Mr Houghton.

Mr Houghton: Thank you, Mr Speaker. I beg leave to ask the Member for Health and Social Security:

When does your department next expect to meet officials of the Kevin Gray Memorial Charity to discuss future annual financial provision for the hyperbaric chamber?

The Speaker: Again I call upon the Member for Health and Social Security, the hon. member Mr Karran.

Mr Karran: Vainstyr Loayreyder, a meeting had been arranged for yesterday afternoon between representatives of the department and representatives of the charity. On Friday the meeting was cancelled at the request of representatives from the charity. It is hoped that the meeting will be rearranged shortly.

Mr Houghton: Mr Speaker, I thank the hon. member for his reply. Does the hon. member note that there have been several delays and postponed dates of this particular meeting? And therefore does he not agree that the might of his department's officials is causing an intimidatory effect on the viability and outcome of such a proposed meeting on those volunteer officials of the Kevin Gray Memorial Charity? And would he promise to intervene by chairing an urgent meeting to resolve this matter before it goes to Tynwald? I would be very much obliged.

Mr Karran: Vainstyr Loayreyder, I would be mortified if this important facility's representatives are being intimidated, but if the hon. member feels that it would be of use for me to chair a meeting I would be happy to do so.

Mr Houghton: Thank you.

Mr Karran: Obviously the minister is the boss but at the end of the day I am sure that the minister would agree to me chairing a meeting as regards this installation. Can I also put on record, Mr Speaker, but we are still committed to the Tynwald motion to support this installation. (**Mr Houghton:** Hear, hear.) It does do an important job and I would hate people to feel that somehow their treatment, even if certain people within the medical profession question it, is under threat. It is not under threat and I would not see anything happen to this installation.

A Member: Hear, hear.

Villa Marina – Douglas Corporation Expenditure – Question by Mr Henderson

The Speaker: Item 11, I call upon the hon. member for Douglas North, Mr Henderson.

Mr Henderson: Thank you, Mr Speaker. I beg leave to ask the Minister for Local Government and the Environment:

Do you feel that Douglas Corporation has acted within the spirit of the Local Government Act 1985 in expending £20,000 of ratepayers' money on the luxury of electronic metal shutter blinds for the roof cupola of the Villa Marina?

The Speaker: I call upon the hon. member Mr Gilbey, Minister for Local Government and the Environment, to reply.

Mr Gilbey: Mr Speaker, Tynwald has decided the Villa Marina should become the property of government, and I hope that a Bill to that effect will have its first reading next week in this hon. House. However, until such time as the appropriate legislation is passed, the Villa Marina remains in Douglas Corporation's ownership. As such, Douglas Corporation is accountable for the appropriateness of any maintenance work carried out on what at this time is their property. I understand that Douglas Corporation's expenditure policy has been to avoid

unnecessary expenditure and I do not personally know of any reason to think that that policy should have changed.

Mr Henderson: Mr Speaker, I thank the hon. minister for his answer, but does he not think that Douglas Corporation are in some way in breach of performing the statutory functions to the ratepayers of Douglas by continuously investing in this building, albeit with luxury items, when it is fully expected that government will take on that burden and make substantial restoration and conservation investments for the good of an all-Island facility?

Mr Houghton: Hear, hear.

Mr Gilbey: Mr Speaker, as I have said, this is their property and it is up to them to spend what they want while they still own it. Whether this is responsible expenditure, bearing in mind that another party has every intention of acquiring it, is surely a matter that should be taken up with them by their ratepayers and those who elect the corporation.

Regarding steps that this hon. House or the Department of Local Government could take, as I have explained in another place only last week, it is perfectly clear that there are powers to interfere if it is a really serious matter, but I can hardly think that the expenditure of £20,000 on this shuttering can be regarded as a matter which justifies interference by the Isle of Man Government.

Mr Henderson: Mr Speaker, I thank the minister again for his reply, but would he not agree with me that it is very disheartening for the ratepayers to see the money being spent when it is known that government will make an investment required for this all-Island facility? And would he not also agree that it would be better spent on street lighting, parking and joint ventures (**Mr Houghton:** Hear, hear.) to get some proper bus shelters and open a few more police stations?

Mr Houghton: Hear, hear. (*Laughter*)

Mr Gilbey: Mr Speaker, as I have said before, the Douglas Corporation are elected by the ratepayers and residents in Douglas. If those residents are dissatisfied it is up to them to put political pressure on Douglas Corporation. Unless something very serious happens far more serious than this item that is being referred to, it is not for this hon. House or the Isle of Man Government to interfere, and I do find it rather strange that some hon. members should want us to interfere on small matters like this when so many other members seem to want to give more power to local authorities. There certainly must be an extraordinary dichotomy here.

Mrs Cannell: Mr Speaker, could I just ask the hon. minister: given the situation whereby Tynwald has approved for legislation to come forward for to acquire the Villa Marina from the Douglas Corporation, in view of that position can he inform us whether or not the councillors of the corporation are leaving themselves open to be surcharged for any expenditure that might be deemed, when the legislation is adopted, to have been inappropriate at the time of spending?

Mr Gilbey: Frankly I have not looked into the question of surcharging because I have no proof that they have done anything wrong. When the matter of compensation comes to be considered following the passing of the Bill, no doubt they may say that they should be paid for this extra work and it will be up to the independent arbitrator to consider whether they should or they should not and how it is taken into account in the valuation of the property, but I do not

think there is any proof that they have done anything improper that would lead to surcharging. I honestly think that this matter should be left to the ratepayers and Corporation of Douglas, and if the ratepayers are so upset about this I cannot understand why they do not put pressure on their elected representatives just in the same way that our constituents put pressure on us if they think we have done something wrong.

Mr Cannell: Mr Speaker, would the hon. minister not agree with me that it has been the consistent failure of the Douglas Corporation to correctly direct their expense in a partnership with government over the Villa Marina that has led to Tynwald overwhelmingly voting to acquire the premises?

Mr Gilbey: I totally agree that past events have led Tynwald, quite rightly in my view, to decide unanimously, except for one vote, to acquire the Villa Marina and the Department of Local Government is progressing that as fast as they possibly can, as I have already intimated.

Petition for Redress of Grievance of Jean Noreen Thompson – Select Committee Report – Question by Mr Karran

The Speaker: Item 12, hon. members and I call upon the hon. member for Onchan, Mr Karran.

Mr Karran: Vainstyr Loayreyder, I beg to ask the Minister for Local Government and the Environment:

When does your department expect to report on the recommendations of the Select Committee on the Petition for Redress of Grievance of Jean Noreen Thompson?

The Speaker: Again I call on the hon. minister for Local Government and the Environment, Mr Gilbey, to reply.

Mr Gilbey: Mr Speaker, having regard to the department's resources and other priorities, no firm decision has been reached regarding this matter. However, the department hopes to report back before the end of the current calendar year.

Mr Karran: Vainstyr Loayreyder, will the minister progress this petition as a matter of urgency and the introduction of amendments to the 1989 Act in order to provide sanctions when landlords refuse or fail to comply with the requirements of registration with your department being responsible for the enforcement? And can the minister give an assurance that when looking at this report he will allow the leasehold and commonhold should be delayed as far as worrying about that as far as legislation is concerned to a later date and prioritise on getting the sanctions brought in with this petition?

Mr Gilbey: Of course the hon. member, Mr Speaker, is quite right, that the clear advice from the Attorney-General was that the matter of commonhold, which is extraordinarily complicated, should be deferred at least until the UK have brought in such legislation if they were going to, which was expected to be in 1999 or 1998.

Regarding giving this a matter of priority I think, Mr Speaker, the hon. member and all other members have to realise that not everything can be given the same priority, just as in the ordinary life of a family or in a business, some things have greater priority over others; they cannot all be given top priority. In fact, this report only came out just over a year ago and then

was considered by Tynwald clearly. I cannot promise that it will be given greater priority than I have suggested it is going to have, because the department has various other very important things, indeed some of them very dear to the hon. member's heart like housing, which I personally would suggest have a greater priority.

Mr Houghton: Hear, hear.

Mr Karran: Vainstyr Loayreyder, would the minister order the assessment of the size of the problem affected by this petition of registered flats in terms of the Property Service Charges Act 1989? Will the minister state the total number of permanent registered flats in the private sector and the percentage of overall housing units in the private sector which is requested in connection with these figures, to show that this issue is not a small issue, it is a growing issue, especially when we see the developments on the prom and on Douglas Head, and that this issue does need to be addressed sooner rather than later? And, Vainstyr Loayreyder, the second question is, could the minister inform this hon. House, will he actually have a date for legislation to bring in sanctions to put some teeth into the recommendations of this petition by the end of this parliamentary year?

Mr Gilbey: First of all, Mr Speaker, the report itself at 4 and 4.1, page 7, makes it perfectly clear that this is not thought to be a very widespread problem although it is obviously a very serious problem and was for the Thompsons, and although there is one unfortunate case in Ramsey at the present time, no-one can claim this is a widespread problem, certainly not nearly as widespread as the demand for houses by first-time buyers and many other matters which the department has to address, and therefore, though, as I have said - and I am very careful not to give promises - I hope to report back before the end of this year, I certainly am not making any promise about that, nor regarding any timing for legislation. I am sorry to disappoint the hon. member, but we do have to accept that there have to be priorities and everything cannot be done at once.

The Speaker: A final supplementary. The hon. member for Onchan, Mr Karran.

Mr Karran: Vainstyr Loayreyder, I appreciate the hon. member . . . Would the minister agree that we all recognise the priority of first-time buyers and we are saddened at the lack of response, but would he also agree that this issue is an important issue and it is a growing issue? I have at least one unit where there are 50 flats or thereabouts that are affected by this. I have also a matter of the Park Hotel, the Imperial, the Majestic, all going to be under this form of housing requirement and it is a growing problem, and will he make sure that he gets his officers to recognise that this is a priority? There is abuse here at the present time that needs to be sorted out and I would hope that his department does not make excuses as they have done over the first-time buyers?

Mr Gilbey: Mr Speaker, I must say that the file that I have looked at does not show it to be a growing problem, neither in the file did I see any letter from the hon. member complaining about this matter, and all I can say is that on the evidence available I think my statement is correct (*Mr Karran interjecting*), so although it is serious for those affected it is not very widespread.

Water Authority – Purchase and Assignment of Cars – Question by Mr Houghton

The Speaker: Item 13, hon. members, and I turn to the hon. member for Douglas North, Mr Houghton.

Mr Houghton: Thank you, Mr Speaker. I beg leave to ask the Chairman of the Water Authority:

- (1) *Have you approved the purchase and assignment of cars to members of your authority; and*
- (2) *if so -*
 - (a) *how many vehicles have been purchased;*
 - (b) *at what total cost;*
 - (c) *to whom have they been assigned; and*
 - (d) *for what purposes?*

The Speaker: I call upon the Chairman of the Water Authority, the hon. member for Onchan, Mr Karran, to reply.

Mr Karran: Vainstyr Loayreyder, I thank the hon. member for his question and would clarify the position by first stating that any decision relating to the purchase of motor vehicles is taken by the board and not by the chairman in isolation. In addition, I presume that the hon. member is querying the position in respect of employees of the Water Authority, as I can confirm that neither of the two board members of the authority have been assigned vehicles. If this is the case, I can confirm that the board have approved the purchase of and assignment of cars to employees.

In answer to part 2(a), since 1992 the authority has purchased 39 vehicles of which 16 are vans, five are four-wheel drives, 13 are wagons and five are cars. The total cost of the five cars purchased amounted to £48,022.06. In accordance with prudent accountancy policy the vehicles are depreciated at a rate of 20 per cent to 25 per cent per year.

Part 2(c): the five cars are assigned to the chief executive, the director of operations, the director of finance and the information and network manager. The fifth car is a poor vehicle used by a wide range of employees, visiting consultants who are working with the authority, often for long periods of time.

2(d): in order to carry out the statutory functions which it must be remembered exist on a 24-hour basis 365 days per year, the authority permits a number of its employees to take vehicles home each night, as a high proportion of the staff may be requested to attend emergency call-outs at any time. There are also security issues at the Drill Hall which make it preferable to remove vehicles overnight. There are three main purposes why cars are assigned to senior employees: firstly, the chief executive, the director and the network manager are requested to respond to major incidents at any time day or night; secondly, the senior management personnel use the cars regularly during the day, mainly to visit the authority's main assets and properties throughout the Island; finally, the department is conscious of the need to recruit and retain high calibre senior management staff and in this respect is competing against other organisations, both on the Island and in the water industry throughout the United Kingdom.

The board is satisfied that the agreed strategy relating to the provision of cars to senior management is fully justifiable and is part of their remuneration package, necessary to maintain the quality of management especially through this critical period of the authority's development, and is confident that the strategy will continue to be delivered on a long-term benefit to the Island's water ratepayers. It should be remembered that the authority's strategic business plan, which was so well received by hon. members in Tynwald Court just a week ago, includes the issue of the present management team.

Mr Houghton: Mr Speaker, sir, may I ask the hon. member - it is quite unbelievable, this, but I would be obliged if he could confirm it: have any of these vehicles been fitted with cherished number plates and, if so, at whose expense, and who agreed to this? And may I also ask, are the drivers permitted to use these vehicles for domestic use and, if so, who pays for the fuel, sir?

Mr Karran: Vainstyr Loayreyder, I would be surprised, but I have to be honest with you that I am unaware that there is cherished number plates on the Water Authority's vehicles as far as this is concerned. I will investigate that point, but I am unaware and I would be interested to know what sort of money is involved as far as using ratepayers' money when I am having to put the rates up so much for years of neglect. But on the other point he says about the members of staff. This is part of the package, as far as remuneration is concerned, of getting the management into the Water Authority. We are talking about a major amount of expenditure. We do need to make sure that we create an environment where we can get the staff that we require in order to make sure that this strategy is worked out properly, and I think that a car is not unreasonable allowing for the constraints with being part of the Civil Service, and I do think the hon. member for Douglas North should remember that we are in fact part of the Civil Service. I do not have the flexibility that the Post Office and the MEA have as regards their salaries, so I have to find other ways to attract staff to the Water Authority.

Mr Duggan: Mr Speaker, it sounds like a bit of a perk to me (**Mr Houghton:** Hear, hear.), but has the member in charge of the Water Authority considered the officers using their own cars and having a mileage allowance like members of Tynwald?

Mr Houghton: Yes.

Mrs Hannan: Hear, hear. True.

Mr North: Some members of Tynwald.

Mr Duggan: Some.

Mr Karran: Vainstyr Loayreyder, this issue has been discussed. We believe that it is not unreasonable to have the situation where the senior management do have cars. I appreciate the question from the hon. member, but I think this is the most economic way of dealing with the issue at the present time as we can purchase cars a lot cheaper than the man in the street can.

Mr Henderson: Mr Speaker, could the hon. member advise whether these company cars have been identified as to their ownership with the words 'Ushtey' or 'Water' clearly written on each side of the vehicle, together with the Chief Executive's name in small lettering at the bottom of the driver's door?

Mr Karran: Vainstyr Loayreyder, I have to apologise that I have not looked closely at these vehicles as far as that is concerned! I have to be perfectly honest with you. I would be disappointed if 'Ushtey' and 'Water' are not on these vehicles because I think they should be on these vehicles as they are part of the Water Authority stock (**A Member:** Hear, hear.) and if they are not I shall do, even though it did cost us a vice-chairman some years ago over making this decision to be more progressive as far as the Manx language is concerned.

Mr Braidwood: Mr Speaker, can the Chairman of the Water Authority confirm that the vehicles were purchased through the Department of Transport to obtain the best price, as recommended by the Value For Money Committee?

Mr Karran: Vainstyr Loayreyder, they were bought through the special arrangements that were in government, and so we did get a substantial discount for these vehicles, so the hon. member is right.

Mr Cannan: Mr Speaker, how can the Chairman of the Water Authority reconcile spending this amount of money on cars to his senior executives -

A Member: What of Little London?

Mr Cannan: - yet at the same time denying the provision of a public water service to a remote hamlet in the north-west of the Island?

A Member: Where is that? (*Interjections and laughter*)

Mr Karran: Vainstyr Loayreyder, there are hamlets within my constituency that have not got a public water supply, so his are not the only people who have not got a public water supply. He must also remember that one of these cars is open to all members of the staff doing work for the authority, but at the end of the day the issue of his hamlet was taken out of our hands and given to the Department of Local Government and the Environment.

The Speaker: I think I will return to the original questioner for the final supplementary, please.

Mr Houghton: I thank you, Mr Speaker. May I ask the hon. hon. Chairman for the Water Authority - and let us just go back to brass tacks here, the Water Board, a very small company, very, very important as it is but also very small in its size within government departments: would he publish to hon. members of Tynwald the makes of these vehicles, the year of purchase and confirm in that that the names have been so printed on the sides of those vehicles, those company cars? Thank you, sir.

Mr Karran: Vainstyr Loayreyder, I am happy. The hon. member has a right to know anything to do, as far as I am concerned, with government. If he wants this request for himself or every member of this hon. House I am happy to do so. I think it is important. One of the problems that the Water Authority has had is the fact that it is part of the Civil Service Commission. It is under the jurisdiction of the Civil Service Commission, and that has had a severe effect on our ability to be able to produce the management team that we wanted to do so. This is one of the ways that we have helped to encourage people to come into the Island.

Bills for First Reading

The Speaker: Hon. members, items 14, 15 and 16 are for first reading and I call on the learned Secretary of the House.

The Secretary: The Shops Bill, Mrs Crowe; the Betting Offices Bill, Mr Bell; the Douglas Head Bill, Mr Downie.

European Union Etc. Developments Having Economic Implications for the Island – Council of Ministers Interim Report – Debate Commenced

The Speaker: Hon. members, item 17 - I understand the member for Ayre, at this sitting, does not wish to move this particular measure this morning. We will therefore turn to item 18 on our order paper and I call upon the Chief Minister.

Mr Gelling: Thank you, Mr Speaker. I beg to move:

That the Interim Report of the Council of Ministers on Developments within the European Union and Other International Bodies which have Potential Economic Implications for the Island be received.

The interim report which I present to the House today has its origins in a motion tabled by the hon. member for Michael on 2nd February last, and that motion, if members recall, called upon the Council of Ministers to prepare contingency plans for independence and to plan a link with our currency to the American dollar. Now, the hon. member for Michael had been prompted to propose that motion, I would suggest, by various international developments which appeared likely to affect the business world in which we operate. That motion was amended to require the Council of Ministers to report on those international developments.

There are some difficulties in responding fully today to the terms of the resolution. First, we live in a changing time and offshore centres or small financial centres are very much on the international agenda to an unprecedented degree. One consequence of this is that developments in relation to us are occurring on a very regular basis. In trying to report on them all we are trying to hit what is a moving target.

Secondly and perhaps more importantly, there is a right time and a wrong time to report on developments. The date for this report was dictated by the terms of the original motion by the hon. member for Michael. It so happens that to meet that timetable our report had to be prepared a few weeks ago. Some international initiatives had not and still have not developed to a point where a full and meaningful report can be made. Also, we had to put pen to paper in advance of our most recent briefing by United Kingdom officials on these developments, and that meeting took place, as I have already suggested this morning, at the end of last week.

Recognising these difficulties we had two options: we could either defer our report until we could report more fully on more of the initiatives or we could come forward with an interim report offering a response on as many of the initiatives as possible and undertake to further report on the other initiatives as and when that is practicable. We have chosen the latter option so as to provide members with information on at least some of the ongoing issues.

In introducing the interim report we have said that we have identified only those international initiatives which actually exist or for which there is a declared commitment. We have not tried to imagine the worst things that might possibly happen in some nightmare world, nor have we tried to conceive of any fictional conspiracies against us; we have tried to focus on reality. Also, we have ignored implications which might flow from possible economic events or market forces. These are outside our terms of reference.

We have identified in paragraph 1.3 11 external initiatives on which we would propose to report either in this interim report or subsequently. Of these 11 we report substantively on six of them, leaving five for later.

Of these five the last two, the Financial Stability Forum Working Group on Offshore Centres and the Proposed UN Offshore Initiative, are both very recent. In fact, the UN one is still in draft and has yet to be published. They are both potentially of interest, but at the time of compiling our report we had no substantial information about them. The others on which we are not reporting today are the OECD Harmful Tax Competition Report, the EU Code of Conduct on Business Taxation and the EU Draft Directive on Savings. These are more mature and established initiatives and we have not been involved in responding to them. How they will finally evolve is still unclear and at the time of writing the report we were awaiting our next briefing by United Kingdom Government officials.

The timing was a little unfortunate, I am afraid, but we would certainly now arrange a briefing for members on the latest developments based on what we have been advised since our report was written. If members would find that helpful and could signify their wishes during this debate, Mr Speaker, I would be very happy to make the arrangements before the summer recess. Such a briefing may be helpful in providing updates, but it will not provide outcomes. Outcomes are some way off and we will report fully on these initiatives at a later stage.

In the meantime we have set down in Appendix 1 to the interim report the principles which we have adopted in dealing with these three initiatives. Chapters 2 to 7 cover the six issues with which we deal in this interim report. Chapter 8 provides a set of short conclusions on what has happened to date.

Chapter 2 deals with economic and monetary union. There has already been a full report on this made to Tynwald by the Treasury and that report was dated March 1998 and it was called, and I quote: 'A Review of European Economic and Monetary Union and its Implications.' Chapter 2 summarises and updates that Treasury report. There are three key points: first, it seems likely that the United Kingdom will join economic and monetary union at some point, and that should certainly be our working assumption. The timing is unclear, but certainly it is likely within a foreseeable time scale. Second, it is clear that it is in the interests of the Isle of Man that we have a currency that parallels that of the United Kingdom. Any alternative strategy, be it to have our own unique currency or to link our currency to the US dollar, or indeed the Russian rouble or whatever, will not work, and the risks, the transaction costs and the sheer inconvenience for our people of doing anything else make any alternative approach, I would suggest, a nonsense. And third, and arising from that, there is no necessity for us to have a referendum on joining economic and monetary union. If the United Kingdom joins it will be, I would suggest, right for us to adopt the euro. If the United Kingdom does not join it will be right for us to retain sterling. There is therefore no sensible question that we can or should put, I would suggest again, to our people. Tynwald can be relied upon to make the formal decisions that will be necessary.

Chapter 3 considers European tax harmonisation and begins by drawing a distinction between tax co-ordination and tax harmonisation. This is a distinction which is frequently missed by the United Kingdom national media, which often interprets any suggestion of tax co-ordination as a call for tax harmonisation. 'Tax harmonisation' means all the member states of the European Union having the same tax systems; 'Tax co-ordination' is concerned with

achieving a consistency in the broad approach of different governments towards fiscal matters. Tax harmonisation we have dismissed as an impractical option. We see no prospect of tax harmonisation within any time scale that we can contemplate. It is not reasonable to expect all member states to agree to surrender their powers to determine direct taxation at a national level, and any decision to do so would require unanimity. Evidence of the difficulty is to be found in the European Union experience in relation to indirect tax. In 1978 they agreed in principle to the harmonisation of VAT, a much less contentious issue than harmonisation of income tax. That was over 20 years ago and it has not yet been achieved. In fact, real progress is still awaited.

Whilst tax harmonisation is not, in our view, a realistic possibility, some moves on tax co-ordination are more than possible, and these need to be looked at as and when they arise. Two EU initiatives are identified by us for later report. These are the EU Code of Conduct on Business Taxation and the EU Draft Directive on Savings. These are examples of EU tax co-ordination.

We conclude chapter 3 by referring to the constitutional position. Our relationship with the European Union is based on protocol 3 of the treaty by which the United Kingdom acceded to the EEC in 1973. This is a very limited relationship. It does not include taxation, and we are not bound by virtue of our treaty obligations to follow any EU tax decisions. To reinforce this point, in paragraph 3.7 we have quoted from a speech given to the States of Jersey by Sir Geoffrey Rippon in November of 1971. Sir Geoffrey was Chancellor of the Duchy of Lancaster and was in charge of the United Kingdom negotiations for entry into the EEC. His words, Mr Speaker, could scarcely be clearer. I quote: 'Under the proposals your fiscal autonomy has been guaranteed. I say that deliberately and slowly. There is no doubt whatsoever about that, and I can say quite categorically that there will be no question of your having to apply a value added tax or any part of community policy on taxation.'

Then we turn to chapter 4, where we look at double taxation agreements or, more particularly, we consider the question of the exchange of information between jurisdictions for tax purposes. It is undoubtedly the case that the trend over recent years has been towards greater exchange of information. There is a potential conflict between this trend and the demand, legitimate in most cases, for confidentiality in personal and corporate financial matters. There is a balance to be struck between that confidentiality and what are becoming new international standards in exchange of information. We need to get that balance right and we need to maintain that balance, taking account of the changing international attitudes.

At this stage we have just one double taxation agreement which includes provision for the exchange of information in certain circumstances. As we can readily acknowledge, it is an old agreement. Mr Edwards, in his review of the crown dependencies, suggested that it was time that the double taxation agreement be renegotiated and brought up to date. In our response to Edwards we indicated that we were happy in principle to go along with this and discuss exchange of information with the United Kingdom in the context of that new double taxation agreement. This is not something we are actively pursuing as the existing double taxation agreement has served our needs extremely well, but what we are saying - and Tynwald has endorsed this - is that we should be prepared to discuss constructively an approach on this subject from the United Kingdom, and we would expect to use the OECD model agreement of 1992 as a starting point.

On the wider issue of exchange of information with other jurisdictions, this is something which we would consider on a case-by-case basis in the light of prevailing international attitudes, but the double taxation agreement is seen as the most useful vehicle and we would not be interested in an agreement which was solely concerned with exchange of information; we would be looking to use double taxation agreements which can include a range of other matters to provide a balance of advantages between the signatories.

In chapter 5 we turn our attention to the overseas territories. These are the former United Kingdom colonies or dependent territories dealt with by the Foreign and Commonwealth Office. In March of this year, rather later than they planned, the Foreign and Commonwealth Office produced a white paper on the future of the overseas territories. It dealt with a range of issues, but of particular importance to us and to the matters dealt with in this interim report are those parts of the white paper which deal with the regulation of financial service industries in the overseas territories. The white paper is frank in identifying the need for improvements in regulation, and it sets down some broad proposals for improvement. In particular, the white paper says that the United Kingdom Government will conduct an in-depth, independent review by regulating experts in 1999 to assess progress made in implementing measures and to make recommendations on how to deal with issues outstanding and to what timetable, and it also says that overseas territories are to be required to speed up the work they have in hand so that all measures are in place by the end of this year. The white paper is a positive development and an important one. Improving the quality of regulation in the overseas territories will be beneficial for global financial markets but, more particularly, it will help to clear up the image of offshore centres and will create a more level playing field. We see in the white paper an intention that the overseas territories will be subjected to an Edwards-type review, and we will be pressing that that review and its outcome should be no less rigorous than the original Edwards.

Chapter 6 maintains the theme of quality of regulation. The Financial Action Task Force was established by the G7 in 1989 with the aim of combating money laundering. It has grown in size and stature over the years and might rightly be regarded as the premier international body in spearheading the international fight against money laundering. The Financial Action Task Force has set out the 40 recommendations which are the international standard by which the anti-money-laundering law and practice of any jurisdiction is evaluated.

The Isle of Man has gone to considerable lengths over recent years to ensure that its legislation and practice are up to the highest international standards. We can certainly claim that our regime exceeds in quality that of a number of members of the Financial Action Task Force. We therefore look forward to a visit next month by a team from the Financial Action Task Force, who will formally evaluate the Island's anti-money-laundering law and its practice. This is part of an exercise covering all three of the crown dependencies, and we are confident that we will get a good report. Exercises such as the Financial Action Task Force evaluation coming hard on the heels of Edwards help to build a picture of competence and an international credibility that the Island is in the forefront of well-regulated jurisdictions. At a time of keen interest in small financial centres that picture of competence and quality is important economically and in terms of our international credibility.

Chapter 7 introduces a rather different issue. The main emphasis of the remainder of our interim report is focused on financial services, but in chapter 7 we turn to the agricultural

scene. It is no secret that the European Union aspires to expand into Eastern Europe and gain additional member states from that used to the communist block - countries like Poland, the Czech Republic, Slovenia and the Baltic States and so on. It is also no secret that any such expansion will have a sizeable impact on the finances of the European Union. The new member states are all very much poorer than the existing member states. There will be a shift in aid eastwards away from some member states which enjoy substantial European Union support at present.

More particularly, the proposed expansion will bring into the union huge agricultural resources, and if the European Union were to continue with the common agricultural policy as it stands with these new member states, either the European Union would go bankrupt very quickly or there would need to be a substantial increase in taxation to fund additional agricultural support for the new member states. The European Union is not interested in additional taxes or indeed in going bankrupt, so there is to be a substantial change in the way that agriculture is to be financed. This will have substantial knock-on effects in the Isle of Man.

At this stage it appears that to sustain our agricultural industry at its existing level within the new regime would require a very substantial annual injection of government funds. Alternatively, we may have to look at some restructuring of the industry in order to contain expenditure. Substantial questions arise and these are the subject of discussions between the Department of Agriculture, Fisheries and Forestry and the Treasury. It is too early to be speaking about specific proposals, but we will be putting proposals to Tynwald in the near future and they will be proposals which will be important for the future of the Island's agricultural industry.

Those are the issues we have dealt with in our interim report. Identifying external developments which may have an impact upon us requires a bit of crystal ball gazing. We have listed 11 such developments and reported on six of those in this interim report. Each is important in its own way for good or ill. None of the six requires any specific political decisions or endorsement at this stage, which is why I am proposing only that the interim report be received. When there are decisions to be made on any of the six - and there will be such decisions - they will be brought forward individually for consideration by Tynwald.

As regards the other five developments, two are very recent and it is difficult to say anything of value about them. The remaining three are certainly of significance. We have provided members with information on them at earlier stages and we have set down the principles which are guiding our responses to them. We will certainly want to report on them fully in due course when we are in a position to do so and I look forward to providing members with that information.

I said earlier that small financial centres are on the international agenda to an unprecedented degree. That is certainly true. What is also true is that the Island is, to use Mr. Edwards words, 'in the first division of offshore centres'. We have less to fear from this international interest than some other jurisdictions and we should see these developments as opportunities for demonstrating our quality and our integrity. If we approach these developments with that spirit and that determination, I am confident that we will rebuff those who criticise and condemn us along with other small financial centres, and we will justify ourselves to fair-minded observers that we will continue to occupy our place amongst the

reputable and well-run democracies of this world. Mr Speaker, I beg to move the item standing at 18 in my name.

Mr Corkill: I beg to second and reserve my remarks, Mr. Speaker.

Mr Cannan: Mr Speaker, I have listened carefully to the Chief Minister's report and today's debate, as we will all agree, is a serious matter as it reviews the future autonomy of the Island's government and the continued economic prosperity and well-being of the Manx people.

Looking at the background to the Chief Minister's report, as he said, it was because of my motion in this House on 2nd February, but if we look back beyond that it was at the end of November last year that the Chief Minister made a radio broadcast in which he said there could be no further constitutional advance short of independence, and then on 2nd December all members received an invitation to attend a seminar on the aspects of independence, and that was held, as we all know - and it is public knowledge, it has been reported on and so on - on 22nd February, so it must have been in the Chief Minister's mind as far back as last November that there were problems for the future of the Isle of Man, that we are being challenged overseas - as indeed we are, and I will go on to show that we are - and that we must make a credible defence to preserve our autonomy and, with it, the well-being that we have.

Now, in order that there could be an open debate before the Chief Minister's seminar on 22nd February, I initiated the debate that we had on 2nd February, and the outcome of that debate was that the Chief Minister should give today's report.

Then, while we were awaiting this report, on 23rd March I asked a question in this House and the question, which I can recap, to the Chief Minister was, 'In the report of the Council of Ministers to be tabled in the Keys on the developments within the European Union and other international bodies which have potential economic implications for the Island, and the response of the Council to the developments, will you ensure that the relevant legislative, and the other official, texts from those bodies are appended to the report, together with the text, or a full statement of the source, of advice received on their legal and economic implications, and not merely paraphrases of the text and advice?' And the Chief Minister replied to this House and his answer was, 'When the Council of Ministers submits its report to the Keys' - that is today - 'it will be presented in the form that is considered most helpful and informative to members. Until Council has had an opportunity to consider the range and extent of the subject matter that should be contained in the report, it is clearly too soon to make decisions in relation to the style and content.'

Well, I regret to say that today's report I consider to be sadly lacking, and I ask members to give close attention to what I now have to say. The European Code of Conduct Group on Business Taxation, which is chaired by the United Kingdoms Paymaster-General - that is, a minister of the Treasury, Miss Dawn Primarolo - issued its first interim report on 4th December, and I suggest that the Isle of Man Government knows nothing of this report and has not even seen it. There are very important implications in that report.

Then the European Union Code of Conduct Group issued its second interim report on 12th May, six weeks ago, and that report, hon. members, has serious implications for the Isle of Man, indeed all British, overseas and dependent territories that have offshore financial

services and industries. All the dependent territories, crown dependencies, offshore islands, British dependencies are listed in detail: British Indian Ocean territory, British Virgin Islands, Sark, Jersey, Guernsey, Falklands, Isle of Man and so forth; it is a very comprehensive document.

The report also goes into detail about 11 aspects of the Isle of Man finance industry. The Chief Minister, on his own admission this morning, says he does not have a copy of the report and he does not have a copy of the report because the British Government has said it is confidential, but the report is not the British Government's report; it is the European Union's report and that report is available by a telephone call to the European offices in Brussels.

I must ask myself and perhaps members may ask themselves, why is it that the British Government tell the Chief Minister on one hand, 'Everything is all right, everything is hunky-dorey, trust us,' and another minister sharing an EU committee gives an interim report that has very serious implications and needs a defence? The Chief Minister told us this morning the reason he did not have a copy of the report was because as I said, the UK Government said it was confidential. But it is not. All that the report says is it is limited, that is not confidential - I know enough French to know what the French for 'confidential' is, and what the French for 'limited edition' is.

I now say to the Chief Minister: has he not even at this late stage been advised by the Home Office of the content of the report? Surely, in the interests of the Isle of Man, doesn't the Chief Minister think he should obtain a copy of the report and circulate it to members? After all, it is freely and widely circulated within the United Kingdom by those people who have made it their business just to ring up Brussels and ask for a copy.

The information in that report is vital, as I have said, to the Isle of Man, its economy, its autonomy, and we should be in the vanguard in preparing a defence against European policy that can threaten our autonomy.

Now, this afternoon in the House of Lords an all-party select committee, the European Union Standing Committee A, Finance and External Relations, is sitting in public and questioning Miss Primarolo, the Paymaster-General. All members of that committee - the chairman, and all members - have a copy of this report. The committee sits in public, as you know - all parliamentary committees in the UK do sit in public, select committees. I understand the Island, as the Chief Minister said this morning, does not have an observer present to know what is going on.

The European trundles on. As I have said before, it concerns me. We are given assurances from the Home Office on one side and yet departments and ministers of the UK Government on the other side are working on a different agenda. It is in the interests of this Island that the Chief Minister should know what the other half is doing. We have heard that member states in the European Union are now committed to ensuring the withholding tax would equally apply to their dependent or associated territories. The answer given in the House of Commons when it was raised as long ago as 8th December was that the explanatory memorandum to the proposed directive, however, encourages member states to apply the measures contained in the directive to their independent territories within the framework of their constitutional arrangements; well, the ultimate constitutional arrangement we have with

the United Kingdom is that the United Kingdom is responsible for the good government of the Isle of Man.

Now, I suggest that original part in the constitution, 'good government of the Isle of Man', referred to if there were a civil breakdown of law and order or the government could not function properly. But of course, as we now know, it can be construed otherwise as it was when the Edwards report was announced that they accept that good government in the Isle of Man is good government in terms of what the United Kingdom's overseas commitments are, because the United Kingdom is fully responsible for the overseas matters relating to the Isle of Man. We all know that; we have no voice in it; we are hardly ever allowed to go on a committee of the United Kingdom Government that can sit during issues relevant to the Isle of Man. Indeed, we were fortunate the other day when the Attorney-General, as a member, as an official, was allowed to attend an OECD meeting.

So I have a message for the House this morning: we must be wary of following instructions from the Home Office. We must be wary of just doing what the Home Office says. We must make our own independent investigations. I am appalled that the Chief Minister, on his own admission this morning, admitted that he was denied information on the second interim report of the Code of Conduct Group, a report that is freely circulating within the United Kingdom, it is in all the newspaper offices of the national newspapers and yet there is not a copy in his office. Now, that is not good enough. The same time as I repeat them - I am vaguely repeating myself - the Paymaster-General chairing a committee that is bringing forward matters of very serious implication to the Isle of Man, and we finally have to consider, if the United Kingdom Government makes agreements in Europe, whose interests it will put forward first - its own interests first in what the Prime Minister of the day thinks is the greater good of the United Kingdom, or will he sacrifice those for the best interests of the Isle of Man?

Chief Minister, my final comment, really, on all this is that what you told us is good, satisfactory, a good bureaucratic report, yes, the report will be received, it is good stuff; but there was no excuse, when a report was issued in Brussels on 12th May, that you did not get a copy here. It is good stuff, your report, but it does not indicate to members and to this House what is actually going on in Europe, what is actually being written about us comprehensively, in a comprehensive document, and the House has no knowledge. Chief Minister, as I say, if you ask me I'll let you have a copy. Thank you, Mr Speaker.

Mr Shimmin: Mr Speaker, I would like to firstly begin by congratulating the hon. member who has just returned to his seat, because he is vigorous in his attempts to try and raise the level of debate in this chamber to go on to the more serious issues that face the Island and its future. I would imagine that I am far from agreement with the way forward from the hon. member but I do commend him for all of his efforts and his research that he takes in this issue which I believe is to the betterment of this whole chamber and indeed the Isle of Man.

He has raised a number of concerns which have often been raised in this House, and none of us are satisfied with the total behaviour of the Home Office and the UK Government. We are aware of the concerns that we share on safeguarding the future of the Isle of Man, and the best people to safeguard our future are the people and the elected people of the Isle of Man.

I am not surprised that he raises some of the issues as to whether the UK Government are going to fulfil what we believe is their duty and obligation to the people of the Isle of Man when that comes into conflict with the interests of the United Kingdom Government and their relationship with Europe. I believe that - and this is where I would disagree with the previous speaker - the approach currently being taken by the Chief Minister and the Council of Ministers and the officers investigating this is by far the more constructive and productive way of dealing with our relationships with the UK (**Several Members:** Hear, hear.) It is not complacency, but there is a level of confidence in our own ability to justify the appropriateness and correctness of our stance on a whole range of issues, particularly as we are now threatened by a number of external bodies who fail to understand our unique position. I think the controlled style in which the Chief Minister delivered the report this morning and, I would believe, delivers his message to external bodies is by far the most successful way of ensuring knowledge and information about the Isle of Man (**Mr Gilbey:** Hear, hear.) It does not become any individual member's sole prerogative or right to be concerned about the future, and I believe the Chief Minister, the Council of Ministers, all elected members and many of the members of the public who take an interest in these areas are aware that there are risks ahead, but the talk of autonomy is one which seems almost xenophobic to try and believe that on our own, in isolation, the Isle of Man can survive. We have to broaden our outlook and be aware of initiatives and work within an international framework if we are to be taken seriously on an international basis. That does not mean we mindlessly follow or support or believe everything that we are told, but I do believe that we have got to talk in order to try and advance our case, and I believe that we are doing so successfully at present. The future holds many risks, if you choose to see it that way; it also holds considerable opportunities, and it is up to this chamber and another House to find the opportunities to benefit the people of the Isle of Man, and, instead of constantly talking about the risks, the threats, the dangers in a negative style, to work together to actually find the opportunities that the Isle of Man can exploit, legally, fairly, on an international basis to the benefit of the long-term future of the Isle of Man.

I believe that this interim report has been stimulated to an extent by the previous speaker. I believe that we need to have far more discussions within this House on these issues, and I believe the Chief Minister has taken that message and will continue to pursue and keep us abreast of developments. I am confident that hon. members in this House will continue to push and probe, and ensure that that takes place. But I do believe that we are beginning to mature; we are beginning to acknowledge the threats ahead and to find ways through it.

I would hope that hon. members would take this interim report in the spirit it is done. There are many areas that will need further clarification. It is frustrating at times when you are on the outside of these discussions, that you read it rather than be involved in it. I believe it is high time that this House begins to be more involved in these discussions, not always on the floor of the House where there is an opportunity for misrepresentation or misunderstanding to occur, but I believe that the consultations which have taken place, which the previous speaker alluded to, in seminars and in briefings are a beneficial and necessary step forward.

So I hope that all hon. members will be glad to receive this interim report for what it is. It is not complacent, but it is practical in an international political world to find the appropriate style, not just of what you say, but the way you say it and to the audience. I share the previous

speaker's concern regarding the interim report from another place. I find it once again reinforces our concerns that if we have not got direct access to the information available, I believe that is where we start having the concerns and fears. That should have been received; I do not know how hard it was pushed by the Chief Minister to receive a copy of that report, but it is that message which I believe sells us short as a House, and I believe we have to make sure that we support the Chief Minister, the Council of Ministers in their efforts to get a greater level of respect from other places, to treat us as a mature, respectable government and accordingly to afford us all of the appropriate information and consultation that we demand. Thank you, Mr Speaker.

Mr Rodan: Mr Speaker, I would welcome this interim report for what it is. I believe it is a fair, well-researched interim assessment of what is an ever-changing international, political and economic situation.

If there is an observation to be made, it is that the report is long on factual analysis of the present international scene and perhaps short on the Isle of Man Government's political response to that scene. (**Mr Cannan:** Hear, hear.) But I think there is a very good reason for that. It is because any response must be well considered, it must be well tuned into the shifting scene, it must be well researched and we must have the eye on the ball. But the ball is moving so fast that members of the public can be forgiven for believing that government does not have its eye on the ball, and I would urge that the public be given an assurance that the Isle of Man Government is abreast of international developments and is prepared to respond robustly and appropriately, and the fact that an immediate response may not be taking place is not an indication that it is ignorant of what is going on, and I think we need to make that point very loudly and clearly. We must not react in a knee-jerk fashion to what is going on internationally; we must do so maturely and - I do not particularly like the word caution, but with a degree of caution.

One of my regrets is that the rapidly shifting scene in European development has given rise not to the sort of mature, considered public discussion on the advancement of our constitutional interests long term that is required, but has provoked knee-jerk responses. I personally have never seen constitutional advancement for the Isle of Man as other than an objective to be reached after mature public debate, and there is a danger that public debate is not based on full appreciation of the facts, which is not to say that the public is not entitled to engage in a debate, because it reads the British newspapers, it watches the news, it knows what is going on. But what it is concerned about is that the Isle of Man Government is not sufficiently attuned to what is going on, and I do not believe that that is the case.

There is comment in the public domain especially in respect of our relationship with Europe and how European initiatives on tax, in particular, effect the Isle of Man that require clarification. It is essential that we spell out to the public the full extent of the Island's formal relationship with Europe, because I think it is generally understood that we are neither a full member nor an associate member, but we have a relationship that is simply a consequence of our political status as a crown dependency of the UK, which is a full member state of the European Union; and whether we are formally represented in the institution of the union or not, our Manx economy is inevitably heavily influenced by European directives, European regulations and European political and economic initiatives, and this is what the public see going on, the most recent political initiatives. This is a fact of life, and it will be a fact of life

whether we are a crown dependency, whether we are an independent state, whether we are in the EU or whether we are outside the EU.

I would remind the House that there are four direct ways that the European Union impacts on the Isle of Man. Firstly, the range of areas well documented which lie within protocol 3 concerned with the movement of persons and services, and any change to protocol 3 would need the full unanimous agreement of all the member states. It would not simply be enough for the Isle of Man to wish a change to protocol 3; it would need full unanimity. And for protocol 3 to embrace some of the issues that the public, or some of them, believe it does embrace, like fiscal policy and tax matters, would also require unanimous agreement to change protocol 3. But it should be made loud and clear that protocol 3 does not include tax initiatives by the European Union.

Secondly, there are those issues where we have no obligation to follow the union but we do so indirectly because of agreement with the UK, which is the reason why - and it is spelled out in the report - value added tax although a European tax applies to the Isle of Man: solely because of the conscious decision, rightly or wrongly on our part, that we keep our indirect taxation in line with the UK through our Customs and Excise Agreement, and as a member state with its own European obligations to follow the UK, certainly in practice sets the Isle of Man's VAT rate. But that is a choice we make and I think it is well recognised we can change that particular situation with six months' notice.

Thirdly, there is the application by the European Union of standards and conditions in trade which we are obliged to adhere to if we want to maintain a trading relationship with European markets. And fourthly, there are those union matters which we decide voluntarily to adopt, particularly matters such as clean water, environmental health, sewage treatment, where it is the European standards that are recognised as standards of best international practice and are worthy, therefore, of adoption in their own right, and by adopting them we accept the additional costs that often accompany them. Those costs are borne entirely by the Manx taxpayer because we receive no structural or regional funding of any sort, not just from the UK but from the European Union. Funding we would otherwise fully expect, given that we are a peripheral maritime region of Western Europe. We pay these costs ourselves voluntarily.

So the point I am trying to make is that it is very clear that the Manx people, although the Isle of Man is neither a member state, nor an associate state, are significantly affected by the European Union even though we have no direct say in the commission, in the parliament, in the European Council of Ministers - places where the decisions are made which will certainly have a marked effect on the daily lives and the industries of the Isle of Man. But what I have said is nothing new; it will not come as news to this House, because it has been the case for 25 years.

One must ask, why is it then that now the European situation is causing so much concern? It is, of course, that the European project has transformed itself from a trading arrangement between sovereign states for good economic reasons to a political project, and when politicians are let loose on the political agenda, the public certainly sit up and take notice. The euro, for example, the European currency, is nothing to do with economics, but is a purely political project. Economists would say, and have said, that it is economic nonsense to impose a single currency, which is the outward manifestation of economic union - the two go together - on national economies which are pulling in completely different directions and

which had never any prospect of convergence. The Irish economy, with 10 per cent annual economic growth - its requirements and especially its need to put up interest rates are quite different from the sluggish economies of Europe like Germany, Italy, which have to go in the other direction. The whole idea is for a political union, a federal union of sovereign states, and what is happening today, which started off as a gleam in the eye of Mr Delors and has been articulated most recently by Mr Monti and the German foreign minister and other European commissioners, is now coming to fruition.

Now, that particular political agenda, the one for economic and monetary union, a single European economy with a single European currency circulated, directed by a central European bank, is a political agenda which it is clear that the UK Government and certainly the British people are not yet ready to sign up, and it is an agenda which the Isle of Man is not, as far as I can tell, prepared to sign up to either. Yet the fact of the matter is that constitutionally - and this what gives rise to legitimate concern - that the main area in which the Isle of Man does not enjoy complete autonomy over its own affairs but relies on the good offices of the UK is the area which carries the most uncertainty for our economic well-being, and that is because of the very economic uncertainty facing the UK: will the UK go into the Euro or won't it? The Chief Minister is quite right to say - and it says in the report - that the decisions for the Isle of Man in the euro is not in the gift of the Isle of Man Government, it is not being invited to join the euro. The decision for the Isle of Man Government is whether it wishes to maintain economic and monetary union with the United Kingdom. That is the choice, and if there is any question to be asked of the Manx public it is that question, and it is because there is no clear answer to that question because the UK has not made up its mind, that is what is giving rise to legitimate concern in this Island, and that uncertainty extends as well to the political arena.

The United Kingdom, it is clear from our experience, is responsible in international law for the affairs of the Isle of Man and our adherence to conventions, treaties and so on, but the international responsibility by the UK for the Isle of Man in political areas is nothing to do with international law but is based on convention and precedent, and it is this vague greyness of the situation that gives rise to uncertainty and room, yes, for suspicion that what the Isle of Man will eventually get is what is politically expedient for the United Kingdom, and this what makes it very difficult for the Isle of Man to address the international scene with absolute certainty, because at the end of the day we are reliant on the UK to do its constitutional duty by us and represent our interests to the best of its ability and to our full satisfaction. The quote that was given earlier by the hon. member for Michael, Mr Cannan, that the European Union will encourage its member states and will require its member states to encourage its dependencies to implement certain things within the scope of its constitutional framework is the key: 'within the scope of the constitutional framework', was inserted in that agreement at the insistence of the crown dependencies so that there would be no room or shadow of doubt on the part of the European Union where the crown dependencies and the Isle of Man stand, and that is that they are not part of the UK and not subject to the directives and the tax initiatives that the UK are subject to.

So, it was first class that that happened, and many of us would not be absolutely certain that it would have happened a few short years ago, but it is happening now and I believe the Home Office and the British Government have a far fuller understanding of the position, not

just the sensitivities of the Isle of Man with Edwards but the actualities of its constitutional duty for the Isle of Man and the Channel Islands.

The suspicions that many feel could be said to be well founded. In 1972 there was a devaluation of the pound, and the British Government closed down overnight the sterling area, and other members of the sterling area were ejected overnight; Bermuda, for example, ejected overnight, had to tie its currency to the US dollar without so much as a by your leave, and it is that that rankles and it still rankles in certain places. It is that situation which must not be allowed to happen, and I do not believe that, provided we are robust enough, it will be allowed to happen.

So the Manx Government must be alert politically to the shifting international scene. I believe this report demonstrates that it is alert; it must be alert to political shifts in British Government policy and we must not be afraid to tackle them, to obtain the necessary reassurance, to hold them to it and to react robustly to anything other than a full commitment to defend the interests of the crown dependencies, and the value of the report is that it does clearly identify an interim report, so it has only started to identify those areas in which the international spotlight falls, and inevitably part of that spotlight falls on the Isle of Man.

There is no international conspiracy targeted on the Isle of Man. What there is is a growing recognition and a welcome recognition that the Isle of Man is a global player in a global finance industry and an important and well-respected player with standards that measure up to anyone else's, but there is a price to be paid for that, and that is the spotlight will fall upon us, and although there is a recognition that we are free agents in respect of our fiscal policy and we lead the field in the standards of regulation and the competitiveness of that policy, that means inevitably we are answerable through the good offices of the United Kingdom whose constitutional duty it remains to represent us. It is our relationship with the UK which defines the limit of their accountability for us, and it is this that at the end of the day gives rise to legitimate public concern, and the concern of politicians in the Isle of Man is, is our constitutional arrangement robust enough, strong enough, to serve our interests through the link with the United Kingdom? I have no doubt that, provided we talk about the issues and provided they are debated by the public from an informed point of view and not from a point of view of rumour and speculation which will ultimately damage the interests of this Island, we will be well served.

Mrs Hannan: Vainstyr Loayreyder, I welcome the report. I think it spells out in most parts exactly our position and where we are at the moment. The problem, I think, for the people outside is that they are bombarded by media, the media tend to be the UK media, and it is the UK position that people tend to get very hooked up on and they do not really want to hear the Manx position. That seems to be the problem, and I am not sure how we actually counter that. It is difficult to counter; people are saying, 'well, it is good to have this discussion, it is good to have it at this level, it is good to get people involved,' but I am not sure that we are actually at that position this morning. We have got members who are spelling out one way; we have got the Chief Minister who has brought to us this report that we asked for; it is comprehensive enough at the moment to receive as a report here but, even being as comprehensive as it is and spelling out the situation, we are still getting hon. members today questioning, 'What is the position? Why is this happening? We are not ready', and the rest of it. We are in a good position here, and I do not believe that that message has come across.

I do not think we expected, when the political situation changed in the UK, to be totally and completely cocooned from anything that might happen there. We have known for 20-odd years that the Labour Party has been opposed to what collectively have been called tax havens over that period, and the people that were in the British Islands Reform Group some 20-odd years ago are possibly the people that are in power now, and as soon as they got there they found out a way in which they could attack places which they deemed 20-odd years ago to be a tax haven.

They are looking at curtailing some of the activities, but I would suggest that they are looking to curtail some of the activities which affect them and not negatively and not those which have a negative effect on other areas. Why haven't they gone into the European Monetary Union, the EMU? Because it would affect them; they have not gone in for any other reason. They want to be on the outside dealing in the pound, and really it is the City of London, the offshore centre in the City of London, that is really controlling both the Conservative and the Labour Party.

But if I come back to Mann, I do believe that we are in a good trading position. Twenty, thirty years ago we did not have finance; we did not have the manufacturing base that we have today. We were developing trade with Europe on the agricultural and fisheries side and that has continued to develop. How else can we exist? We need these areas where we can trade and we are able to do that.

However, one of the clouds coming up on the horizon - and it has been mentioned - is the World Trade Organisation. I do not believe that is good for us in the future, and I certainly do not believe, when it comes to the trading, that it is good for the environment either. Some of the countries have appealed against the World Trade Organisation's rulings and they have disregarded completely environmental concerns of those countries, and therefore I do not think in the long term it is going to work for the good of the world, although it is the World Trade Organisation. It does not take into account the level playing field, that somebody looks after their environment in one area and somebody else does not, but they can get away with the abuse of the environment, and that does leave me with great concerns in that area in the future.

But with regard to trading and how we have been doing it to date, we have been able to trade with Europe on the manufacturing and on the agricultural side, but I think it is, as the member for Garff has mentioned, about putting into place these standards; I do not think our people understand why we take and use the European standards so that we can trade. We have not been able to get that through to our people. They tend to look at, just for argument's sake, the meat plant. Why should we have standards such as that? Why should we have such an expensive meat plant? Because it is in our interests to trade with Europe, and to trade up to those standards. If we could not, we would be very insular as has been suggested by some of the pronouncements that have been made since we started talking about issues such as Edwards and such as independence, one might say. These are being paid for by us to get to these standards, but they are also worthwhile from our point of view when we are able to trade, and we are able to build up a reasonable trade and keep some of these industries in being to earn money and it does earn money, for our nation.

But how do we get this information through to our people that it is to our advantage to trade, to be part of, in a limited way under protocol 3, Europe? I do not know. It seems to be

the people that speak and shout the loudest that get heard and some of the comments that have been made over the years by members of this hon. House, tend to get heard, tend to get repeated and therefore they build up. I come back again to the media position where people are bombarded by the UK position. Everything is then deemed to be the same in the UK and the same here, and I do not know how we can get through on that.

The member for Garff also suggested, talking about the euro and why different areas have not gone in, certainly the UK, that it was a political move, and I would suggest it is not a political move. It is political in the sense that politicians are developing it, but as far back as 1987 Lord Cockfield, who has not been mentioned, suggested that monetary union and a level playing field with regard to money right the way across Europe was the way forward, the way forward to developing an economic trading base, and I would put it to this hon. House that it is simply because of London being this offshore Europe finance sector that they want to continue to hang on to the pound, because the banks, the finance sector, want that independence. They want to be able to make money and, believe you me, they can make money out of us, people who have the pound, converting that money into whatever else; whether it is the euro, whether it is francs, dollars, whatever, they can make money out of that. So that is why they are wanting to keep it. It does not matter whether it is old Conservative or New Labour, that is exactly what they are wanting to do.

Again, I come back to the point, it is them that is bombarding everybody about why it should be kept and they seem to be winning the argument, not about trade and about people being able to work and continue to be employed and trade with this bigger partner, which was the reason for developing Europe in the first place. So the Conservatives and, I suggest, New Labour, want the status quo, because that is how England can raise money - I say 'England' because Scotland now want to develop, some of them anyway, a better trading relationship with Europe. They want that trade but they do not want the level playing field.

My main concern about this report is on the Agenda 2000, the CAP reform, because while, yes, it will cost us money in the future, as is said, we do have this agreement in 7.4 as far as the Isle of Man is concerned. Tynwald by resolution of 1995 reaffirmed the principle of providing similar levels of support. So we have already said that we would, but there is an advantage to that, and I do not think it is spelt out in this report, that we can continue to trade and it is worthwhile and it is something that we should really be aware of, that by conforming with Agenda 2000, the CAP reforms, the extension of Europe, we will be able to trade on this level playing field. Being able to trade is to our advantage.

I do believe that the Council of Ministers are looking after our interests. It is not in their interest not to do so, but I do believe that comments by some members will cause and have caused concern for people who are not able to disseminate the information clearly. Some people want only to spell out doom and gloom. This report is good. It will be read by a few people, but even some who read it will still want to look for the negative side of it and I would hope that the Council of Ministers can look at ways of trying to get over to the public, who may be worried and concerned, that this document is looking after our interests, it is spelling out what the position is at the moment and that we are looking for another report in the future, members will be kept informed on a regular basis what is happening, and I would hope that in some way the Council of Ministers can look, along with members, to get this information out to the members of the public. Thank you, Vainstyr Loayreyder.

Mr Karran: Vainstyr Loayreyder, I would just like the Chief Minister to tell us who is on this committee in his summing up, simply because I think it is important that we do know who is on it. Is it a broad enough base in this committee? Is it too cosy as regards having people who cannot afford to rock the boat because they are all civil servants together and they must take a unilateral line?

I feel that it is important that we see whether the base is the right base, is the right knowledge on it, because what does come over from this report is, it is trying to get the balance between the two extremes and, all right, admittedly, so far as I am concerned, when you talk about the constitutional arrangements for the Isle of Man I admit that I get so annoyed that you try to legitimise the bastardy of any control that the adjacent isle has on this Island, but what concerns me is that we are not getting the best information. I believe that the Chief Minister should be prepared to maybe look outside civil servants and maybe outside this hon. House to consider other people's input into any dealings with the EU, because I think it is simplistic to say, 'Oh, tax isn't on the agenda.' Anything will be put on the agenda by this lot next door and I think the sooner we realise that and are educating ourselves so that we cannot trust the adjacent island and we look at our real history of this Island being used as a doormat by the adjacent island. . . I feel that what does come over in the debate today is this idea that they will look after us. They will not look after us. We are an expendable rock and the sooner we wise up and start looking after ourselves the better.

The only thing I would like to say is that I do think the Chief Minister. . . There is a great wealth of knowledge on this Island and I think for the Council of Ministers' committees, as well as for other committees, it would more likely do some good to have some input from people who have a broader knowledge on these subjects. At the end of the day we are the elected representatives and we should make the decisions (**Mr Cannan:** Hear, hear.) as the elected representatives, but I do believe there is a knowledge out there that is not tapped, and it is not just the Council of Ministers that are at fault there; I believe many of us in this hon. House do not allow people outside and I do think that the Chief Minister should consider, when talking about these issues, that maybe he should look at the membership set-up so that we get a broader base, a more comprehensive view of what is actually reality as far as the issue that is in front of us today and I do hope that it will be taken on board. I know that it is not just a fault with the Council of Ministers' committees. I think there is a fault with many of our committees within government and within our departments, where we could maybe enhance and protect ourselves a lot better with having people with the knowledge in order to protect our people.

Sir Miles Walker: Mr Speaker, it seems to me that on many occasions when we enter into conversations or debates or arguments about the challenges that are facing this Island and other small communities like us out there with the general public when we are talking and so on, very often there is an undermining thought in those conversations that somehow the constitutional relationship or the constitution of this Island is being undermined by those challenges, and I hope that the one thing that this report does is underline that that is not the case. I do hope that the Chief Minister takes the opportunity to spread this report as widely as he can. I think it would be very useful to the presenter, say, of Manx Radio's phone-in programmes - and I do not say that flippantly; I say it because very often he is faced with questions from callers that he has difficulty in responding to, and I do believe that some of the authoritative statements in this report would be useful to him. I have to say that I think the

presenters of those programmes over recent years have been particularly good and I certainly would not criticise the present incumbent of that post, but I do think that this would be useful material for him.

I also hope that the Chief Minister will take the opportunity of providing this report to the other members of Tynwald. Now, I am sure he has done that, but, Tynwald being the Isle of Man's parliament, it seems to me reasonable to expect the other members to have a copy of it.

I suppose, when reading through the report we were looking for instances maybe of constitutional erosion or even constitutional advance, and the Chief Minister has made it clear, and I think he is right, that a constitutional advance from this point on is more difficult than it was, say, from that situation that was in place 10 or 15 years ago. He has made that point very clearly and I am sure he is right but, hon. members, I do believe that there are signs of constitutional advance within this report, and I think the appearance of the Isle of Man to argue its own case at an international forum - that is, the OECD in Paris - should be accepted as a constitutional advance. (**A Member:** Hear, hear.)

Now, whatever the reasoning behind the UK standing back and saying to the Isle of Man, 'You need to represent yourself on these issues,' I think that we need to grasp on that and we need to use it as a precedent and we should not accept from the United Kingdom when they say to us, as they have done regularly over the last, probably, 20 or 25 years, 'You don't have a voice internationally, we will represent you.' I think that that OECD meeting should be seen as a turning point and I compliment those officers who went and presented our case. (**A Member:** Hear, hear.) I also have to say, Chief Minister, that I think the Isle of Man over the last 18 months, two years, has come under an unprecedented period of international scrutiny, and I think the way that the Chief Minister and his colleagues on the Council of Ministers and the chief officers have responded to those issues has been done in a very good way in the interests of the Isle of Man, and I would suggest to him that the nervousness that was around in our business community some two years or 18 months ago has largely been put to rest, and I do believe that that is because of the way the Council of Ministers has handled these situations as they have come up and we now have, I believe, a business sector in this Island looking forward confidently to the next three or four years, and they are talking about year-on-year growth in their businesses.

I know, Mr Speaker, as you do, that not every sector of the Island's business community is enjoying that confidence in the future and, like you, I belong to a sector of our community that is enjoying quite the reverse, a period of unprecedented downward spiral of its income, and that is agriculture, and I have found it very useful that the Chief Minister has included in this report comments about CAP and some of the challenges that Tynwald and the Department of Agriculture in particular will have to look to over the next few years, or short period of time, because I believe some decisions cannot wait.

The international scrutiny that we have been enjoying - if that is the right expression - or the opposite is, of course, not only from Europe. That is also made clear in this report and I think this report is useful for that. It is not only Europe, it is the United Nations, it is the G7 countries and it is the United States of America. There are changing international opinions towards international business. This report recognises that, and what it does do is say that we have to change; we have to belong to that body of international opinion. I think it is absolutely

right and on page 17, towards the end of paragraph 6.7 - and it is talking about the United States - it says they 'have recently made strong statements that they will withdraw trading facility, for example, access to the dollar clearing system, from those countries which persistently fall below acceptable standards.' Now, that is instancing the United States, but there is no doubt at all that the major countries and communities in this world are moving along that line, and this Island of ours and its business community cannot afford to be on the receiving end of situations as outlined in that paragraph.

I agree with my hon. colleague from Garff, Mr Rodan, when he said that it seemed to him one of the things that was now internationally recognised was the maturity and responsibility of the Isle of Man, its government and its people. I believe that that has changed tremendously in the last 10 years to our benefit, and if we had not faced up to some of those difficult and uncomfortable situations such as the homosexual issue, the birching, the hanging and if we had been at the same time trying to fend off all those situations as well as the ones that are mentioned in this report, I believe we would have had a very difficult time.

So I receive this report with pleasure. I think it does outline some of the issues that are facing us. It tells us very clearly the Island's response to them. There are others, we know that, and there will be more. This exercise is going to continue, but what we have to do is demonstrate that we, as I said before, are a mature and responsible community, government and people and we need to be in a position to respond issue by issue to those challenges. I believe we are, I believe we are doing it well and I would compliment the Chief Minister and his staff.

Mrs Cannell: Mr Speaker, I shall try to be very brief because of the lateness of the hour. It does not surprise me, really, that a previous Chief Minister will compliment a present Chief Minister and the Council of Ministers. Indeed, I would expect nothing less than such a statement. I am, however, with regard to the report, just a little bit disappointed that it did not go any further, particularly in relation to the remit at 1.1(b), which was the Council of Ministers' responses to those developments, because a lot of the so-called described responses in here is, 'Well, we really don't know. We'll have to see what happens,' and, as the Chief Minister said when moving the report, much is reliant on having a crystal ball. Well, I like to have things a little bit more clear in my mind and I think certain other members would too, and particularly for the benefit of their constituents.

What I would like to ask the Chief Minister in relation to this report and any subsequent reports to be expected, this being an interim, is whether or not he has sought to seek independent legal advice as to the constitutional position the Isle of Man has with the United Kingdom. Now, we have heard earlier on in the debate that the United Kingdom is responsible for the good government of the Isle of Man, but that has never ever been tested and I say it again and I will continue to ask and say again that it is important that we get an independent evaluation of that consequence in the constitution.

Mr Brown: Why?

Mrs Cannell: The reasons why are quite clear. If we are going to have an informed debate and the public are going to have an informed debate, then we ourselves need to be kept informed, in answer to the hon. member for Castletown who continually asks why.

The constitution needs to be looked at. We need to know whether or not the necessary provisos for our own protection, should we need protection. . . We do not know whether we will need protection. We have heard also this morning we are in a good position, we have nothing to fear. We have all sorts of assurances given to this House, and the hon. Court on other occasions, that we have nothing to fear. Well, that is fine, we have nothing to fear, but I feel that I need to be convinced that we do not have anything to fear from Europe and the OECD. I would feel more confident and indeed I think that members of the public and businesses would feel more confident if we knew exactly what our legal position is today.

Now, the speaker prior to the previous speaker, the member for Onchan, mentioned that there is knowledge out here in the Island, we have more knowledge, and he asked and implored of the Chief Minister to seek that additional knowledge from outside the precincts of government offices, but can I suggest to the Chief Minister that we have a particular expert within these offices who advises on everyday matters in relation to proceedings of this hon. House and the Court, who himself is described as a whiz with regard to constitutional matters, and yet I understand that he has not even been asked of his advice and yet we employ him here, and I would have thought that would be a good starting point to actually ask of him his advice (**Messrs Houghton and Cannan:** Hear, hear.) and what his theories are in relation to this.

I think we also have to be on our guard - and I will say it no stronger than that - in relationship with the Home Office, because this is quite a new development whereby previously, in my short time in this House, if a department wanted to speak or confer with its equivalent in the United Kingdom it merely had to make a direct connection with the chief executive, the minister, the junior minister or whatever. Now, of course, it is quite a different situation. We have to go through the Home Office; everything has to go through the Home Office. So if the Department of Trade and Industry of the Isle of Man wishes to speak to the Department of Trade and Industry of the United Kingdom, we first have to ask the permission and leave of the Home Office. Now, that is not, to me, a positive development for the Isle of Man and its autonomy. Indeed, I would say that we are being treated in some respects like children who are being monitored for behaviour (**Mr Houghton:** Hear, hear.) and I think that is what we have to also be mindful of.

It was also mentioned earlier on by a previous speaker that he thought he viewed it as a positive development whereby the learned Attorney-General was invited and indeed did attend to represent the Isle of Man at the recent OECD meetings which were held, and the Chief Minister advised us this morning that we are a member of the OECD. Well, that is all well and good, but I think we also have to be honest with ourselves, that our learned Attorney-General does have indeed two hats: he wears two hats. He not only advises the Isle of Man Government on national affairs and United Kingdom affairs, but he also advises the United Kingdom Government on the Island's affairs, and this element of his capacity to advise two lots of different governments and two lots of different nations has been questioned on many occasions before and yet still we have not reached any clear clarity as to where his first responsibility lies. In my mind, if we are to have such a person of such a legal standing, he or she should simply be advising the Isle of Man Government on the affairs of other jurisdictions and it should not be reciprocated.

We have learned, or been advised, this morning that the Isle of Man Government, indeed the Council of Ministers which constitutes the Isle of Man Government to my mind, is abreast of international situations and it is attuned to what is going on. I would suggest that the opening remarks by the hon. member for Michael would question that, in that he referred to two lots of interim reports which the Chief Minister has admitted that he does not know anything of, let alone has seen or read them, and so I would suggest that at this moment in time we are not quite as attuned as perhaps we should be and ought to be. I believe we should be aware of all of these reports, preferably before they come out. I know that is like having a deadline which was yesterday and you are still trying to meet it.

We need to be more on the ball. The public demand that we know what is going on but moreover, apart from being knowledgeable in the world situation as to what is going on, particularly with monetary union and harmful taxation so-called jurisdictions, are the implications for our economy, the implications for our businesses and for the people of the Isle of Man. We do not know that, because our government has not advised us on that and they in turn have not been advised any further than the United Kingdom would wish them to know. So there are a great deal of things here, there is a big long list of things that I feel that we have to establish as part of the next interim report, which we hopefully will receive in the not-too-distant future and things will become clearer.

But I would really urge very strongly: Chief Minister, please avail yourself of all the information that is available to you, and if an hon. member of this House has contacts in Brussels or elsewhere and can obtain these reports for you, then please, I urge you, work with him for the good of the Island and its people. Please work with members.

The Speaker: Now, hon. members, I am aware of the clock but no other member has indicated that they wish to speak. . . Oh, I now have an indication that the hon. member for Ayre wishes to speak to the debate. In that case, hon. members, we will adjourn until 2.30. Thank you.

The House adjourned at 1.02 p.m.

European Union Etc. – Debate Concluded – Report Received

The Speaker: We resume our debate on item 18 on the order paper and I call upon the hon. member for Ayre, Mr Quine.

Mr Quine: Thank you, Mr Speaker. As one hon. member said earlier, we can receive this report for what it is worth. That is no problem and there is useful information contained in the report, I do not deny that, but it is what it is, and that is, it is a situation report; it is a reporting on initiatives as reported essentially by those who are promoting these initiatives. It seeks to provide a degree of comfort for the people of the Island, in particular the business community of this Island, but that offer of comfort is on a very tenuous basis, and I think what concerns me particularly about this scenario is that the views expressed by the Chief Minister in this report are founded on a very legalistic interpretation of agreements on the basis that this is what this is all about, this is how this should be interpreted in terms of what the agreement boils down to, and we have got these assurances from the Home Office, and this is how we should read it.

Now, I believe that what we should be recognising is that the real issues have not been met head on, because I feel that, to date anyway, we have skirted around the real issue, the matter that is really make a difference to us, and that is political and economic clout. That is what this is all about, and when we are trying to, as in some of the commentary, brush this aside by saying 'Really, you know, what this is getting at is questions of standards. It is trying to ensure that there is fair competition through quality, that there is no cutting of corners, that we are on about standards and fairness', if you swallow that, you will swallow anything. That is very much a secondary issue. What this is, about is there is a feeding trough and the big players, those with political and economic clout do not want the smaller players getting their noses in that feeding trough, and if we are competitive there is going to be less left in the feeding trough for them. I think, if we start to view this issue in terms of the real world, perhaps we will be able to do something more positive about it, but simply to dance around and say, 'Here is the agreement. This is the advice we get. This is what they tell us', I am afraid that we are at risk - I will put it no more strongly - of being left high and dry somewhere along the line, and particularly when we are quite clearly not being kept fully informed of what is taking place, and I will revert to that a little later, but I do believe there is an important point to be made: that the niceties of standards, the niceties of quality, which is what some of these exercises is being carried forward on, are very secondary. This is about clout; this is about noses in feeding troughs.

We are all, I think, very much and very closely connected with the community as a whole and the business world; that is what we are all about, and we all get our feedback from the community, from the business world. Nobody has a prior claim on that contact or a reading of that situation, but the suggestion that was made here this morning by Sir Miles Walker that somehow over the last few months this situation has changed and there is greater confidence abroad in the business community - I do not get that feeling myself. I get a feeling that there is a better understanding of the issues outside. I think, because of the open debate, there is a better understanding about what the issues are all about, and if I can just diverge there for a moment I would just mention that if we had followed the advice from some of the Council of Ministers we would not be even debating these issues because we were being told a short while back that we were rocking the boat. Well, at least we have grown up to the extent that we are no longer bringing out that sort of trite, those sorts of pointless comments. There is a recognition now that these matters are for the public domain and they are for public and open debate, and I think we are the better for that, at least to the extent that there is a broader understanding of the issues, and we have grown up to that extent.

What does concern the people outside, having, as I said, got this feel for what is at stake, what the issues are - what is concerning them and the questions that I am getting are saying, 'Right, we have these so-called initiatives. They are rumbling along. We have an understanding of what they are about and we take it for granted that the government is monitoring and responding to whatever the enquiries may be from those promoting these initiatives, but where and to what extent are these medium/long-term economic and fiscal policies and strategies that are going to take all of this into account?' I can see the immediate response: 'Oh, it is all so unclear. It is all a moving scene.' Perfectly true, there is a lack of clarity because these exercises are ongoing. I can accept all of that, but we know what these scenarios are and surely, against that backdrop, we should be able to be looking at the variations, at least, of what we require to give us the best response to these economic and

fiscal initiatives which are on the scene. There is a certain amount of anticipation that we can be entering into, educated anticipation from that point of view, and, as somebody said, we can, we should and we probably are, to some extent, identifying opportunities that flow from this scenario.

The other matter which I find totally absent from the report, of course, although a number of members who have made contributions today have touched upon it, is the relevance of our constitutional development. What relevance has constitutional development to these initiatives which are being progressed by those who purportedly have our interests at heart? And that is highly questionable. Now, I have said in a previous debate that, as far as I am concerned, constitutional economic, social developments have to proceed in tandem. I see no mileage in being an independent pauper. That, to me, is of no value whatsoever. (**Members:** Hear, hear.) But there is a relationship between the path that we follow in terms of our economic development and our social development on the one hand and how we can best advance our interests by a range of issues which would fall under the heading of constitutional development, some of which could be viewed as being relatively minor matters, others being of greater importance. But in putting together and in looking at what I would term the contingency planning aspect of what is unfolding, there is a need to look closely at constitutional development vis-à-vis economic and political and other developments, and I do not get any message in this report in regard to that matter.

We need, under this heading of constitutional development, to take a fresh look at this whole question of the Island's representation, and I am not talking of representation of the CPA and those sorts of things - frankly, if we did not attend those we would not lose very much; I am talking about representation in our own right before international forums. If you take the situation where we are relying on the Home Office to represent us when their interest is absolutely diametrically opposed to ours, and if we accept that, and do not make an issue out of that, then that really is putting our heads in the sand. We have members of the British Government; we have the British Government in fact as a government; they are pioneering and promoting some of these issues, and are we to sit back and say, 'It is good enough. You can go forward and you can speak on our behalf'? Rubbish! We cannot do that; we must not do that (**Mr Houghton:** Hear, hear.).

There is another matter, unrelated to this entirely, which has demonstrated that very recently where - an international body - our representatives say, 'No, you cannot have representation. We, the Home Office will represent you,' and yet they are taking it and their interests are coming from a different angle entirely from ourselves. We must take on board more seriously and make an issue of representation in our own right.

What are the public looking for? Well, as I have said before, what is in the report from the Chief Minister is informative; it is okay as far as it goes. It gives us a situation report on where we are on those matters, but it does not provide the strength of comfort that the public and the business world are looking for. They are looking for matters other than simple recognition of the problems, and that represents a big step forward which we have taken in recent months; they are also looking for us to at least enter the realm of contingency planning and to work on the lines of getting together some meaningful responses, working from representation to robust action in our own right, and we do not need to recoil from the thought that our masters - because there is no doubt within government the Home Office are viewed as masters - will not

like it. Our masters are not going to get it. It is the Isle of Man's interests that are going to be, and need to be, promoted. I believe that the sooner we take that on board and the sooner we take on board more seriously the strengthening of lines of communication with these international bodies, the stronger will be our position, but simply to sit back and monitor and say, 'We have made a very intellectual, useful response to this question we have got' is not going to carry the day; it is going to have to be much more robust and meaningful action than that.

That brings me to the last point that I would like to make in this. I believe that in this scenario which has emerged and which is ongoing, there is a role for parliament as distinct from government. I believe that we as parliamentarians, whether it be this House - and I would certainly advocate this House rather than Tynwald as a whole - I think it is time for us to look at putting in place a committee or a mechanism, a parliamentary one, to run alongside of whatever government is doing, because we are not getting the response or the reassurances that we are looking for coming from government at this point in time. Parliament comes first, we are entitled as parliamentarians to put in place our own mechanisms to monitor these developments, and I believe that when we get to October, it may be very timely for us, as a parliament, to do something separate and quite distinct, perhaps, from what government is doing, something which will look at it on a broader basis and something which will not be influenced to the same extent by entrenched positions taken by departments, civil servants or politicians. Thank you, Mr Speaker.

Mr Henderson: Welcome back!

Mr North: Mr Speaker, we have nothing to be reticent about as regards this report and what has happened in the last year. I think we have not - and I repeat, not - been found wanting when it has come to supplying the information that has been sadly needed for years, through to some of the people who show a tremendous amount of ignorance about the Isle of Man. I think we have found, certainly more in the last year than any other time, that what people know about the Isle of Man outside the Isle of Man is almost verging on the negligent.

The hon. member for Ayre talks about clout. Yes, he is right: we have not got any. So how do we go about working as a jurisdiction and a country when you have not got any clout? There is only one way in my opinion (**Mr Cannell:** Abdicate.) and, as the hon. member for Onchan has just muttered, abdication is not the answer!

Mr Cannell: It is one way, though.

Mr North: We are a small nation, one of hundreds throughout the world, 73,000 people. So how do we approach this whole issue? Well, in my opinion - and this is what government has been doing within the last five, six years - we have been working directly with people in London and in Brussels and throughout Europe. We have to be, as somebody said, alert politically. The Isle of Man is a member of CPMR. I think it is the only full member who is not in the EU. I have had the privilege of serving on a steering group of the Alliance of Maritime Regional Interests in Europe for the past six years from its foundation, and we are the only members of that organisation, which is sponsored by seven MEPs; it is the only politically sponsored lobby group within Brussels, and there are thousands of them; it is the only one who has Commissioner Bangemann as the honorary president and seven MEPs sponsoring it. The Isle of Man is a full member of that organisation. We are the only non-EU members. Now,

I am not advocating that we join the EU, but the point I am making is, we can work with the EU. There is no reason not to. The only way for the future is to actually learn, get to know people, contact them in Brussels, to be able to pick up the phone at any time and talk to senior members in the European Commission and senior Members of the European Parliament at any time if you want information or have a problem, not just to pick up the phone when you have a problem and you do not know anybody. That is not the way to do it. If you think you have a problem and you are suddenly clutching at straws - 'Who can we ring that might help us?' It does not happen over night; you need to build it up over many, many years and that is the only way and all departments of government, including the Council of Ministers and the Chief Secretary's Office, should be building up those contacts and that network.

I do not think there is a conspiracy against the Isle of Man; I do not think so at all. I think a lot of it is based, as I have said, on ignorance (**A Member:** And greed.) yes, and greed, hon. member, absolutely, and what you were saying about pigs in the trough - never a truer word said, but just bear in mind that we do not have any clout. But we do have a lot to offer and I make no bones, when I am in Brussels, about permanently putting out information about the Isle of Man and what we have to offer, and there is surprise in a lot of cases, amazement on the odd occasion, about what the Isle of Man has, what we have done, what we are doing, and the only way is to get it across to these people who, through ignorance, are attacking us.

The report talks about quickening interest and advances in technology. Yes, there is, and we should grasp that opportunity to make sure that we are part of it. Do not ignore it. There is a lot going on on that front, and it is a partnership between government and the private sector. A lot of our major companies in the Isle of Man have excellent relationships and contacts with Brussels, but they do not have them on a political level. That is our job and it is there to be done. We should be doing it. I do not go through the Home Office when I go to Brussels. I meet in the European Parliament every quarter. Next week I shall be chairing a working party on shipping quality in London. We actually receive draft directives from Brussels to look at, comment on and alter, and there are members of that committee, which I have had the honour to chair now for five, six years, from six or seven different countries. They do not object to the Isle of Man, who is not a member of the EU, chairing that committee. I have chaired the general assembly of AMRIE in Spain, at their request. They do not object to the Isle of Man being a part of that organisation as long as they know that we are playing on level playing fields.

What this report and some of the other reports have shown is that we are not playing on a level playing field; we are playing it straight in a lot of ways, whereas others, the pigs in the trough, are not. That is what we have to bear in mind, but it does not mean to say we cannot work with and influence people throughout Europe, and the private sector is a key to this. Now, it is all right forming committees, writing reports and letters - you can do that till the cows come home, but if you do not make the contacts, keep talking to them, so that they know what the Isle of Man is all about, so that they can understand what our problems are and our aspirations, then that is the important part. You can write, as I say, all the reports, but that will mean nothing if you do not make the contact at a political level at all levels in Europe.

Mr Corkill: Mr Speaker, I wish to commend this report to the House today for a number of reasons. I believe it instils a certain amount of proportion into the overall debate. Now, if we go back to February 2nd, when the hon. member for Michael moved his original resolution, we

were certainly seeing it was a knee-jerk reaction to the current European and these international developments. No doubt the outside world looked at it and thought, 'This is a knee-jerk reaction' because I know from my own feedback that there were certain other offshore jurisdictions who were inwardly smiling at the thought that the Isle of Man might even conceivably consider the US dollar as a better option. Even although the motion was amended, responsibly in my view, by this hon. House, the outside perception had already been cast.

Now, I am not saying that democracy should be stifled. In fact, our strength in dealing with these international issues for the future will be our own strong democracy and the openness of it. We have seen the strength of that applied, I believe, to the Edwards review, and if you compare the Isle of Man's situation with the other crown dependencies, we, I believe, have given a much clearer signal to the United Kingdom and to the international community that life on the Isle of Man is healthy. That is our own democracy that has done that. But much has been said this morning about outside perceptions of the Island, and I would appeal to hon. members to ensure that when these perceptions do circulate we make sure that they are accurate.

This report does respond to the motion as passed, and that is quite clear on the opening page, and I think it was unfortunate that in responding to the Chief Minister's opening speech, which was unfortunately missed by a few members who were absent from their seats, great emphasis has been placed on this Primarolo report and the fact that it has not been available, because the issue is much more than that, and I can assure the hon. member for Michael that the Home Office is fully aware of the Isle of Man Government's view on this issue. As the Chief Minister has said, we were at the Home Office as recently as last Friday and the issue of that report was discussed.

Mr Cannan: They would not give you a copy.

Mr Corkill: I do not wish to cover all the issues pragmatically. A number of members have gone through in detail, they are all very varied and very interesting issues and they are all potentially threatening issues for the Island. We have numerous articles written and we have the complete list, or the list as it has been when the report was prepared, of the different initiatives listed there at paragraph 1.3.

I want to make one point quite clear, and it is a point that I feel as though I am becoming repetitive on, and that is the issue and the status of protocol 3. It cannot be stated often enough, not here, not in this hon. House, not in the Island's media - we know the message; it is internationally that this particular trumpet needs to be blown, because there is ignorance abroad and we need other people to carry the message. Who are those people going to be? I would say at the moment our best bet is the United Kingdom Government. Another point I would like to make is that at the same time we have become, as an island, partly embroiled in party politics of the adjacent islands, and I do not believe that that is in this Island's interests to respond to or be embroiled in a UK political debate where it is suggested by one party to another that the United Kingdom Government is about to cave in to Europe and wreck the City of London and the British offshore finance at the same time. Simply, it is not in the British interest and we have seen, for example regarding the withholding tax debate, a clear statement from the United Kingdom Prime Minister that these British interests will be protected and the veto will be used if necessary.

Now, in general terms I believe our interests are common, but there are times and certain areas where perhaps they are not, and I think this is the fear that hon. members are alluding to. Well, if for some reason which completely would mystify me and perhaps a lot of others, there is, for example, a withholding tax agreed by the United Kingdom, then we know quite clearly that the Eurobond market, for example, would desert the City of London but, because of our status - and remember, protocol 3 has nothing to do with tax - there is no reason that I can see why that type of business could not settle comfortably in the Isle of Man. (**Members:** Hear, hear.) Change is opportunity, always, but fundamentally I would say that the Island's stance has been quite well balanced on these European Union matters. There are times when we should be fully involved and there are times when we should not. We are not part of the European Union and the discussions that the Primarolo group are involved in is an EU matter. If they wish to list tax practices in other jurisdictions, then that is a matter for them. It has been done at their behest and without the Island's co-operation. But there is the OECD also, and we have heard a lot about that scrutiny, but that is a global scrutiny and there is no harm in my opinion - in fact, there is only benefit - by being seen to participate in the Committee of Fiscal Affairs, exercise because in this instance we as an Island can help to expose the duplicity, the hypocrisy of the OECD exercise, and it is very encouraging to see open criticism from an organisation, the Business and Industry Advisory Committee, which advises directly into the Committee of Fiscal Affairs, actually criticising the OECD's stance in this matter, and the fact that they see it as a waste of valuable resource.

A lot has been said today, and I think the fact that a lot is now on public record is probably a healthy situation. Hon. members have sought the information through this medium of the House of Keys. The Chief Minister has produced an up-to-date (as far as it is possible) report, and I would commend it to the House as an accurate catalogue of where we are at today. But, who knows, tomorrow another initiative could be launched by somebody else. It is very much a moving target and I think our priority must be to underline our present constitutional situation.

The constitution has been drawn into the debate at certain times since we started, but where is the practical reality? Where is it going to lead us to? We need to develop our constitution as an ongoing basis anyway, regardless of this issue. That is something that we have sought to do; it is government policy to carry on doing that. To do it as a reaction to a threat I think may be counter-productive, because our security is protocol 3, it is the relationship we have with the United Kingdom and the present scenario with the European Union, and I think that hon. members should underline that situation as our strength.

The Speaker: Does any other hon. member wish to speak to the motion? The hon. member for Douglas North, Mr Henderson.

Mr Henderson: Thank you, Mr Speaker, I just want to make some short comments, the first one being that as usual, if I make some comments on some of these documents, there seems to be a swing back to a criticism on the staff that have performed the hard work in producing them. I thank the staff for the hard work that has gone into this and for producing a very good and comprehensive assessment of where we have been and where we are now. That is very good, so we can put that issue to one side.

What does concern me though: we seem to have two main points to the debate. On the one side we hear the nice Home Office, nice Whitehall - let us keep the pleasantries going and

everything is going to be fine; the nice OECD, and if they want to come in with their fiscal examinations we will let them come in. Well, that is all well and good. Then we have the other side of the coin. We have people outside who are genuinely worried, and rightly so, about all these various issues, and all I have heard this morning is talk that this document is going to reassure everyone and the people in the Isle of Man and everywhere else in the business community, and we will all live happily ever after. Well, I do not think that is the real world by a long shot, and although I am happy with the content of the report it really does only bring us up to where we are now.

I would like to see a bit more commitment from this government to where our vision of the future is, never mind two years, three years down the road; it would be nice to see something for five or ten years down the road and a few strategic objectives of how we are going to get there, because that at the end of the day is all about good strategic planning. And if the public in the business sector hear some of those strategic objectives, all well and good, because those are the kinds of reassurances that people are after out in our community. Producing a technical document such as this and giving it a good airing in the press - and I am sure our friends in the gallery will do just that and report verbatim some of the big chunks in it - is fine, but it is not going to mean a lot to the ordinary man in the street, and those are the people that are most concerned, apart from our business friends and colleagues.

We have heard also from the hon. member for Middle that we are a small Island we have got no clout; we cannot do anything else about it, and the hon. member for Onchan: 'That is the real world'. But I say there is something we can do about it and we are not doing enough of: we are not doing enough of banging our own drum and letting the people know that we are being active and pro-active rather than reactionary all the time. That would send out a far better signal than what we are doing at the minute. We are sending out technical signals that we are tinkering, we are fiddling, we are having a look at this, we have done a complicated assessment, we are having talks with Whitehall, we are having talks with the OECD and this kind of thing, and it is the first time we have had an officer sitting in one of their meetings. Well, that is all well and good but at the end of the day I think we should be doing more, and I think it would be nice for the Chief Minister in his summing up to give a little bit more than just assurances and say, 'Oh yes, we have got good relationships with Whitehall and we have got good relationships with this, that and the other and that is what is going to see us through.' I think we need to be taking things a stage further with this; we have had the call for it already, contingency plans measuring possible scenarios - there is no harm in doing that whatsoever. That is all part of good strategic planning as well and it is a sign of good management, forward thinking and a pro-active stance. Something on the shelf for a rainy day cannot be a bad thing, because I could tell you that if I went to an insurance company now for some sort of liability based on some of what I see as empty assurances and talk and hot air, you would not get it, you would be turned away.

So my opinion is that we need to be more pro-active, banging the Island's drum more and certainly looking at strategic alternatives and having something on the shelf and, as I say, it would be nice for the Chief Minister to come back and give some more assurances for the next part of his paper. Thank you, Mr Speaker.

Mr Cannell: Mr Speaker, I have listened to this debate with a great deal of interest. It appears to me that it has ranged from the stout defence of the Council of Ministers' stance on

the matter, led, needless to say and quite rightly by the Chief Minister, to the position even less surprisingly adopted by the Alliance for Progressive Government and their sympathisers, again quite rightly preserving their position to be an unofficial form of opposition. I have been greatly impressed by the contributions from all the members who have spoken. I do not think there have been any speeches well wide of the mark. They have been sincere and they have been reasonably well informed, and I feel it has been a most useful debate on the production of a report which is only to be received at the end of the day.

But one thing the debate has, in my opinion, lacked is the identification of what the ordinary man in the street of the Isle of Man feels about these matters.

Mrs Hannan: How about the women?

Mr Cannell: Fine to have all the justification for why we are doing what we are doing and being produced in this report, fine to put up proposition for what we should do in the future - all very meritorious and not all without worth; certainly many points have been made for the adoption of the future stance on it. But what I am talking about as I stand here are not the Athol Street boffins who we have heard, according to which viewpoint you prefer, are now currently feeling much more confident in the financial situation of the Isle of Man and a year ago, thanks to the Edwards report or, if you prefer the other point of view, they are even more nervous than they were before because they think there is more influence or interference around the corner.

So what is the layman thinking? He or she, rank and file constituents living in housing estates around the Isle of Man, the ordinary person - what are they thinking? Well, I know what they are saying because they say it to me: 'What happens if the financial sector goes away?' That is what they say. Why will it go? They say it will go because of European influence on Westminster. They think Westminster will be unable to control the departure of the finance scene because it will be imposed upon them. Their European masters will crack the whip, they will tell Westminster, 'We are not having any of these sorts of organisations such as the Isle of Man and Jersey and company have' and they will up sticks. It is very difficult to resist and, although I am not scaremongering in the thought that Athol Street will empty overnight and we will be left with a wonderful monolith of buildings gathered around the Isle of Man which were once only very briefly part of a financial empire we once enjoyed, there is genuine concern out there that just such a thing can happen.

Now, the concern might be from people of my age who have known things very, very different indeed in this Island, and probably that is at the back of it. The youngsters are not concerned. They are taking it for granted in the same way they grow up with computers and are not worried about them either, but the ordinary man in the street is saying, 'What happens if and when the financial sector goes?'

If that does not occur, as I attempt to tell the people who have put that point of view to me, what is the outlook? The more extremely worried of the public say that if it disappears overnight, do we have sufficient back-up to ensure the prosperity of the Island? And I regret to say that despite the best endeavours of tourism, agriculture, the film industry, light engineering and everything else, I would not be confident in saying that the joint product of those could produce the type of income which we enjoy here now. I am not going around saying the Isle of Man is awash with money, but clearly the capital schemes which we have recently

implemented and are talking of implementing in the future tell me that the Island certainly has plenty of money to reform its infrastructure such as we approved the other day, my hon. colleague from Onchan here, the water industry. That is being replaced because, as we heard - and I do not wish to go back to that but just as an example - it is not just a litany of neglect where those charged with looking after the water undertaking just chose to do nothing about it because every time they turned the tap on the water usually came out, occasionally brown, and they did not care what the pipes were like underneath despite the fact that they were 75 years old; it was because there was no money to do it.

The same thing prevails in just about every department of the Isle of Man Government and you do not need to go back 75 years to that position. You need to go back 20 years. Twenty years is all it has done. I remember the early finance moves. I remember the first finance houses coming to the Isle of Man and I remember the first land speculators on the Santon coast, a gentleman coming along and buying up all the farms from, I think, somewhere like Balthane right through to Douglas. That was the start of it, and all that has happened 25 years, perhaps, but certainly not 75 years.

So the public are worried as to what will be their position if this all stops. Now we are told in this report that the likelihood of it stopping is considerably less now than once it was, and I admire, as I mentioned in a previous sitting, the endeavours of the people who compiled and went to such extreme lengths to put the Edwards report response into being. My opinion is that the British Government were disappointed that Edwards came to the Isle of Man and was unable to unearth all the things that were alleged to be happening. A maverick organisation; they were going to say there was no regulation, money was coming in, the place was loaded with drugs and the people were irresponsible, they were bandits. That is what they were hoping would come out of it. They were disappointed. They found that, thanks to the endeavours of everybody in the Isle of Man, there is in being an organisation which is responsible, which has an outward-looking attitude to future regulation being imposed upon it - in other words, they are not saying that they are resistant to change and, as someone has said, it is a rolling scenario of the finance sector.

So when my ordinary lady from my constituency comes along and says, 'What will we do, Mr Cannell? Will it be back to the spuds and herring if this finance sector ups and offs overnight?' I say, 'No, it will not happen.' But do I say it with full confidence? I regret to say I do not completely say it with full confidence; I do it with a small degree of bravado, because I personally am a little worried that not everything in the garden is rosy, and I believe that if it came to the crunch the Home Office or whoever was in charge of our affairs running this might - *might* - drop us without thought and without conscience, because I really do not believe that they would support us if it got rough for them, and I return to the perception that the reason for the apathetic European voting turnout last week was because people think it is cut and dried (**Mr Henderson:** Hear, hear.) They think that the British have got no more influence in it and now you see the amazing spectacle of Britain's Prime Minister actually back-peddalling and saying it is not right for the country to go into the euro.

Mrs Hannan: He did not say that.

Mr Cannell: He has said it will be deferred. He was ready to do it and it has been deferred and that is because he has done so badly at last week's elections that in fact he has

been forced to back-pedal because he could see the strength the Conservative Party was making in that regard (**Mr Cannan:** Hear, hear).

So the Isle of Man - where are we up to? Let us get back to what we are here to today: this is to receive this report - to receive it; it is not to adopt the recommendations, it is not to do anything other than receive it, and, on balance with everything that I have said and everything that other hon. members have said as well, I think it is a very useful document but I do concur with the point of view that was made before that everybody must be in on this. It is not, in my opinion, ideal to have the Council of Ministers as the only people considering what should be done about this. Now, I do not class myself as an expert and I would not for a moment advocate me being a member of any financial selective committee to consider highly strong financial matters, and I fail to cease from my admiration - it is absolutely remarkable, the grasp the people that I know in here who previously had jobs which were not entirely in this field have been able to bring their expertise to bear upon this. I am absolutely astounded by it and I admire it greatly. The dedication of the Treasury and the Council of Ministers to keeping on this pace while they have got everything else to do is quite remarkable and I commend them for it.

I think it needs watching. It has got to be every day ahead of the general public to reassure them that the finance sector is not going and that the Isle of Man Government, to a man or a woman. . . because at the end of the day it will be an Isle of Man typical thing: fight amongst ourselves all the way, but put a common predator up and we will all unite. I hope if it ever comes to the crunch, if we really have to do something either against the Home Office or against Europe to preserve our position here, that we will unite and say we wish this position to continue. Let us receive this report here today, Mr Speaker, and let us go forward, but be mindful all the time that the public are feeling still threatened.

Mr Cannan: Good speech, Geoff!

Mr Gilbey: Mr Speaker I am brought to my feet by the oratory of the hon. member for Ayre and his support by the hon. member for Douglas, Mr Henderson. Of course the hon. member for Ayre is right when he talks about snouts in the trough, or there is a little American expression for it - 'the pork trough' I think they call it there. Of course he is right about 'right is might' and I would add that there is no morality in international politics; anyone who thinks there is is sadly mistaken, But he then calls for robust action, but he does not say what this action should be and I would like to know what it should be, in the same way as I would like to know what the proposals are of those hon. members who say the legislature should do more in this and not just leave it to the Council of Ministers. If the legislature have some good ideas, let them put them forward but I have not heard one constructive idea today frankly.

Now, it is easy to roar like a lion and then have to retreat like a mouse. That is just what happened to Ted Heath at the time of the miners' strike. He was all full of bombast of what he would do and how he would beat them, how he would stand up to them, and look what happened: he had to give way, they won and he lost an election.

The hon. member for Middle is, of course, absolutely right: if you have no clout for goodness' sake do not make the mistake of pretending you have and shouting and roaring, because the other side will soon find out, but this does not mean you cannot do anything. Of course you can! You can use persuasion, diplomacy, and that is exactly what the hon. Chief

Minister and his officers have been doing, and that is how they will prevent the material damage to the financial sector which the hon. member for Onchan seems to fear. That this works is actually proven by the fact that the Edwards report was so favourable to this Island. Do hon. members really believe that that was just because Mr Edwards came here and liked the Island so much; he thought we were all such wonderful people that he would write such a favourable report? Of course it was not, it was because of the diplomacy of our officers and politicians and the private sector, their detailed and persuasive explanations that won him over to writing a report which, at the end of it, when it was produced, was totally different to what he probably would have written to begin with, and this just shows in my view that it is proven that the approach of the Chief Minister and the Chief Minister's Office for using diplomacy and persuasion and explanation is the right policy to follow and that anyone who tries to interfere with that policy is endangering the good interests of the Island.

Several Members: Hear, hear.

Mr Quine: We have heard that all before.

The Speaker: I call upon the Chief Minister to reply, hon. members.

Mr Gelling: Thank you, Mr Speaker, I think it has been a most interesting debate; in fact, I have enjoyed the contributions made by all members to the debate, and I appreciate that they have taken the trouble to in fact make their points known, although nobody has picked up on the one suggestion I made in my original contribution, and that was if any other members would like to know more about the situation on an ongoing basis let me know through the debate. No-one has suggested that that should happen and yet it has been criticised that we are not keeping members informed.

If I can start at the very beginning when Mr Cannan, the hon. member who originally put down the motion, came to his feet, he really homed in immediately on Dawn Primarolo's report. That basically was where it started and that was basically where it finished. Now, I would like to take that from the very start of where that report is coming from, and I think it is extremely difficult for people outside, let alone perhaps people of this Island, who cannot understand quite the position of the Isle of Man. The Isle of Man has a situation vis-à-vis the UK. It has another situation vis-à-vis the OECD and it has another situation running alongside those with the EU. I have said it before and I will say it again: through our constitutional position as a crown dependency we have a relationship with the UK. We are a member of the OECD in which the UK represent us in that international forum but we are not a member of the EU, but these are all running together and, yes, there could be hidden agendas, we are not stupid; we realise the agendas that are running. I sometimes wonder whether some members even think that we understand what the situation is. Of course we understand the situation, but you have got to play the situation to our advantage so that the Isle of Man comes out with the right result.

Now what I would like to say is, the Dawn Primarolo report is being done by her as a European, not as the Paymaster-General of the UK's officer; she is doing that as a committee of the EU. Good heavens above, she has listed three of the very incentives that the United Kingdom Chancellor Gordon Brown had put in his last budget to help increase the economy and the working of the UK. They have listed three of those items as being unfair tax advantages. Now, that is no different to having listed nine for the Isle of Man, which went to

eleven, of which, if you look very carefully, one does not exist and the other is actually part of, I think it is, (g) or (h), so in other words there are nine, so they do not even fully understand the situation. Now, as no doubt the United Kingdom will be putting forward their case to that committee to state that this is not unfair, that these are quite appropriate and these should be in existence for the UK against that very committee of which she is a member of the Paymaster-General's office, we obviously will be having to do the same, so we want to argue our corner as to the list of items that have been put down for the Isle of Man and why we believe as far as the Isle of Man is concerned, for whatever reason, they are not looked upon as being unfair tax advantages.

I was very kindly given a report this morning on my desk which came from another source, but I can inform members that last Friday I also got a report, but it did not come in the official and formal way, which was via the United Kingdom Government; it came from Brussels. We have a man in Brussels as well who keeps us informed of what is happening over there. Ours has arrived; I am delighted to see that a letter has gone round to members to go into the library and read it. I hope you enjoy it, because I can tell you, it will take you many hours of reading. It is an extremely difficult document, but for me and for the rest of the Council and for the committee it is what they said about the Isle of Man that is of concern and we had the list of things they were saying were unfair for the Isle of Man. For my part, that is all I am concerned about. I am not concerned about what they think is unfair somewhere else; I am concerned about the Isle of Man and we will make our case.

Now then, last Friday we had a meeting at the Home Office, and once again the Home Office and this debate has come under flak. The Home Office are the best friends we have in the United Kingdom Government (**A Member:** Hear, hear.) Without any shadow of a doubt, they are the only friends we have got in the United Kingdom Government. (*Laughter*)

Mr Quine: That's nearer the truth!

Mr Gelling: They are our conduit through which the Isle of Man operates. They are the people who do represent us. When we go down to the Home Office for the meeting, the people that are hauled in front of that meeting are the Foreign and Commonwealth Office, because we want to know what they are doing about the situation in the overseas territories. We want a level playing field; we do not want to be in the vanguard of being the most perfect offshore jurisdiction and then all the business go out to Cayman and BVI and all these places, so we put the Foreign Office under tremendous pressure as to what they are doing, when it is happening, when they are going to have their money laundering in operation. You know, let us have it all on board; we know where we are.

The Inland Revenue and the Treasury come before us. Now then, they have probably got another agenda, I have to agree. They would love to have an open book so that they would have access to all our banking confidentiality. They would love it; that is what they would love to have, but they are not going to get it, because that is what has been built up in a jurisdiction such as ourselves: personal and corporate confidentiality, but that is what they would love and they make no bones about it. They would like to have that. Now then, we have the Home Office sitting there who put pressure on them to actually achieve out of that meeting, or whatever that particular project might be, a reasonable and acceptable conclusion.

So what I want to say to hon. members, Mr Speaker, is this: the Home Office are there through which we operate, and then it was also said - I think it was Mrs Cannell - 'Oh, we can't even talk to another department without going through the Home Office.' I have to say that our office likes to know what the Department of DTI are speaking about with another department of government so that when we are asked, 'What is this I hear about the Isle of Man?' we actually know. It is not permission; it is just the method in which you keep people informed, so that if I or anyone else go down to the Home Office and they ask us something about shipping, we know because we have heard about the correspondence. That is what it is all about.

Now, the hon. member went on to Dawn Primarolo, who, which I have to say again, in her interview - and this is what we put a lot of importance on - said quite clearly that the member states would be encouraged to bring along their dependencies to perhaps follow the code; however, there it has to be taken into consideration the constitutional position of the crown dependencies and the United Kingdom. Now, the fact that she is stating that and has put it on record is extremely important to us, because that committee has been recorded by the German minister, who said exactly the same. These are important marks, it is putting down a mark that people now understand there is a constitutional situation, so it is not just the easy, as was said, *carte blanche*, and the Isle of Man will follow suit, it is that they will encourage the crown dependencies to do so.

The hon. member for Michael then went on, of course, to concentrate mostly on two of the items which I had said we would not report on in this particular interim report because, quite rightly, it is not just a moving target but even on Friday things had changed - extremely difficult. We will come back with our full report where that will be reported upon and I hope then members will again be better informed.

If I could just take some of the statements that were made, at one time when it was being suggested that we are under this particular cosh because of the United Kingdom not putting forward our case as well as they might, across my own mind went the scenario, 'Well, say we were independent; what would the scenario be?' You see, we would have no-one in there actually as a member, because we would not be taken in as a member of the EU; sanctions would be applied. There are so many areas that you have to consider, 'Well, what if?' and of course that is one of them. So therefore we are robust in our arguments when we go to the Home Office. One would think that Edwards just happened, and I am not going to go through that because then I will be told that I am complacent and therefore we should not be saying everything in the garden is wonderful. It is not wonderful, it is jolly hard work, and Edwards did not just happen, we were proactive. We said what we wanted to happen; it happened; we were absolutely confident we would be correct and that was proved right. Okay, so that is good, that is now behind us. The actual meetings, I have learned today, have been downgraded. They know exactly where the Isle of Man is, therefore the point of having these big meetings to go on - well, what is going to happen here, there and everywhere? It is not going to happen to the Isle of Man because they know what we think of the report, we have said what we are going to do, and I think that that is both useful to the membership of our parliament and also to the outside, because the outside do like certainty.

I was interested listening to the hon. member for Douglas, Mr Shimmin. He posed the question, would we be concerned or were we being concerned or people outside are concerned? I repeat again, we treat this with great concern and we of course have to make

sure that the outcome is right for the Isle of Man, and again I repeat the three agendas that are moving along, which we have to keep an eye on, are again the EU, the OECD and the Inland Revenue of the UK - and do not miss that one, the Inland Revenue of the UK.

Mr Rodan - again, I was interested in and pleased with his contribution, someone that is deeply interested in the situation, someone who takes an interest and reads up on it. Again he mentioned - and we must not miss this - about the unanimity of the members; in other words, let us look at it. Someone said, 'Oh, they would wipe the Isle of Man out and the finance sector will go.' Just about every member of the EU have a finance centre. It may not be an offshore one; it might be an onshore one. They all have different tax situations. Our information is that to get unanimity for anything like that you can just forget it. It just cannot happen. Interesting talking to one of the ministers of Mr Monti's cabinet when we were in Brussels the last time, and we were asking him about how he would ever be able to achieve this harmonisation of taxes throughout Europe. And of course what he said was, 'If we deem something to be unfair, well, as far as we are concerned it is unfair.' So I said to him, 'Well, what about taking the unfairness away and giving them a subsidy with the other hand?' 'Oh well, we do not consider that' he said. Now, this is where the whole thing is absolutely silly. In other words, they look at the tax, but they do not think that that industry might be getting colossal grants and subsidies, which all amounts to the same thing: either a lesser tax and no grants or a bigger tax and give them it with the other hand. Interesting to listen to that gentleman talking about their information from Italy as to what were unfair taxes, and when I said to him, 'Well, do you not think that if you were considering an unfair tax and it would have a devastating effect on the economy of that particular jurisdiction. . .' all he said was, 'If we say it is unfair you have misbehaved and therefore, as far as we are concerned, it is wrong,' but that is just one man putting in his four pennyworth, but, as I say, these are the areas that are by no means easy, but we have to hit them, we have to look at them head on and we have to challenge them.

Now again, Mrs Hannan was speaking on the situation with regard to agriculture. It is a very important area and one which we will have to address, and I think the note I made there was that our operating and discussing with with the UK is just exactly the same as the UK with the EU. If you listen to them how they talk about their position going to the EU and debating and trying to get what they want, it is exactly the same situation as the Isle of Man when we go to the Home Office, so they can fully appreciate, I am sure, the situation with respect to the Isle of Man.

Mr Karran said all the good thinkers are not in government; the officers are not the ones who always have the good ideas; what about outside? Now, members, we have had three reports just recently from three committees, working parties, that were set up with no political members or members of government. They were given a clean sheet to go away and address certain areas that they felt could be, in other words, the good side and the bad side, the threats and the advantages, and they have come back, they have reported to the committees. Our Economic Committee will now address those areas that they have raised, so therefore we do go outside of government to look for input from the private sector because we do fully understand that there are some jolly good shakers and rattlers out there and they give of their time. They come in, we do not get charged consultancy fees and we get some very, very good areas that they raise to our attention that they perhaps feel should be looked at for the future, and I think, as someone said, to have some alternatives there just in case.

Talking about alternatives and coming once again to the finance sector, what if the finance sector leaves the Isle of Man? The finance sector now in the Isle of Man is an extremely broad-based sector. I think it is sometimes quoted: the finance sector - 35 per cent of our economic being of the Island. It is not just the banks; it spreads over so many peripheral areas in the Island, including insurance and so on, so therefore it is a very, very broad base and one which I would believe we can protect and, as we move forward, we are going to get losses. We have seen of recent times certain losses to our finance industry, but we have also seen certain gains, and I would like to say that the gains are far outnumbering the losses and this is the changing scene that will always be there. It has been there all my time and I am quite sure it will be for the future. You cannot be complacent, you have always got to be looking for new areas of business because you never know when the other business can very well. . . not just move; you only get about six to nine months advantage before somebody else copies your legislation, your codes or whatever it is and they open up in the same business. So you have got to always be just that little bit ahead of the game.

I have listened and made many, many notes of what has been said. This report, maybe, has not given the answer of where we are going to be in five or six years' time. I would suggest to you that the UK, the EU, the OECD have no idea where they are going to be in five years' time. We have to deal with the situation as we know it, and we must also not forget that when we are dealing with the OECD we are not dealing with EU members; we are dealing here with a very, very strong influence, and that is America. The United States of America have great influence in the OECD, so we are here looking at an international scene and there are international norms which are changing. We will have to change, no two ways about that; we know there will be change and we must be ready for that change.

So in putting forward the interim report I think basically, if members read it, they will see that there are statements quite clearly made there, particularly in the European tax harmonisation section, which is of course section 3. I hope that members will get a lot of information out of that to be better informed so that when we come to the final report, when we have addressed these other five issues, members will be up to speed on the position vis-à-vis the Isle of Man and its relationships with those three areas, because I think it is extremely important to understand that we are not complacent; we are not just accepting if it turns up. We are being proactive and we are putting the case forward for the best for the Isle of Man in the short term and the long term, and I just hope that members will continue to take an interest in international affairs. I am delighted today that we have had a debate on something that was actually outwith the Isle of Man, getting into the international arenas, and this is what I think we should be doing. So I appreciate that.

Mr Speaker, I hope that members will accept this as it is, an interim report. We did not hedge it and say we will come back when we have got the full report. We have brought this forward so that members can be reading it, thinking about it and, when they get the rest of the report, then the whole picture should come to the fore so that they can understand all of the difficulties and the fact that we are concerned and we do take this extremely seriously. So, in thanking everyone for their contributions to the debate, I think it has been an excellent debate and, Mr Speaker, I would move that we receive this at this time and look forward then to the final report when we have that detail together, sir, and I so move.

The Speaker: Hon. members, the motion is that printed at item 18 on your order paper, that the Interim Report of the Council of Ministers on Developments within the European Union and Other International Bodies which have Potential Economic Implications for the Island be received. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

Hon. members, that draws to a conclusion our order paper for today. The House will now adjourn until Tuesday next, 29th June, at 10 o'clock. Thank you, hon. members.

The House adjourned at 3.45 p.m.