

**REPORT OF PROCEEDINGS OF
TYNWALD COURT**

**Douglas, Tuesday, 15th February 2000
at 10.30 a.m.**

Present:

The President of Tynwald (the Hon Sir Charles Kerruish OBE LLD (hc) CP). In the Council: The Lord Bishop (the Rt Rev Noël Debroy Jones), the Attorney-General (Mr W J H Corlett QC), Hon C M Christian, Messrs E A Crowe, D F K Delaney, J R Kniveton, E G Lowey, Dr E J Mann, Messrs J N Radcliffe and G H Waft, with Mr T A Bawden, Clerk of the Council.

In the Keys: 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); Mr 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, Clerk of Tynwald.

The Lord Bishop took the prayers.

Bill for Signature

The President: Hon. members, we have a Bill for signature and if you are agreeable we will continue our business while it is being signed. Is that agreed?

Members: Agreed.

The President: Thank you.

Order Paper No. 2 – Papers Laid before the Court

The President: Now, hon. members, in keeping with standing orders 2.2(4) and (5) we now turn to agenda paper no. 2 and I call upon the learned Clerk to lay papers as set out in item 1.

The Clerk: I lay before the Court:

Isle of Man Budget 2000-2001

Income Tax Act 1970 -

Income Tax (Donations to Charities) (Amendment) Regulations 2000 [SD No 48/00]

Income Tax (Deductions) (Prescribed Cases) (Amendment) Order 2000 [SD No 49/00]

Income Tax (Car Fuel Benefits) Order 2000 [SD No 50/00]

Income Tax Act 1995 -

Income Tax (Child Benefit) (Temporary Taxation) Order 2000 [SD No 51/00]

Non-Resident Company Duty Act 1986 -

Non-Resident Company Duty (Amendment) Regulations 2000 [SD No 40/00]

National Lottery Act 1999 -

National Lottery (Designation) (Amendment) Order 2000 [SD No 57/00]

Budget Speech – Minister for the Treasury – Debate Commenced

The President: I would advise the Court that in accordance with the resolution of this Court Manx Radio has chosen to broadcast the budget debate in its entirety. Hon. members, item 2, I call on the Minister for the Treasury.

Mr Corkill: Thank you, Mr President. I beg to move:

That the budget proposals for the year ending 31st March 2001 be received and necessary action be taken to give effect thereto.

The Isle of Man is doing well: a good opening line for any budget speech. I hope it continues, but of course there can be no guarantees. However, I am convinced this budget will be of considerable assistance as we strive to remain competitive in the face of external pressures. It develops government's central policies and objectives as set out in last October's Policy Review, in particular the delivery of manageable and sustainable growth based on a diversified economy, with the aims of raising the standard of living of the whole population, securing continuous future prosperity throughout the Island and providing the resources needed to sustain public services.

It is a budget which introduces significant additional weekly income for families on lower incomes, a budget which reduces taxation for individuals and companies, a budget which finances expansion of services to the public, and a budget which further strengthens our reserves. It is also a budget intended to enhance the competitiveness of Island businesses and to provide an even more stable platform from which they can continue to grow and develop. This is essential now and in the future if government is to have available the resources necessary to meet its stated social and environmental objectives. Above all it is a budget which delivers today, not simply voices aspirations for the future.

I address you today as Treasury minister of an economy that is now home to something approaching 75,000 people, an economy that is providing employment to virtually every one of its 36,000 economically active people, an economy that has raised real per capita incomes for each of the last 17 years, and an economy that continues to benefit from conditions of price stability virtually unprecedented in recent decades. We should all be proud that the Isle of Man enjoys such favourable economic conditions when some other small islands and jurisdictions around the world struggle to provide acceptable living standards for their people.

The Island's achievements cannot be overstated. They are a testimony to the efforts of all of our people. Moreover this success has been achieved in a period of rapid change in the global environment in which our companies seek to compete to secure the employment and incomes of the population and ultimately of government. Yet, if anything the pace of change is accelerating still further. It shows itself in the ease with which providers can establish themselves in the marketplace, in the advancement and introduction of information, communications and other technologies, in the ever-increasing volume of cross-border trade and multinational investment and in the rate of development of what were previously classed as underdeveloped economies. It may not be particularly welcomed by some, it is certainly not

a comfortable position for many, but the reality is that nothing stands still. One has to be willing to accept change and to innovate if one is to compete and prosper.

Yet another significant change is in the objectives, the priorities and the attitudes of the world's most developed economies as they react to the changing economic order. In particular we frequently witness the coming together of countries into trading and currency blocs in the pursuit of their collective economic interests.

We have always had to recognise the natural limitations on our ability to control our own destiny. In the new economic environment even the largest nations are realising something similar. In response they are grouping together to pool sovereignty and voluntarily limit their own independent powers. As they integrate and conform to common rules and regulations, so the pressure is raised for others to join and do likewise.

The Island has a long history of association with such initiatives, be it through signing up to international conventions and organisations or through agreements such as protocol 3 of the Treaty of Rome. In each instance we give up something in order to achieve a greater good. We must view in the same vein the present moves towards further global integration and co-ordination in the areas of financial regulation, fiscal crime and fiscal regimes. In the face of these initiatives a willingness to compromise and achieve accommodations will be a requirement if the Island is to retain its place in the international business community.

As a mature nation we will continue to enter into constructive dialogue on international issues, be it with the United Kingdom, the OECD or any other body. However, although I talk of compromise, there are of course two areas which can never be compromised upon, namely our autonomy and right of self-determination and the defence of our economic interests. In these areas the Isle of Man Government will insist on a level playing-field and will not expect to move in advance of other jurisdictions worldwide.

This then is the reality, the economic and political environment in which this and future budgets need to be framed. It is an environment containing uncertainty, without doubt, but it is also an environment of opportunity. It will be the objective of government policy, of which this budget is a central part, to maximise the opportunities whilst removing as much of the uncertainty as is possible for the creators of our economic wealth.

In my budget speech last year I referred to the preparation of a strategic plan for the finance sector to cover the medium term. This has progressed in part, with some encouraging results so far. However, a number of topical issues arose which in the event required more immediate attention than the wider team approach as initially conceived could provide.

In the funds sector the Financial Supervision Commission and the industry have worked closely together to re-establish the Island's competitiveness in this important market by facilitating the new experienced investor fund. The Treasury's international services division is actively assisting in the fund's promotion. Including new offerings in the pipeline, over one billion US dollars could be captured by the new product in the first five months of the launch.

The second strategic issue to be tackled was e-commerce in the finance sector. In March it was announced that one of the first stand-alone internet banks in Europe would be established on the Island. Many of the major banks are now proceeding with plans to expand

operations through the internet and it is expected that this trend will also embrace the investment funds and insurance sectors.

As a third initiative the international services division and the Financial Supervision Commission have prepared plans to launch a strategic expansion of the banking sector with a promotional programme now under way for attracting more high-quality banks to the Island.

This focused approach to strategic planning does not remove the need for a broader strategic review of the sector as a whole and this will be addressed as soon as practicable.

Moving then to my specific budget proposals, firstly there has been some criticism in the past that not enough attention has been given in previous budgets to those on low incomes. I have given much thought as to how to both address this perception and to focus assistance more clearly on those on lower incomes, particularly families.

During the last year a lot of research took place into the subject of tax credits as a possible way forward. It had been hoped that this would have been undertaken by an outside body, but in the end this did not prove feasible. However, our own studies have shown that a tax credit system is possible. However, to be truly effective we would have to redesign our benefits system and this would require the reciprocal agreement with the United Kingdom over benefits and contributions to be reconsidered. This is not considered a realistic option at this time. For the present, therefore, tax credits will be held in reserve, and officers from both the DHSS and the Treasury continue to work together to use the information in both systems to identify ways in which a credit system can be targeted in an effective manner.

Hon. members may well be thinking this is a 'jam tomorrow' scenario. At the start I promised you a budget which delivers today and I do not intend to go back on that. Therefore I propose to provide additional net funding of £1.8 million to enable the DHSS, from April, to assist families on low incomes by increasing child benefit by up to £3.50 per child per week in addition to the normal uprating. At the same time the system is to be simplified, with the number of bands being reduced from three to two, becoming simply children under 16 and those over 16 and still in full-time education. As this increase will be on top of the annual uprating the rate for each child under 16 years will become £17 per week and for those over 16 and in full-time education it will become £25 per child per week. In order to target this increase more efficiently at those on families on low income I also propose that from that date child benefit should become taxable.

Targeting the increased payments in this manner ensures that families in greatest need will benefit and that the increase is placed in the hands of the person best placed to ensure it is used for the family good. For example, a family with two children aged four and seven will receive an additional £6.85 pence per week or £356 a year into the family housekeeping.

As a further related proposal it is intended that from the start of the summer term schoolchildren travelling to and from state-run schools will travel free. There will be an additional payment to the transport division of the Department of Tourism and Leisure to offset its reduced income.

Our review into tax credits highlighted the key role played by the family income supplement. Whilst there have been a number of significant enhancements in recent years aimed at assisting those on low incomes, further enhancement is proposed, with final details

to be announced by the DHSS later in the year. An additional £114,000 per year has been made available to the Department of Health and Social Security to meet the anticipated costs of these enhancements.

For those who are elderly and more likely to be housebound it has also been agreed that the DHSS will fund the introduction during the year of free TV licences for all pensioners over the age of 75 living in their own homes. Clearly the administrative details of this remain to be finalised, but financial provision for the full-year cost of £330,000 has been made available to the DHSS who will publicise arrangements once they have been determined.

The full year net cost of these low-income measures will put around £2¹/₂ million into the hands of lower income groups and demonstrates in a positive and tangible form this government's commitment to raising the standard of living for all our community. The increases in total will take next year's spending on benefits to almost £119 million. Put another way, the increases equate to an extra one week's benefit payments being added to the total benefit bill. This is in addition to the £4.1 million increase in benefit payments generated by the normal upratings.

In addition to all these developments, lower paid employees will benefit from the ongoing reforms of national insurance contributions. In the current year, for all employees not contracted out of the state scheme and earning less than £500 a week, the previously announced changes have been worth an additional £1.32 per week, and in addition to this in 2000-2001 the previously announced changes coming into effect from April 2000 will be worth a further £1 per week for all not contracted-out employees earning less than £535 per week.

Whilst not strictly a budget-related item, I am taking this opportunity to announce that with effect from April the standard weekly rate of pension supplement will rise by £3.30, that is, 21 per cent, to £18.70 per week. This will mean that those pensioners on the island eligible for the pension supplement will receive 28 per cent, that is, £972 per year more than their UK counterparts.

My colleague, the minister for the DHSS, Mrs Christian, will be providing further details on these DHSS-related matters in due course.

Moving then on to taxation matters, the cost of the changes which I shall be announcing will be a record £7 million, of which around 85 per cent or approximately £6 million will be going to individuals.

So, dealing with direct taxation, last year with a view to supporting businesses and recognising that tax is a cost factor, I introduced a lower rate of tax for companies of 15 per cent on the first £100,000 of trading companies' taxable profit. At the time I indicated that the proposal was an interim one and future rates of company tax would depend upon the strength of the economy and the general movement in rates elsewhere. This remains the position, but given the current strength in our economy I intend to take that initiative a step further. First, I propose to increase the lower rate band by £25,000 to £125,000, thus consolidating on the removal of over 88 per cent of trading companies from paying the 20 per cent rate. However, I also consider that the time is right to move even further than this and send a clear and tangible message of our determination to ensure our businesses remain competitive. I therefore propose to reduce the companies lower rate by one per cent to 14 per cent. This will apply from 6th April 2000 and a resolution to this effect will be placed before Tynwald as soon as the

Income Tax Bill 1999 has received Royal Assent. This initiative is expected to reduce costs for resident trading companies by some £750,000.

I propose to increase non-resident company duty from £775 to £800 with effect from 1st June. I do not propose any increase for exempt company fees, international companies and international limited partnerships. I intend to increase these next year in line with inflation and will look to review them every two years thereafter.

Mr President, hon. members, I make no apology if at times greater emphasis appears to be placed on initiatives which enable our businesses to remain competitive. Without their valuable contribution, many individuals would be out of work, our revenues would be diminished and government services curtailed, but from time to time the opportunity does present itself to recognise in a more tangible form the underlying strength of any economy: the many people who go to make up the workforce in one capacity or another. Let me therefore turn to the changes I have planned in the taxation of individuals.

I have already outlined the changes to child benefit which will provide an additional net £1.8 million targeted particularly at low income families. I intend to increase that by a further £1.6 million in the form of increased personal allowances and £2.6 million by way of a reduction in the tax rate.

The personal allowances are to be increased by 2.5 per cent in line with inflation. This will take the personal allowance up to a total of £7,535, or a £15,070 combined allowance for married couples, with the single parent addition rising to a maximum of £5,160 and the blind and disabled additions to £2,070.

My next change will be to the threshold and rates of income tax. Whilst it would be attractive to announce a reduction in the top rate of 20 per cent, I do not feel this is either necessary or the most effective way of helping those within the middle income bracket. I therefore propose a one per cent reduction in the standard rate of income tax, taking it down to 14 per cent and a one per cent increase in the tax threshold, taking it up to £10,000 per individual. There are also increases to the maximum amount of relief for educational covenants and donations to charities. In both cases limits are being raised from £4,500 to £5,000. I also propose an inflation-linked increase in the car fuel benefit tables.

Last year I announced that a study would be undertaken to determine how the basis of assessment for all income for individuals could be moved onto an actual basis. That study is now completed and a consultative document is being prepared for issue very shortly. A change such as this is never easy to achieve and it will be important to focus on the major simplification it could make to our income tax system and the removal of an annoyance that detracts from the other benefits.

The next step I wish to take in simplifying our income tax system and making it fairer and more consistent is in relation to investment products. I have in mind those which fit within the government's overall approach of seeking to encourage individuals to save for old age or provide for some unforeseen event such as long-term illness. I have therefore instructed the Assessor of Income Tax, as a follow-on from the pensions legislation, to undertake a review of all investment products both in terms of relief for contributions and taxation of benefits arising from them.

A consultative document is also about to be issued taking the planned changes for the corporate tax system into its next phase.

The tax changes I have announced, when combined with the other deductions and reliefs which are available, make the Isle of Man a fiscally attractive country from which to conduct business or in which to live and work. Full details of the changes are set out in the budget document, the press releases and the practice notes. They will also be available on the internet from 11.30 a.m. today.

In relation to indirect taxation, there is much speculation regarding air passenger duty. The United Kingdom has announced it is reviewing the method of charging this duty, as a result of a European Union ruling. Clearly this is an area stimulating much debate. I will not be in a position to make any definitive comment on this until the United Kingdom Government's plans are announced, which I anticipate will be in its budget in March. All I wish to do at this stage is to reiterate that this was a tax that we only introduced on the Island because to do otherwise would have simply meant all such revenue flowing to the United Kingdom.

There is one further measure relating to value added tax which I wish to announce today. I am, hopefully, in the final stages of negotiating a lower rate of VAT on repairs and renovations of private dwellings, as part of our objective of greater flexibility within the Customs and Excise Agreement. If these negotiations are successful - and the signs are good - it will be effective from 1st January 2000 for a period of three years. This reduced rate of VAT will allow Isle of Man VAT-registered traders to charge a rate of five per cent rather than 17¹/₂ per cent on a wide variety of building work on existing dwellings and other eligible properties.

The purpose of the measure is to encourage permanent, stable employment in the building industry, to counter the shadow economy in that industry and to improve the quality of the Island's housing stock. This will particularly benefit older premises on brownfield sites but will apply to all domestic properties.

I had hoped to be able to announce this change with certainty today but there remain some formalities to resolve which I anticipate should be concluded in the very near future. If successful, details of the application of this reduced rate will be available from my customs and excise division immediately after we are advised that the rate is agreed.

The reason I mention this matter at this time is that I am aware that the European Union has made public that the Island, through its Customs and Excise Agreement with the United Kingdom, has applied for the introduction of this reduced rate. I therefore wish the position to be made clear rather than being the subject of speculation.

The cost of this measure in terms of tax income foregone will be in the region of £2 million a year.

At this point it might be useful for me to outline the strength of government's finances. Probable income for the current year is particularly buoyant. At £335 million it is £35 million in excess of the original estimate. This is partly due to the continued strength of the Island's economy and partly due to the continued receipt of significant elements of volatile revenue which it would be imprudent to build into our spending plans, due to the uncertain nature of that revenue. Probable spending at £291 million is broadly in line with the original estimate,

taking into account the impact of pay awards and supplementary votes such as the recent vote to raise the *Solway Harvester*.

The surplus for the year is a healthy £44 million and has enabled our reserves to be significantly strengthened and funds set up to stimulate economic development and diversification. I will be providing details of these later.

Government income for next year is actually slightly lower than the current year's probable, at £332 million. This is due to the impact of the tax changes I have just announced and the non-anticipation of these elements of volatile income which for this year amounted to over £20 million.

Government's net revenue expenditure is planned to grow by £30 million, that is, 10.6 per cent, to £317 million. Notwithstanding this the surplus for the year is estimated at its highest ever at a very healthy £15 million. Even after transferring nearly £19 million to reserves and the capital account, the operating balance to be available to meet the cost of pay awards, supplementary votes and unforeseen occurrences will stand at almost £17 million. This maintains the operating balance at its target figure of at least five per cent of net revenue spending.

Gross spending on the Department of Health and Social Security is set to increase by over £19 million, that is, nine per cent. Within this, spending on health services is to increase by almost £8.5 million or 11 per cent and social services spending by over £3 million, which is an increase of 20 per cent.

Education sees gross spending increases of almost £4 million, 6.8 per cent, and in addition to this there will be further spending on what I believe is an exciting information and communication technology project, details of which I will outline shortly.

Other increases in gross spending include an increase of 12.3 per cent in the police budget, 13.9 per cent in the budget for the Department of Agriculture, Fisheries and Forestry and 21 per cent in the Department of Trade and Industry.

In respect of overseas aid the budget has been increased by £50,000, that is, a 40 per cent increase, to £175,000, with the disaster contingency fund of £25,000 being in addition to this.

The Manx Heritage Foundation will receive £137,750, an increase of 25 per cent, and the Arts Council will receive £307,000. In addition, it is proposed that the Arts Council should receive a proportion of the duty generated by the National Lottery in the year 2000-2001.

The Isle of Man Government is estimated to receive up to £500,000 by way of duty from the National Lottery in the forthcoming year. It is proposed that in 2000-2001 this full amount be distributed on the following basis. The Public Lottery Trust will receive the first £200,000. The following £200,000 is to be allocated equally to the Sports Council and the Arts Council. Amounts above £400,000 are to be allocated equally between the three bodies. An order to this effect is included as part of the budget documentation.

Full details of government's spending are set out in our revised budget document, which has a new look this year and which is intended to be more informative in relation to department's spending plans.

During the current year 70 additional posts were allowed, including 20 extra teaching posts and 19 in Home Affairs, of which 13 were extra police officers. A number of these related to the additional staffing arising from the implementation of the Chief Minister's drug strategy. Overall 20 additional posts were created to implement this. In addition to these a further 124 new posts are being funded from next year, an increase of around two per cent in government department's overall workforce. Of this increase 81, or two thirds, are additional staff for health and social services, 30 are for the Department of Education, and 5.5 posts are for further additional police and prison officers.

Government spending on the services it provides for the people of the Island is to rise once again very substantially, being in the region of five times greater than the current rate of inflation. There will be those who criticise this increase and are concerned with the general level of government spending. Whilst I acknowledge these concerns, I have sought to provide significant additional resources to those areas politically considered priorities for the people of the island in terms of health, social services, education, law and order, and economic development. I have ensured that resources previously provided are retained in other priority areas such as housing and benefits. I believe it is a balance that is justifiable and, more importantly, sustainable within the overall context of the budget. Yes, it is a budget which allows growth in government services, which on the whole are devoted to improving the standard of living for all the people on the Island, but it does so within the context of significant reductions in both individual and company taxation, as well as significant extra money being put into our reserves.

Having said that, I do believe that a clear message needs to go out to you, my colleagues, to the public and to businesses that I will always do my utmost to protect and enhance financial stability for the long-term benefit of the Island's businesses and people. Government spending can not be allowed to continue to grow at this pace into the future and I envisage that spending aspirations will have to become more modest in the forthcoming years. This will not be easy to achieve. There are always many more calls for new or expanded services than can ever be financed, but it is a discipline which we will all need to accept.

I am aware of the constant pressures from departments for additional staff, often to meet the aspirations for the enhancement of services stimulated in this hon. Court. However, I am also aware of the countervailing concerns about the overall growth in government staffing, the difficulties of recruiting staff in the current economic climate, the potential impact this may have on the private sector's ability to recruit staff and the likelihood that much of the recruitment will have to come from off-Island, exacerbating the housing issues. I believe that for the future we will all have to accept that, notwithstanding the merits of individual bids for additional staff, we cannot and should not allow overall government staffing to rise at this pace.

Government's capital programme stands at £78 million for the year 2000-2001, £4 million more than the previous year's estimate. The size of the capital programme has long been acknowledged as too large. The pressures to provide the new hospital, the integrated incinerator facility, IRIS and many other schemes have meant the acceptance, at least in the short term, of a programme of this scale. Indeed there are further pressures for the introduction and financing of other schemes which are not yet included in the capital

programme, for example the prison redevelopment and a new government-wide radio communications system.

The programme contained in the budget is broadly that set out in last October's Policy Review with a small number of advancements or introductions. For example, a rail renewal programme has been introduced into the Department of Tourism and Leisure, as has the Silverdale car park scheme in the Department of Agriculture, Fisheries and Forestries. The IRIS scheme has been advanced and additional money made available in relation to the Villa Marina project.

In order to maintain the policy of no external borrowing to fund government's department's schemes, £15 million is being transferred from the general revenue account to the capital transactions account in the current year, with a further £7 million in 2000-2001. It may be necessary to make further transfers in future years which will mean even greater pressure to contain spending on other purposes.

In order to take advantage of the current bond market, the Treasury is working with the Water Authority to fund its major infrastructure renewal programme by means of a £70 million bond issue to corporate investors, loan sanction for which is included within the budget. These financing costs will be met by the Water Authority and fall within the parameters for financing costs identified when Tynwald endorsed the Water Authority's strategy.

Turning then to government's reserves, as I said earlier the buoyant current year receipts allow higher than planned transfers to reserves for both this and next year. I intend to continue the well-established transfer of £5 million a year to the public service employees' pension reserve. In relation to government's reserve fund I intend to make transfers to the reserve fund in the current year and in 2000-2001, as I indicated in last year's budget, namely £15.5 million and £6 million respectively. In addition to this the investment income earned on both the reserve fund and government's currency account, totalling £8.4 million, in line with well-established policy, will be reinvested in the reserve fund. In all, next year the reserve fund will be increased by £14.4 million. At the end of March 2001 the estimated book value of the reserve fund will stand at £191.4 million, that is, 79 per cent of its target level of half of one year's government gross spending.

These steps illustrate a very sizeable improvement in our reserves, but I want to go even further this year and utilise available resources to set up three new funds. The first will be called the e-commerce/ICT fund. I intend to set this fund up with an initial sum of £7 million. The purpose of it is to provide resources for the development of a range of measures aimed at ensuring the Island can provide the infrastructure and skills essential to ensure that the Island and its current and future businesses can make the most of the opportunities presented by the development of e-commerce.

One very important initiative which is to be financed through this fund to the tune of £4.5 million over the next three years is the Department of Education's ambitious and innovative ICT programme for primary and secondary schools. My colleague, the Minister for Education, will be outlining this programme in more detail in due course.

The fund will also essentially resource the provision of government-wide internet and related services to the desktop and for the enhancement of computer hardware to provide greater resilience for government systems.

In addition, the fund will be used to meet the cost of an additional initiative aimed at further developing the information technology skills of both individuals and businesses and enhancing the use of new technology to stimulate business opportunities. I can announce that the DTI is to introduce a scheme whereby for one year the connection charges for individuals or businesses providing ISDN or ADSL lines to enhance their ICT facilities will be met by government. This is estimated to cost the fund £150,000 in the year 2000-2001, and the success of this initiative in stimulating greater use of such new technology will be reviewed later in the year to assess its potential continuation. I see this as a very tangible illustration of government's commitment to making sure the Island can be at the forefront of exploiting the potential presented by new technology in terms of e-business.

In the past the Department of Tourism and Leisure operated a scheme to assist in the development and enhancement of tourism and tourist-related facilities. In order to allow that department to reintroduce a grant assistance scheme for these purposes I propose the setting up of a new tourism development fund to make £750,000 available to the Department of Tourism and Leisure over the next three years. My colleague, the Minister for Tourism and Leisure, is currently finalising the details of this proposed scheme and will be presenting it to Tynwald in the next few months.

The third new fund is the land acquisition fund, to be set up with an initial sum of £5 million. The purpose of the fund will be to provide additional funding to that already included for planned land acquisition within the capital programme to meet the cost of acquiring land for landbanking and for other purposes and for government to be able to move swiftly as and when desirable or when required land for public service purposes unexpectedly becomes available.

One final transfer of £3 million relates to the general development reserve set up last year. The intention at that time was that the investment income earned by the reserve would be available for a variety of purposes such as covering the potential liabilities which can arise when government provides assistance by way of guarantees or government private sector partnerships. This remains broadly the situation. However, I intend that the fund also be used to cover the potential liability of £4.2 million resulting from the guarantee in respect of the Ramsey harbour regeneration project approved at the December 1999 sitting of this hon. Court.

Mr President, hon. members, I would like to thank my Treasury and ministerial colleagues and departmental members for their assistance and input into the formulation of this year's budget. I also wish to thank all the officers who worked hard and to the timetable.

I consider myself to be fortunate to be Treasury minister at a time when the strength of the Island's economy allows me to present a budget such as this. It reduces tax for business. It signals a determination to remain a place where businesses can and will be competitive. It makes tangible and significant steps to diversifying the economy. For the people of the Island it targets significant increases in weekly income to families on lower incomes. It lowers direct taxation, meeting a government policy objective. It flags up further enhancements for the less well off through family income support and for the elderly. It proposes to introduce a lower rate of VAT on repairs and renovations of their homes. In addition, and a point which should not be overlooked, it significantly increases spending on government services aimed at meeting the

political priorities for developing and enhancing such services for the benefit of the people of the Island. On top of all these it enables us to further strengthen our reserves.

Mr President, I commend the budget in the year 2000 to this hon. Court. I beg to move.

Mr Radcliffe: I beg to second, Mr President, and reserve my remarks.

Mr Cannell: Mr President, I do not think that there will be much dissent to what is a budget that probably does not come much better. The Island has rarely been in such shape, if indeed ever, and for those of us, and I suggest they are quite a few in number, who have known times otherwise it is an exceedingly pleasant thing for a Treasury minister to be able to unveil the measures which he has and I am sure they will satisfy many of those who have been looking for provision, particularly those on low incomes. That is not of course to say that every possible measure has been taken up on their account and I am sure that every member of this hon. Court will strive to continue to convince the Treasury that they should loosen the purse strings even more and cater for those who are not feeling the main benefits of our wonderful finance sector which is otherwise providing this healthy state for the Isle of Man.

I am sure other hon. members will allude along the way to some of the difficulties which this action in fact brings up. Not least of course my hon. colleague from Onchan, Mr Karran, no doubt will be speaking of the problems of the housing problems which the Isle of Man has inherited by this and when we see the market rising by such gigantic amounts one cannot help but worry. I am assured, though, that it is not going to all disappear overnight, as some people actually appear to think it will, but certainly I am sure that the Treasury and all the other departments will be monitoring it for the changes which will come along.

But turning to one of my own departments, the Department of Health and Social Security, social services division, which I am very proud to represent, it is exceedingly pleasing to see that the Treasury has been able to award it £15.6 million, 21.7 per cent extra. This is a fine example of what the community can receive without needing to turn to direct or indirect taxational benefits. It does bring it right down to those whom we are proud to represent and I am very pleased to say that we are now just about on the edge of saying that the housing in the community programme of my division, in other words the removal of the clients from Ballamona Hospital now, is almost complete and I took the trouble only the other day to visit Carnane on the day it closed there, and far from feeling sad about it, I was joyous about it as we actually view the prospects of that being just about the end of the line for such establishments there. They served well, those who worked in them worked very, very hard -

Mr Henderson: We certainly did.

Mr Cannell: - and the patients who enjoyed that shelter in fact were very proud of being in there and having such attention, but those are days long gone and I am very pleased that the department programme, which was initiated before I arrived there but which I am most happy to endorse, does see such a thing.

The housing is all around the Island and I invite hon. members to take every opportunity they can to see these revised arrangements, so the end of what was a lunatic asylum at Ballamona has gone and I, for one at least, say good riddance. (**Mr Delaney:** Hear, hear. Hear, hear.) It is money well spent at £2.25 million and I am sure hon. members would be pleasantly surprised at how little it has actually cost and there is a little bit of work still to do,

one more house, I think, still to be acquired, but this is returning our people who are in trouble back into our community, with very little social difficulty having been posed along the way.

We also of course have to recognise that we do have a few strays and it has been necessary to build an adolescent unit at the White Hoe on the site of the old railway gatehouse there, that also is now complete, and we now look to the hon. Tynwald Court to endorse the proposals of building a secure unit. That also gives me no pleasure whatever to have to contemplate, building such an establishment, but it is necessary and it was flagged up, as the modern parlance goes, that it would not be acceptable to have our young offenders actually in the main prison, which we also hope will be coming about at the earliest possible juncture.

The home care service of the Department of Health and Social Security has also been reviewed and we are very glad to have Treasury backing for that and also for the very necessary increase in staff, full-time equivalence, that is, rather than staff on the books operating privately. This has been an anomaly to a certain extent where home carers have been providing a service to the department in their main employment and then have been operating privately for other arrangements and it has not been satisfactory. The insurance element of it is not least the main part of that. So we are very pleased indeed to have all this service provided to the department and I am sure that other divisional representatives and the minister later will allude to the other elements of this most valuable work.

The cost of the provision of children's services, I regret to say, is exceptionally high. It can be as much as £1500 per child per week and that is not a sum to be trifled with, but what is the alternative? The alternative is just to cut them loose and not have any opportunity to reform them and bring them back into an educationally acceptable member of society.

Although not strictly within the social services division, we also have the very welcome opportunity for the development of the southern community facility, which will be based largely opposite Southlands, and much work remains to be done there, but I do believe that we do have the basis for an agreement for that to proceed.

So with everything else that is put in it is very acceptable to the Department of Health and Social Security that this should be done. Other problems remain for the department, which will be alluded to later on, and I have to say it gives me no pleasure whatever to be receiving letters from Isle of Man companies in connection with a problem which the health division has in the provision of the new hospital at Ballamona, so as we say goodbye to the old institutions there the new ones are certainly posing problems and notice is given now of a creditors meeting at the Villa Marina on Thursday, and I am sure other hon. members will join me in saying that the department will undertake to make the most searching inquiry as to why such subcontractors as those who have corresponded with us are placed into this position, (**Messrs Houghton and Henderson:** Hear, hear.) and whilst the fullest information will be obtained from an inquiry, of course it is not possible for the DHSS or any other government department to take on the obligation of paying the bills, but it certainly has a moral obligation to make sure that our own Island companies are not going to the wall because of some problem of the main contractor, so there will be, I hope, and I hope the minister will confirm later on, that there will be an inquiry into why this position has occurred. (**Mr Houghton:** Hear, hear.) It is a moral obligation, I suggest, on this government.

On the public transport division of the Isle of Man Department of Tourism and Leisure, another of my appointments which I am very happy to assume, there is also a considerable increase in spending, as the hon. Treasury minister has already alluded to. I would say I acknowledge that public transport in the Isle of Man has been through something of a hiatus recently. We are addressing the problem, there are many problems still to come, but I feel that I am able to say with reasonable confidence that we are getting towards being on top of the difficulties. Much of it is because of the expansion of the services required. Lots of it is because we have apparently in previous times not had the fleet of the buses nor indeed the famous bus shelters in place that the service actually should have.

The school services provision, as the hon. Treasury minister has recently said, is now going to be provided at no cost to the families. It is not without its difficulties to introduce such a scheme, but it nevertheless is another benefit to those who pay for their children to be conveyed to school, and this is another way in which departments of government are helping the lower paid. It can be quite a sum when you add it all up, though I would urge some caution that it will not be free transport for schoolchildren other than on their way to and from school. It will not be a licence to travel on the buses for nothing.

That will of course cause problems because there will no doubt extra people travelling, but we do have the concurrence of Treasury again, and at pretty short notice, if I may say so, for quite a hefty expenditure on getting some replacement bus fleet in. It will of course be necessary to have a good bus fleet, if for no other reason than there will be great demands placed upon it by the Island Games operation which will come next year.

There is also considerable expenditure proposed, as the Treasury minister has said, on the rail infrastructure, both for the steam railway side of it and for the electric railway side of it. These are very, very considerable amounts. We are not talking thousands, I am afraid. This again is a provision to preserve the heritage of the Isle of Man which is our mainstay now of our tourism, and we are working towards completion also of course of the TT museum facility feasibility study. That is ongoing and is on the pace.

So for all those other things, as well as some extra expense which will be needed on automating level-crossings on the steam railway, of which there are over a dozen, we also will be seeking backing for that. That is another necessary step to come and it is because of the new requirements for the gate-keepers where they are no longer able to just stand in a little shed and wave the flag every couple of hours, they have got to have all the facilities that everybody else in the Island now enjoys which is up-to-date provision.

On other departments the Agriculture, Fisheries and Forestry seem to have finally conquered the Silverdale car park scheme, which I am very pleased to see is on the way, for Education the continued improvement for facilities there with the new dynamic hon. minister, Mr Rodan, there driving it along, and the provision of laptops for every child. Can you believe it? In such a short space of time and if you travel up two floors in here you will find I have just finally probably had to say goodbye to a portable typewriter, so maybe we will be getting laptops ourselves and maybe one day we will find out how to use them, but the children of this Island, by the educational provisions, will have magnificent facilities, I am sure, to maintain their education at modern levels.

We have many other problems. We have the incinerator on the go, gas pipelines, IRIS, land acquisition for housing, even refurbishment of the Laxey Wheel, I notice, in the much improved Pink Book, which I must say I found a lot better in getting to grips with this time than in previous times.

So we do not have a clear run, we are not without our difficulties, even in the constituency of Onchan, which I am again proud to represent, and I would like to have seen Mr Rodan include the start of a look at the secondary school for Onchan and its area, but I do not see it appearing, but it would be very nice to think it would be on the way. We do welcome the extensions which are planned for Onchan School, but please try and bring them forward because otherwise the children will have beards. Two hundred and ninety-six thousand pounds is allocated, but 2004 - would be better 2001. We welcome the Bemahague elderly provision for the SSAFFA at Bedstead Corner in the fields there and that is going to be very nice too. The Clypse and Kerrowdhoo reservoirs are going to have money spent on them in Onchan and we are even going to have something not quite as savoury: we are going to have our sewerage pipes renewed at £605,000.

Mr President, this is a budget which I hope will be unanimously endorsed by this hon. Court and I certainly will be pleased to be one of those number.

Mrs Crowe: Mr President, I too would like to congratulate the Treasury minister for the presentation of the budget and congratulate him for the number of measures he has brought forward to help the less well off in our society, firstly the increases in child benefit, £3.50 a week, a real help to many parents, and I would also like to thank the lead officers of the Income Tax and Social Security Joint Working Party who have so successfully formulated a new structure for the implementation of this benefit, Ian Kelly and George Hull. There are the new national insurance rates that will definitely benefit the lower paid. There are increased further enhancements to family income supplement. FIS has proved most successful, a benefit that provides every encouragement to achieve personal provision for one's own future.

During the next year social security expenditure will be over £127 million. This is a six per cent increase on last year and confirms this government's commitment to supplement financially those whose circumstances, efforts or abilities to make provision for themselves are insufficient at this time.

There are increased tax thresholds and increased personal allowances - a help for all levels but especially our working population which is now at record high levels.

And what good news for our older residents: the Manx supplement retirement benefit increased from £15.40 to £18.70. This will be providing a single flat-rate pension of £86.20 as against the adjacent isle where the pension is £67.50, and £86.20 will be the flat rate of pension. Most new pensioners now have an additional earnings supplement added to that basic pension. Along with the pension increases there will be free TV licences and free smoke detectors.

Now, I am sure the Treasury minister will be expecting some criticism and I do have some concerns. I see £6 million spent on new facilities at the airport, very laudable, but no identified capital funding to reconstruct the main road to the south, the A5. The sea defences there have been breached so badly that the sea wall has been destroyed in places as Gansey.

Mr Cannan: What about Kirk Michael?

Mrs Crowe: Coastal defences and the reconstruction of the main access road - not a cliff, the main access road to the south, Mr Cannan - should have been clearly identified as a capital project by the Department of Transport.

I would also like to see some economic regeneration for the south of the Island identified, clearly identified. I am at a loss to see how priority was given to a small central pond in Douglas where yachts will dice with death avoiding fast craft, ferries, gas boats, coal boats, fishing boats, to tie up - Yes, that is what is going to happen in Douglas - or indeed the housing development with water gardens in Ramsey: limited access for yachts, a development that has not yet even commenced. How did that take priority over an annual sum of £800,000 that could have boosted the economy of the south if the development of a marina had been started? Port St Mary is the only port with deep-water 24-hour access, the home of the Isle of Man Yacht Club, the training centre for sailing and the preferred choice of visiting yachtsmen. That is Port St Mary, Treasury minister, and I ask you to look again at economic aid for the south of the Island.

The budget has clearly targeted people with limited incomes and for that I do congratulate the minister. However, I would ask that the minister reviews the assistance given to companies to establish themselves on the Island and to remain on our Island, the companies that play such an important part in our community life and who contribute so much to our economy. We cannot afford to see these companies leaving the Island, coaxed by promises of less onerous taxes of our close competitors, these competitors who are trying to emulate our success, and this administration and previous administrations have obviously steered us to success. We can see that quite clearly today in the generous provisions of this year's budget. I applaud all concerned. Thank you, Mr President.

The Lord Bishop: Mr President, I would like to thank the Treasury minister for his presentation which, even to a financial ignoramus like me, was quite helpful to take on board. I have two questions.

I was trying to put in my mind the very comforting figure of £191 million in reserve and trying to put that in some sort of perspective with £175,000 which is given to overseas aid. It seems to me a huge imbalance when you have got £191 million as opposed to £175,000 and while we are in this state of euphoria could we just keep that in balance, please, that a little bit of increase to the overseas aid does not seem to me to be very great and £25,000 for the disaster fund is almost ludicrous when you think that we budgeted a million for a disaster at sea quite locally with only seven lives lost. What happens when you have got thousands of lives lost overseas in national disasters and we send, what, £5,000 to help? I would like the Treasury minister to answer a query: why do we keep the overseas budget and disaster fund so low in the face of enormous profits at home?

My second question is about the Church. The minister will know that in the UK the government spends I think it is £25 million via the English National Heritage on the maintenance of historic buildings, mostly the churches. Here we have no such fund to assist the churches and I wonder whether the VAT that he has announced this morning, which has still yet to be tied up, will be extended to help the churches of this Island, many of which are historic buildings; they are part of our heritage. We as a government make no attempt to help

them as a heritage system. We let them float on their own or come down on their own as the case may be (**Mr Henderson:** Hear, hear.) and I think we ought really to think about that a little more carefully in terms of what allowances we make to assist these buildings to be as good as you want your housing to be, which is why the VAT assistance is being introduced. If you want the churches to be something of which we as an Island are proud, I wonder why the government cannot do something about it. So I would like to ask is the VAT going to be extended to churches? I would also be cheeky enough to ask, one of these days might we have a heritage fund that might cover their costs too?

Mr Singer: Mr President, no-one can argue that the Island is not doing well. The way in which the budget has been presented by the hon. Treasury minister shows growth, it shows a continually maturing business sector and it demonstrates an Island that believes in its own ability and capability not only to keep up with but to do better than the rest of the world even when the playing-field perhaps is not as flat as we feel it should be.

The Treasury minister would, I am sure, be the first to admit that there have been very few, if any, former Treasury ministers who have had the privilege of being in such a position of being able to present a budget with so many pluses and so little negativity in regard to the future welfare of this Island. He is able to offer help in varying degrees to all sections of the community and still put a considerable amount away for that rainy day, which every year he says is coming but so far there appears no gathering of those storm clouds.

The announcement of the measures in the budget which reduce the standard rate of income tax to 14 per cent, the increases in personal allowances, help for people who qualify for benefits and reducing the burden on the most senior of our senior citizens and the fact that those less well off in the community are being helped are measures that should be applauded. Every family will in some way benefit from the increase in spending within the health services, the social services and education, and the recognition that investment in information and communications technology and e-commerce is money that is well spent does demonstrate forward planning that has been absent in recent years in certain areas.

These and other measures announced are all positive. They show a contribution to both the business community and the residents on the positive side of the balance sheet. Let me say now that I will support this budget because there are progressive government policies in it that will be to the advantage of both the business and the public sectors. However, this budget presentation has been a balance sheet without a balance. Within this budget there are measures that, whilst giving with one hand, there is taking back with the other and these are not clearly acknowledged by the hon. Treasury minister. There is a demonstration of some meanness where Treasury priorities are not what could be the priorities in times of plenty as to the choice of where we place some of these continuing yearly unbudgeted for surpluses.

There is no recognition that whilst to differing degrees people are benefiting from the Island's success, some are benefiting much more than others, and there is another unpublicised and less attractive side to this budget and to get an overall and fairer picture that other side of the balance sheet has to be stated to get a true perspective.

The principle of taxing child benefit is new and is a concept that I personally do not support. It is misleading to headline that child benefit is increasing by up to £3.50 a week without making clear that the majority of taxpayers will get nothing like that figure. To deal with

child benefit this way loses sight of its principle in the first place, that is, money to be spent on the child, not taxing the child.

It is wrong to announce how better off everyone who pays income tax will be, knowing that increases in domestic rates and particularly large increases in the water rates will not only erode any tax advantages to families but may well leave some of them worse off than they are now. It is also convenient to forget that those lower income families who do not benefit from reduced income tax rates also have to pay those domestic and water rate increases and are therefore worse off, and this is a little of the meanness that I referred to earlier.

I have spoken before about the needs of the handicapped, particularly the blind. It is a fact that there are many things that they cannot do for themselves which are items that normal-sighted people take for granted. For example, they cannot do their own domestic cleaning or decorating, they cannot open and read their own correspondence and retain privacy, they cannot, without great effort and fortitude, leave the house, get on a bus, do their own shopping. Yes, some of the blind people are determined, but others, quite naturally, do not have the confidence and need assistance and their expenses can be far in excess of normal-sighted people in circumstances. I had hoped that the Treasury minister would have listened to what I have said and given some thought to a positive way of easing the situation for blind people. Well, I am not sure whether he listened or not and hon. members can make their own judgement, noting that the blind person's and handicapped person's allowance has been increased by 2.5 per cent from £2,020 to £2,070, the princely sum of £50.

Now, this extra £50 allowance does not help the person who is totally blind. I am not talking about just the visually impaired, because anybody who wears glasses can be considered to be visually impaired, but I am talking about those handicapped who have 0 to $\frac{3}{60}$ vision, people basically with no sight at all, and I ask the Treasury minister how many of those people who are totally blind earn enough to be able to take advantage of the £2,070 allowance against tax? I would suspect that the answer is none and that this measure is therefore meaningless to the blind person who needs the help, and the question the hon. minister should be asking himself in these times of plenty is how much does it cost to enable a blind person to live independently in their own home and not in the care of a social services home? If the hon. minister really wishes to help those who need that help, then he must tackle the matter of support to the handicapped in a different manner. There was a chance here, considering the unbudgeted surpluses, to have made a meaningful contribution to the welfare of the totally blind person.

In the three and a half years of its life, this government has not been able to focus other than on Douglas. Yes, of course the majority of the population live around Douglas and the continuing success of the area has brought both the advantages and disadvantages, but the pressures on the capital are getting greater and greater and the growth and development is taking place with no hands on the steering wheel. There is no control. There is no protection for the people as more and more development and the subsequently drastically increasing pressure on the facilities and infrastructure, coupled with the pressure on housing, continues unabated. I believe that Douglas MHKs, the Douglas Corporation, the residents of the area have realised that the continuing development is building up such pressure that unless there is a release valve installed by government the whole scenario will become unbearable and likely to explode.

I remember having a conversation with the hon. Treasury minister three years ago just before the exploration of the international finance zone incentive scheme, which was encouraging businesses to invest in Douglas and which has proved extremely successful. I asked him at that time if he would then consider extending such incentives to other areas of the Island, obviously from my perspective to include Ramsey and the north. Well, the hon. minister must still be thinking. There has not been one gesture by government to encourage the north as an area for investment. Why have there been no incentives for business to move outside Douglas? Why no attempt to relocate government offices away from the capital? Yes, that is a statement that is repetitive and since the last general election that has been heard many times and the present policy of inaction will mean that it will be heard again and again. Meanwhile the roads in Douglas are getting blocked by more and more vehicles, millions of pounds are being spent on developing a ring road adapting the inadequate routes that there are now. There will no doubt be the need for the compulsory purchase of land to achieve the final aim which is years away from completion and with all this upheaval and discomfort there are not enough people to fill the job vacancies in Douglas and therefore more and more people are being imported into the Island and more and more cars will be clogging up the Douglas road network.

How many of the extra government-created posts over the last couple of years, which are 200 to 300 in total, have been filled by Manx qualified workers and how many people have arrived as the family of those new workers, and therefore how much pressure has been put on the infrastructure for services and the housing stock within the Douglas area, and therefore how many young Manx people with relatively good jobs have been unable to buy a house because of the subsequent massive increases in house prices?

It is these factors and the lack of government interest in directing the economy and planning for the future that is creating this pressure cooker effect which will lead to that uncontrolled explosion and the possible exodus of young Manx people from the Island as they cannot find a home here. Is it that the government does not care or is it that government does not see that unless there is some direction of immigrants to other parts of the Island, because that is where the future jobs will be and should be, then the new people who come in will automatically gather round the honeypot in Douglas?

Such developments that have taken place in the north of the Island are inconsequential when compared to Douglas. They have occurred not because of government action but despite it. We can see the continuing internal government disagreement which continues to bog down the Ramsey regeneration programme. I am sure there are many people living in areas of the Island and not registered for work who would love to work full-time or part-time if those jobs were nearby, particularly women who could then fit in that work with their family responsibilities. I know there are many women with high qualifications who would relish the opportunity to contribute and again use their skills and training. There are also people who would like to work in the less skilled jobs if the opportunities were available nearby and which would bring great advantages to themselves, their families, their employers and the Island, but whilst the government remains blinkered that talent is going to waste.

There was a suggestion made a short while ago, not from government, but a suggestion that we need a new town not too far from Douglas and I found that to be rather bizarre. If we are to see an influx of maybe 2,000 to 3,000 people over the next few years because the

economy is expanding, we need a new small town to be placed in an area which can accommodate both business and housing and where there are also opportunities for the people in the surrounding area. The place that is the nearest to fitting that bill is in the Jurby area.

The performance of government in strategic future planning appears non-existent and the attitude of allowing the market to guide itself could well bring a position where it becomes too late for the government to have any meaningful input into the way our economy develops in the future.

Let me now turn to the new VAT measures which reduce the cost of purchasing and employing VAT-registered firms to undertake home improvements. In many circumstances this would be a great help in reducing the cost to the customer and increasing VAT income in circumstances, but it has to be realised that whilst the move is welcome, introducing this scheme in such a way limits the choice of many people as to the way they are able to improve their property. There is no help to the person who cannot afford to employ a workman or who wishes to undertake the work themselves. They will still pay 17¹/₂ per cent VAT. There is no help to the individual who wishes to better his property if the multinational firms on the Island do not change their policy of the workmen being employed separately and the materials having to be paid for in advance: there will still be 17¹/₂ per cent VAT on the materials. There is also the problem of course of trying to get a workman in the first place and then find a firm who are large enough to make it worth their while to be VAT-registered and to be able to undertake the paperwork involved. This proposal must be seen as it really is: limited in its scope and limited as to who can take advantage of it.

We have yet to see the report from the Department of Transport on the future of Ramsey pier. It is over three years since this item came to the hon. Court and even now we have no recommendation as to its future. It has now gone through three more winters and with no major maintenance taking place, further deterioration in its condition has been inevitable. We know that the general public of the Island wish to see the retention of this irreplaceable piece of history and this was ably demonstrated on the Day of the Pier last July when 2,700 people turned up to be able to walk out on the Queen's Pier. The Department of Transport were very supportive on that day and the hon. member for Castletown attended, very bravely without armed escort, to have his ear bent.

We had a conversation recently and the minister has indicated that his department's report will be coming forward in the next two to three months. It is then that this hon. Court will have to make a decision and whichever way that decision goes it will be a brave decision, but hon. members will notice, however, that there is no provision in the capital programme for any refurbishment of the pier and it has been made quite clear that a majority of members of the Treasury are already lined up in favour of demolishing the structure.

When the Laxey Wheel closed in 1929 scrap merchants descended on the site, removing everything. The only reason they did not remove the wheel itself was probably that it was too big to get on a cart. Unfortunately we do not have in the community a Mr Kneale who stepped in to save the Laxey Wheel before government, despite then having opposition in its ranks, decided to take over that structure which is now a priceless asset to this Island but which would have disappeared for ever when the attitude of the government in the 1930s was similar to that of Treasury members now. Then of course they had the more acceptable

excuse of lack of finance. Treasury does not have that excuse now and cannot fob off its duty to protect the heritage and the wonderful Story of Mann.

Finally, I would like to refer to the proposed dispersal of the lottery tax income. The hon. Treasury minister has proposed that half of the estimated £400,000 income is distributed by the Public Lottery Trust to local charities and that for above £400,000 one third of that is distributed. It is an indisputable fact that the lottery has reduced the income to many charities in the UK which are struggling and there is no reason to doubt that that will happen here. Some people are opposed to gambling but were perhaps put more at ease by knowing that the tax raised would be benefiting local charities. I suspect that the tax income from other betting may have reduced due to the lottery, but for the government to take £200,000-plus from the income and put it into the Arts and Sports Councils is not what I or other people expected. We have a surplus of £15 million. The money is going into reserves and funds at a rate that was grossly underestimated. Two hundred thousand pounds will greatly benefit Manx charities, but £400,000, the full tax income from the lottery, would bring many charitable projects to reality. The extra £200,000 means more to the charities than to the Treasury at the present time and government is already funding the Arts and the Sports Councils. Let us face the fact that the lottery income is a true windfall and therefore in this regard I do believe that there has been a meanness that I did not expect from the minister or the government. I believe that it is not the wish of the people of the Island that anything less than the full amount from the lottery income goes to local charities this next financial year, and I intend to vote against the order which is at item 10 on the order paper no. 2, hoping that the Treasury minister would reconsider the distribution of the tax income from the lottery.

I intend to support this budget in its overall strategy, but I do believe there is a need for deeper thought as to the direction in which we are travelling so that we do ensure we have fuller control of our destiny. Thank you, Mr President.

Mrs Hannan: Eaghtyrane, the Treasury minister, in moving the budget, and I think all members of the Treasury should be congratulated on the contents of it, said, 'I am aware of the constant pressures from departments for additional staff, often to meet the aspirations for the enhancement of services stimulated in this hon. Court. However, I am also aware of the countervailing concerns about the overall growth in government staffing, the difficulties of recruiting staff in the current economic climate, the potential impact this may have on the private sector's ability to recruit staff and the likelihood that much of the recruitment will have to come from off-Island, exacerbating the housing issues. I believe that for the future we will all have to accept that, notwithstanding the merits of individual bids for additional staff, we cannot and should not allow government staffing to rise at this pace.' Now, the problem with this is that while we have got more people coming, more services are required and therefore more staff go without saying. People expect better services, we expect our children to have good a parent-teacher ratio, we expect hospitals to be properly staffed, we expect doctors, we expect dentists, we expect all the services. I am saying we expect that, but anyone coming in also expects those services. They expect us to provide.

Now, what this budget has been able to do is provide more spending in these areas, but it will not stop here. The expectation of people is that their children get a good education and that the health services are there, that they have decent roads to travel on, they do not have obstructions or traffic hold-ups for whatever reason, and so this needs to be balanced and I

would hope that after putting forward this budget today the Treasury will look and study very closely about what message they are actually giving, what message should we be giving, because on one hand they are saying e-commerce and e-commerce is the catchphrase. E-commerce means a loss of jobs. It means a loss of jobs in the high street. It means that things will be done even more globally in the future than they are done now and when anyone buys something through e-mail and whatever else way e-commerce can be used, it means a loss of jobs. It means that for every transaction there is not a transaction through the high street and therefore you might say that I am a dinosaur, but jobs are going to be lost here. E-commerce may be the way to go, but jobs will be lost simply because of this particular movement, one might say, the globalisation of finance, of trade.

It is not something that we are shying away from but it is something that we should be aware of and it is not something that can be easily addressed, but I would hope that following this budget the Treasury will look at the future and this balance of providing more work here or maybe even less with the services that we are providing in the future.

The Treasury minister also, in moving his budget, said in relation to self-determination, 'However, although I talk of compromise, there are of course two areas which can never be compromised upon, namely our autonomy and our right of self-determination and the defence of our economic interests. In these areas the Isle of Man Government will insist on a level playing-field and will not expect to move in advance of other jurisdictions worldwide.' The words I would draw to everyone's attention there are 'the level playing-field'. He is expecting the Isle of Man to be treated in an equal way with everyone else and therefore I would expect government to treat each of the areas of Mann in exactly the same way. Four months ago I spoke during the policy debate of the quality of treatment with regard to leisure facilities, namely a swimming pool in the west. A report was called for and no mention has been made since that time of the swimming pool, how it is going to be financed even although a western authority has been set up. So therefore, Treasury minister, I would ask you to look at that. If you are wanting government to be treated on a level playing-field, then I would suggest that each of the parts of Mann should also be treated as a level playing-field.

One of my major concerns with regard to this budget is, as I have already said, e-commerce, investing in computers, investing in laptop computers or computers for teachers. It does concern me that on one hand we are saying computerisation is the future and we are going to support education in this way, and in lots of ways that is to be accepted. It is nothing new. Computers have been in the schools for very many years. However, I am concerned about when students leave school: the sort of education that is provided with regard to training, with regard to apprenticeships, craftspeople and continuing on the trades that I see as being very important for our future.

I am also concerned about student loans. I acknowledge, and it states clearly in this budget document, that students do get grants and they get their tuition fees paid, and I do not argue with that fact, but prior to any changes they were able to at least take up the option of student loans. That is not any longer available to our students. All students do not get grants. Some people live in this airy-fairy world and think every student gets a grant. Every student does not get a grant and therefore I am concerned that students are having great difficulty and their parents are having great difficulty when they go on to further education.

The motion said that it would be looked at, it was amended by the Minister for Education, although I did state during that debate that this was not an education debate, it was a support debate for students who were away from home, and I would have thought that with the money that the Treasury minister is talking about today there are areas here with students loans and setting up a fund, because he has very happily set up three new funds today, and a fund could be set up to support students if they wish to and once they start earning to then repay. I am not saying that grants should be taken away from the lower income students, parents with low incomes. I am not saying that at all. But there are parents who pay some of the living costs, who get a small grant, but that is on their income and therefore I think it is something that we should look at. If we are saying that we are such a prosperous society that we can set up these different grants, we can set up e-commerce, we can plug into this, that and the other, I think we should be treating our students, the people that go out into the world, leave home for higher education, in a different way than is possible at the moment. I do not think it is beyond our ability to do that.

I would like to ask the Chief Minister. He stated there is a change in national insurance and that the level is going to rise whereby people are paying national insurance. I wonder does this take away then pension rights from the people who are not paying national insurance because if they are non-contributory do they have pension rights? They might only be earning a small sum, but if they are not paying national insurance because they are taken out of that area will pension and unemployment rights still be there?

The question was asked by the member for Onchan. He stated about troubled children and he stated that it cost £1500 a week to give them proper care and he stated what could be done. What we could do is invest in these children much earlier than when they get into trouble. We can invest in good nursery provision. We can also have a proper parenting programme. There are many areas here which, with a little investment now, could help children before they get into this troubled area, and I would hope that this is something which the Department of Health and the Department of Education can work together on, to improve nursery provision and to help parents with parenting programme. The pressures on children in this day and age are so different and I do think that it is something that we should try to progress instead of spending £1500 a week on children when they are damaged to such an extent that it needs one to one and even more than that.

Also in this document it states that it is £27,000 to keep someone in prison for a year, and I would make a plea, and we obviously cannot direct how the courts work, but I would make a plea for more effective use of the probation service, for penalties to be taken in the community. Once somebody has served in prison and has survived that it is no longer a deterrent even if the conditions are particularly bad in our prison. I would just hope that we can work with people to try and keep them out of prison, not put them into prison.

I know there are some dangerous people that need to spend time away from society and to address the offences which they have committed, and I hope that the people that are in prison are receiving help and assistance so that when they do come out they will not reoffend again, and it is the more dangerous people that we should have in prison who need to be worked with so that they will not reoffend once they are out. So that is an area in which I feel that a concerted effort right across government should be made to say that we have a very

effective probation service but it should be used, and I leave that to government to try and address.

Now, with the Treasury minister setting up funds and also suggesting that more and more staff will be needed and stating that in future more government staff cannot be allowed, what I think is very important that government should be looking at is rewarding the civil servants that we have, especially the long-served civil servants that have carried out extremely detailed work over a very long period and have not left government service and I think that they should be rewarded for the situation in which we find ourselves today, and I recognise that the pay award since arbitration is to be paid but I do think that 3.5 per cent or thereabouts is fine, but I think because of the amount of work and the standard of work that is required in government I think we should actually be recognising the strengths of our civil service and if we have got more money and we can set up funds for various things we should be rewarding them and saying that their contribution to the Isle of Man and what we are doing is extremely worthwhile.

There are just a few more issues that I would like to comment on. Free bus travel for schools is very good but I wonder if we have enough buses to carry all these children to school, and children who do not have a bus service, should they not have a free bus service? How far should a child have to walk to school? These are all sorts of questions. It is very healthy to walk to school and therefore I think that we should be providing safety routes for children to school along with free bus travel, but I think we have to recognise that if it is free there will be more children wanting to travel on the bus because they obviously will not have to purchase the cost of the travel and therefore I just wonder have we got enough buses to be able to carry out this particular wish that bus travel to school should be free?

I, along with the Bishop, am concerned that we have reserves and all this spending and yet a £50,000 increase on our overseas aid does not seem very much. I know the Overseas Aid Committee did not ask for much but we did not get what we asked for and it just concerns me that we could have actually recognised the outside world and how in some of these areas, many of these areas, a little bit goes a very long way and I would hope that Treasury, no matter what our funds are like next year, will increase that funding.

With regard to some of the areas which have been mentioned, especially housing, by a number of members including the Treasury minister, additional housing is needed, is required, but I am concerned at the price of houses and that in the future maybe we will not be able to keep our young people here simply because of the price of housing, if our young people have jobs which do not pay something in the region of a reasonable amount to get a mortgage for almost £100,000, with the rate that houses go at the moment: hardly on the market one day until they are sold, some gazumped and other estate agents playing a Dutch auction with purchases. It is all very well for government to say that it has never been easier or it is as easy as 10 years ago to purchase a house. The pressures on existing housing, as it becomes available, I do not think has ever been as it is today.

So there is pressure on development and it is a concern of my constituency, not because we object to housing, but because we object to the density and the concerns about infrastructure that have not been invested in up to date, knowing that land was available for development, not that it was being progressed at that time, but the infrastructure should have been addressed by government, by local authorities, and I would urge any local authority and

all government departments with regard to development to actually set down a strategic plan, not the strategic plan for the Island, but a strategic plan of if this land is to be developed what do we have to provide, and it seems that certainly the local authority in my area just decided that, yes, it was a good idea, but 210 to 230 houses in the four phases that are being proposed at the moment cannot be supported by the infrastructure that is available at the moment: schools, health services and the like. It is not that we object to the housing, it is the density and it is the development that will take place over quite a short period because a developer has already said that if the first phase sells, the second phase will duly roll on from that and so all of these houses will be developed, with no infrastructure and no design plan for the area so that certain issues can be insisted upon, like proper open spaces, like playing-fields, like community buildings to support 210 in this first phase development.

Therefore these are areas which I think government as a whole should consider, and I mention it now because it would seem that Treasury is taking over the government's policy document. This would seem to be Treasury taking over from government as the policy document, each department of government and statutory boards explaining within this document what they are doing, so in the future we are moving, as I know a lot of people have wanted to for a very long time, to one debate about policy and about budget, and I consider that it is important for government in the form of the Chief Minister to spell out the policy and then it is for Treasury and each of the government departments to get on and implement that policy, but I am concerned about the position of the Chief Minister, and maybe it is because we have the audacity to support the Chief Minister's policy document, broadcast along with the budget. I make no apology for that. It was my idea that it should be broadcast because I felt that it was even more important than the budget. The budget is fine, but I believe that the Chief Minister should be putting out policy documents, a policy statement and then it is up to each of the government departments to fulfil that particular area.

Comment was made by the Treasury minister about a number of issues with regard to the train service being improved - this is obviously on the existing lines and not the line out to Peel - with an integrated transport system. I think that route should be reused and it should be looked at as a proper scheme to reopen the railway again. Money, it would seem, is no object. He made play about Silverdale car park, and I make no apology for raising it here - £250,000. I was slated because it was going to be something in the region of an engineered facility for about £80,000. Our next proposal came forward and it was much less than that. So throw money at it and you can solve the problem. Thank you.

Dr Mann: Mr President, in the face of the euphoria that has surrounded the budget statement one would be almost churlish, I suppose, to express any other opinion and having been in the Treasury, or the Finance Board as it was then, 20 years ago, to be in this position was almost a delirious dream. It was what we were all working towards and yet it seemed to be so far away. Well, it has arrived and I think we all ought to take considerable satisfaction in the fact that we are in this position today. But having said that, I do not think even the Treasury minister will excuse me passing a few comments because I think it is worth looking at why we are in this position today and we have a substantial surplus on expenditure of last year and we have a substantial surplus obviously in the coming year and how has this been achieved? There has been a substantial increase, for instance, in VAT receipts which, without going back into the whole argument of whether we should be in the Customs and Excise Agreement or

not, is a fact of life, that that proportion of our income is not totally under our control. Secondly, the main difference between what was estimated and what has occurred is the huge increase in company taxation receipts. Company taxation receipts, the Treasury minister will agree, are based on the success of those companies a year, 18 months or two years ago and not on what is happening at this particular moment.

I am not trying in any way to underestimate the situation that we are in. We are in a very satisfactory state. But it does underline the thinking of this budget and I have to congratulate the Treasury and the Treasury minister on the presentation of this budget, which certainly is a marked improvement this year, but also on the policy of allowing government departments to increase their spending up to the true increase in receipts and setting aside the surplus that may not occur in future years, and so the management of this budget is certainly very satisfactory and one ought to look at it really in two ways, firstly how it affects the expenditure of government departments, and from that point of view I do not think any government department at this moment has really cause for complaint. I think there has been a substantial increase in spending in almost all government departments but particularly of course in health and social security and in education. Those are the two areas that affect most ordinary people and certainly as far as future developments are concerned all have to be welcomed.

In particular within the area of education I have to say that both this year and in previous years when I had the privilege of being minister the Treasury have supported the educational developments that we have been able to put in place and as each year goes by those are becoming more and more comprehensive and certainly related to ICT more than anything else. So we are certainly very thankful that government expenditure has allowed most government departments to increase their services.

It is from my personal point of view the other part of the budget that causes me some concern and that is the way in which the current surplus is then to be distributed amongst the public, as you might say, to the taxpayer or to the non-taxpayer, and it is here I want to subdivide that into how it is affecting the taxpayer and the non-taxpayer and also to draw attention, which has been mentioned already by one or two members, to what is not in the budget and there are serious policy decisions that have to be made in the next year or two which are not in this budget at all and are not even referred to apart from peripherally.

First of all, and I go back to the business of in this euphoria it is very difficult to be critical, I have to say that I know you have gilded the lily, you have made it socially acceptable to tax child benefit. I am totally and utterly opposed to that proposal. Of all the benefits that social security ever gave to the community over the years since national insurance came about the direct payment to the mother of child benefit was, over the years, the most beneficial of all benefits. I can only speak as a professional person who had an immense amount to do with ordinary people over many years and the direct payment of child benefit to a mother on many, many occasions was one of the most critical payments ever made.

Now, I know times have changed. In particular, most women are now out at work and earning sometimes substantial amounts of money. However, the child still remains the last recipient of disposable income in a family at any level, and it is not the total income of the family that is critical, it is the disposable income of that family after they have paid everything in the family budget. Somebody could be earning £40,000 or £50,000 and still at the end of the week or month there is not necessarily very much disposable income. That may well be

the fault of the father, it may well be the fault of the mother, but it is still true and when you look back at the origins of national insurance it was indeed a very brave thing that that money was paid to the mother and while it was not taxed, the mother could always claim that that was to go for the family budget and feeding the family.

Now, times have changed and I have to say that at this particular moment in this budget we are compensating, more than compensating, for shifting to a taxed system. What we have not been told is what is the future commitment. We are quite happy at this particular moment. In fact people around me are more than happy because at this moment we are overcompensating for the change, but the change of course will ultimately change the attitude of people to that benefit. I am not saying anything out of line because when I was in the Council of Ministers I expressed the same view on more than one occasion. I welcome the increase and more than welcome the compensation, but I have very considerable fears about how this is going to alter the attitudes towards child benefit in the future. There is no commitment because every time it will be raised in future it will cost the exchequer less, so from that point of view I am certainly not happy about that aspect of this budget.

I am somewhat surprised, although I do not want to comment to any great extent, at the sudden decision or what appeared to be a sudden decision about free bus transport to school. That will transfer money from one department to another. It will not make travelling by bus by schoolchildren any safer or any better, and there is considerable question as to how such bus transport should be supervised and while there is no supervision on the buses apart from the driver, separated in a separate cab separate from the children, to say that compensating for the charge made is going to be a safer route to school is not necessarily going to be true, but I do not wish to develop that very much further.

Mr Cannell: We'll send you the bill.

Dr Mann: Yes, I know exactly how much it would cost and it would cost a jolly sight more than the £200,000 that is being talked about.

If I could now just briefly look at what is not in the budget but what I think has got to be seriously looked at from the policy point of view in the coming years, we have made great play today of talking about shifting the payments to child benefit to ensure that those who are not paying tax will get the maximum benefit. I will not argue about that, it is a fact of life, but of course within those same families at this moment, as interest rates are rising, the mortgage repayments are rising, which also plays a part in the so-called disposable income available to look after the family. Those are rising because house prices are rising here because there is a shortage of housing stock. That is one thing that has not been addressed.

The other is I go back to my position in the early '80s when we did not have the surplus to be so pleased about and we looked forward into the future when this situation would arise. We also looked into the future at a population of around 75,000 and looking in the '80s forward, there were people who sat down and created a scenario that proved or proved to them that when you reached this situation that we are in today, at some point past there the cost of infrastructural renewal would be so massive that it almost would negate further economic development. Now, I did not agree with that but certainly there were those who argued the case. We are now at a situation just approaching the 75,000. We are going to be faced with massive infrastructural renewal and extension of services. Those are of course

already known - water, waste disposal, both sewerage and incinerator - and most of all, I think, in terms of sheer cost are the roadworks that are going to be required over the next decade.

Now, if we are proceeding as we are at the moment, and government has already taken the necessary powers to do so, we will shift the cost of that infrastructural renewal onto the population in terms of rates and that will shift the current or future expenditure from the taxpayer onto the general population. We are now congratulating ourselves on how many of those people are not going to pay tax in future. What they are going to pay is the cost of the infrastructural renewal in their rates and that is not going to be based on income-related payments, that is going to be based on a common payment to every householder.

So, yes, we may have given, paid today a lot of benefit in child benefit for the sake of change. Unless we have a policy that is going to stop the transfer of infrastructure cost to those non-taxpayers as well as to the taxpayers, then we will have negated the process and I want somebody somewhere to tell us how that is going to be done.

So I welcome the euphoria, I congratulate the minister on the way in which he is handling the current affairs. I am sure we are all going to vote for this budget, but I think we ought to also bear in mind that within the euphoria there are some things that at the moment we have not actually referred to and they are not necessarily going to be comfortable. Thank you, Mr President.

Mr Downie: Mr President, I too would like to go on record in congratulating the Treasury minister for what I consider to be a very commendable budget.

Firstly as a member, along with my colleague Mr Shimmin, representing Douglas West, we have perhaps some of the oldest housing stock in the Island representing a town constituency. The majority of our houses were built either just after the last war or just after the first war and this news today that it is highly likely that we are about to have a reduction in VAT on property repairs and renewals is most welcome and I think that this will have a major impact on Douglas itself and the other towns throughout the Island who are in a similar situation where there is a lot of old property, and we have heard for some time now about developing brownfield sites. One of the biggest impediments to development in some of these areas was this position regarding VAT and we all know in this hon. Court that there is no VAT on new property but when you come to refurbishing older properties you have got that 17¹/₂ per cent to consider all the time.

Now, this incentive, coupled with the Department of Local Government and the Environment's package that has been put together to provide funding for various property improvement grants, should make a significant impact on the older properties and they should make them a lot more attractive to first-time buyers or people who want to convert existing larger houses into flats and maisonnettes and therefore redevelop part of the town in a much more suitable and sustainable way. I think this is something that we can be proud of and if we can pull it off it augurs well for the future.

I would just also like to put on record the very sympathetic approach that was carried out by the Treasury when dealing with some of the less fortunate in our society. I think that we have struck a good balance with this budget and I think it is one that we can all feel justly proud of, and wearing my own hat as Minister for Agriculture, Fisheries and Forestry, at a time when it is not easy to make a living in agriculture, the Manx farming community will welcome

the additional level of agricultural support, coupled with a common-sense approach by government to agricultural policies where we are working with the industry itself and not blindly following the route of Agenda 2000 and other measures that have been the case in the United Kingdom. This budget, I feel, will stand us in good stead for the future long-term viability of our rural community.

Members will probably be aware that currently agricultural support for the year is around about £6.6 million. This new budget will give us an increase up to £8.2 million and that can be broken down even further: the fatstock guarantee support is in the region of £3 million; we can now look at continuation of the principles of the sheep variable scheme with a review of agri-monetary compensation; we have got a continued emphasis on quality; the department are actually supporting and encouraging an independent farm-assured scheme; we are looking at ways of assisting both the beef, the lamb, the dairy and the grain industry.

Some members might not be aware that fatstock turnover in this Island is approaching £8 million a year and our milk and dairy industry produces goods to the value of around £12 million a year. The bulk of that goes in exports, so although we make a significant contribution to the agricultural economy, in the long term it does stand us in very good stead and out there in the rural communities and the meat plant and the creamery there is somewhere in the region of two and a half thousand people employed in agriculture or agriculture-related industries.

We are about to introduce new codes of agricultural practice and in the House of Keys in the next few weeks I will be introducing new legislation to deal with agricultural tenancies. The department are actively pursuing a new agricultural holdings loan scheme which will assist people who are wanting to be part-time in farming. It will allow them to access money for loans and at the same time they will not need to be whole-time farmers, as it were, so it will keep that interest there, it will keep the viability there and at times when the chips are down - and it is not easy being a farmer at the moment, you take it from me - it will give them that little bit of assistance that they need.

We are looking at a revised system for the Agenda 2000 proposals with possible suckler cow increases, area payment increases, slaughter premium for cows and calves, and it is also the department's intention this year to allow another thousand acres of cereals to be grown on the Island and that will be backed up by an additional payment scheme.

All is not good news within the agricultural industry, as those of you who represent farming constituencies will know, and I regret to say that it is becoming more and more obvious that later on this year I will probably be coming to the Court to progress an emergency dairy aid scheme similar to the one that the hon. member for Peel brought to the Court some years ago. Milk prices have not risen very much, the milk market is particularly depressed at the moment and there is no doubt that the dairy farmers in the Isle of Man are having a very, very difficult time.

We have a new range of farm and horticulture improvement schemes, we are looking to increase our grant budget there, and this is to provide a package for buildings, grain storage, silo, stock handling, concrete yards, and the department has actively been involved with the industry in improving our marketing potential, trying to increase awareness of Manx produce

both locally and in the United Kingdom and in Europe, and we have done our best, I think, to utilise all the resources that the department has at its fingertips.

But at the end of the day, hon. members, this can not be done without serious funding and this is where I must put down for the record my appreciation to the very sympathetic approach that the Treasury has had with regard to this particular area of the Manx economy and I am sure on behalf of the agricultural community, it has been very well received and we are grateful for the long-term commitment that Tynwald does provide for us. Thank you, Mr President.

Mr Waft: Mr President, who would be a Treasury minister on budget day? To have to sit and listen to it all. We cannot be all things to all people but I think this budget has certainly gone a long way to helping everyone.

I would like to compliment the minister and his department for their courage in presenting to us such a budget here today. This year has seen many demands on our resources, yet we are still able to see a growth in public spending which covers a much wider spectrum embracing the less well off in our society, yet acknowledges the essential need to enhance the competitiveness of our business sector.

Skilful management of our economy has put us in this enviable position. I look forward to a decision on a minimum wage in the very near future.

I am particularly encouraged to see the way in which Treasury has acted with regard to our contribution towards overseas aid and I thank the Bishop for his support. We are in agreement this week, sir; I will not mention the Shops Bill. This is a further move recognising the need to increase our support in this area. This hon. Court acted swiftly and decisively when seven young fishermen lost their lives. It was a time when we instinctively knew what had to be done and this was the right thing to do and we acted with one voice. We are not so used to having tragedies happen so close to home. Last year there were so many tragedies they reached a record high, from earthquakes in Turkey, hurricanes and mudslides in South America, ethnic cleansing, wars and a million refugees in the Balkans. Children are still living off refuse dumps, rag-pickers are still commonplace in some areas. The cyclone in Orissa alone destroyed millions of acres of crops and thousands of villages.

Parts of the war-torn Third World make it very difficult for aid to get through to where it is needed and what is making the situation worse? Arms are getting through to those countries who are hardly able to feed themselves, yet alone bear arms against one another. To see a 12-year-old emerge from what appeared to be the frame of an 80-year-old woman just because the leprosy has been removed by drugs which are easily available has to be seen to be believed.

In the twenty-first century there is no room for landmines, river blindness, leprosy, starvation and the lack of basic health care, where civilians can feed one another five times over if we only start helping one another. Charities can only do so much. Volunteers and aid workers are needed and in short supply. According to *The Times* charities estimated that at least 48 million women and children died in conflicts around the globe and charitable giving has gone down over 40 per cent.

I do thank the Treasury for the increase. It will be gratefully received by those who are in desperate need, and I would like to reassure the Chief Minister that the £25,000 which has been ringfenced for emergency aid, tempting though it may be to use it, will not be used by the Overseas Aid Committee. We still have a long way to go and I would like to think we are moving in the right direction, but very, very slowly.

I would like to thank the hon. member for Peel with her remarks with regard to the civil service. We have a highly specialised civil service and we have some excellent people working within it.

I would just like to point out that the recent increase, as will be explained later perhaps in a question, the award does not change the civil service pay spine but changes the spine points applicable to all the grades. This award is unrelated to the annual pay settlement, so that will be seen later on.

I am not going into all the work of the departments: they can each fend for themselves. I would just like to compliment the Treasury minister and his staff and colleagues for the budget today. Thank you, Mr President.

Mr North: Mr President, we are all counting on our continued economic growth and hon. members already know that I have believed for some time that the future economic growth and wellbeing of the Isle of Man is inextricably linked to e-commerce, so I am obviously naturally delighted to see the initiatives which the minister has announced today which will reinforce the message that we are serious in our commitment to developing the Island as a leading player in terms of e-commerce and information technology.

The fund - I would just like to expand a little bit - that has been created will ensure that our young people are given every opportunity to play a full part in the new industrial revolution which is taking place. It will also enable government's own staff to communicate more efficiently both internally and with the outside world and to be more responsive to the demands of those with whom they do business.

My department will administer the initiative whereby funding will be provided to encourage the use of ISDN and ADSL lines as that technology becomes available and this will be available to both companies and individuals. As mentioned, the initiative will run for one year initially and the intention is to meet the connection charges which would normally be incurred, with the user still being responsible for the ongoing rental costs and the line rental.

Both ISDN and ADSL technology result in far faster and better communications on the internet and its rapid take-up on the Island is something we are very keen to encourage, extremely keen, and the better response we get to this initiative the happier the department will be.

We shall be looking to Manx Telecom to play its part in this strategy by ensuring that their charges to customers are competitive and attractive to both existing and potential new businesses.

I would also take this opportunity to inform hon. members that funding has been made available within the DTI budget to provide internet training for individuals, and this will initially be provided at the training centre at Hills Meadow, hopefully in the evenings and at weekends, and then depending upon demand at other locations throughout the Island. The department -

my hon. colleagues, the hon. member for East Douglas, Mrs Cannell, the hon. member for Rushen, Mrs Crowe - are determined that this initiative will be utilised and used as much as possible to the benefit of as many people on the Island as possible.

The DTI will also be releasing details in the near future of a scheme whereby awards will be made to companies which are able to demonstrate that the introduction and implementation of e-commerce strategies have improved their business performance, and that is another initiative.

The hon. member of the Council mentioned the minimum wage Bill and the expectation of this hon. Court on that and I would assure him that that is under way and that the first rough draft has been received by myself and hon. members of my department.

The budget is, as has already been said, a congratulatory one for the Treasury and I certainly take no exception to those congratulatory remarks made by other members that the Treasury has looked at as many broad schemes as possible. There are lots of things in this budget and as far as the DTI is concerned we will consider it most beneficial as far as the growth of e-commerce is concerned and also our other industries within the department.

The President: Hon. members, I think it would be appropriate to adjourn at this stage and the adjournment will be until 2.30. Thank you, hon. members.

The Court adjourned at 1 p.m.

Budget – Debate Continued

The President: Hon. members, we resume our debate on the budget proposals and I call upon the hon. Mr Delaney of the Council.

Mr Delaney: Thank you, Mr President. First of all, as our minister, the Minister for Tourism here, it is only right and proper that we who are with him on the Department of Tourism should give what the department thinks the budget gives to us, and first of all we are delighted that the Treasury has today recognised the need to provide financial assistance to the tourist industry in order to improve its facilities and quality of the product. The tourism strategy document which we have promoted, *Building for the Future*, launched by the department in August of 1999, recognised the importance of the Island's tourism infrastructure and the need to keep pace with the modern tourist idiom.

It is recognised today by the Treasury, although it does not seem a lot - and with £750,000 you cannot buy a lot in tourism- that we are on the right track and hopefully the money that has been allocated - and I suspect it will - will be taken up very quickly, because the Island's tourist industry needs to keep improving itself, it needs to keep giving the people who come to our Island what we, members of this Court and our constituents, expect when they go away - good quality en suite facilities and all that goes into that. They need to have the same reciprocity when they come to the Isle of Man, and now we have managed to get the industry in that position, I am sure that in the future that, as the industry does keep improving itself, the figures that will show the return for the trust given to us by the Treasury and you members of Tynwald will be justified. I am hoping that is going to be the case and we are working very hard for that.

The Tourist department has had over the last 15 or 20 years a difficult time. We are now trying to rebuild on the change that went about and is going about in other places, because we

are the only people who are, have been and are going through change. Many of the other cold water resorts are in desperate situations, I can tell you, and are facing exactly what we faced in the last several years, but the difference with us is, thanks to the finance sector, the building industry, that gave us the little piece of wood in the hole to help us get through that difficult period and keep the industry going, and that is being hard won by the industry and by the government and certainly by the input by this particular grouping here of Tynwald.

Mr President, of course we all welcome the budget for what it gives and what the improvements are, and I, with others, would like to be tied into that, but of course it is not just a case of those that have put it together and those in the past who have helped to make it happen; it is things that we want to see for improvements to the future when they are thinking of next year's budget, because once today is over and this is brought into being, we will all be looking at what the future brings, which is only 12 months away, and I hope, having seen, with the other members of Tynwald Court, that now a major plank of the government and the Treasury's benefits to that section of the community that we already talked about, pensioners in the Island, is now the extra gift that we are trying to give them, the supplement. I, of course, probably more than most, welcome that as the main plank.

But I hope also, when we are talking about that increased amount of money, that the department and certainly the government will look as things get better, as I am sure they are going to do in the next couple of years on income, at the regulations that govern the payment of that extra supplement. The members of the Keys, I know, will know that when their people come to see them, those that need to see them for an increase in incomes when they are of pensionable age, are sometimes mystified by the regulations that govern the payment, and I am sure I am not alone in people who have come to see them on that, and therefore, Mr President, I would ask: try to give a little bit more by helping those that come into that gap - and I know there has got to be a margin that you reach before you do or you do not, but that margin sometimes is the most hurtful thing that I and, I am sure, others have to face up to - that little extra pound too much which stops them getting the benefits coming to them, and that will be raised a number of times, I am sure, in the forthcoming year by members.

The issue of whether or not the family income support that we give through the extra payment for child allowance should be taxed no doubt has been argued over by the Council of Ministers, argued in the Treasury for and against I am sure. I personally have the view that at this time it is not the time to have done it. Things may change and things always will change, but I do not think at this time we have reached that point where we should say now is the time to do it. I think we could have left it a bit longer when that gap from the bottom rises a bit, when maybe that time may have come, but at the moment I am sure to a number of people, the ones again who come in that margin of incomes, will be hurtful in what they have at that day in the week when the family allowance is due and for that I think a bit of heart searching will go on when it comes to the public looking at this budget.

A number of members have mentioned the problems not directly connected to the budget but connected with the government policies in relation to things such as housing, whether or not Peel should have an extra 250 houses. I do not know, but I am sure that it is going to be the issue that is going to haunt an awful lot of people for a long time. I am aware of what has been done by the local government department and I have taken a close study of what they are doing, but I am concerned week by week by the number of people who come to

see me who are not scroungers, they are not people who are looking for handouts; all they are wanting is the right to buy a decent priced house in their own country, and that, as time goes on, is going to become harder and harder. I do not, as I have said before, envy the local government department, but I also would say it is not just the local government department whose job it is to provide this or provide the state of the quality of the houses our people on lower incomes live in.

I said to the local authorities through the media, through meeting the councillors, through talking to their officers, 'You have a major part to play', and although I am aware that Douglas Corporation, for example, has had several petitions, nearly forced to come forward to the department to get something done, because of the way the economy is and the building industry is and the way that the structure and the fabric of the Isle of Man are at the moment, it is going to be difficult to get it done at a price that certainly would please me. You can name your own figure now just to do a job of fixing a roof. Things that you would have thought could be done as a two-hour job now and a small amount of money out of your back pocket will not do it any more, Mr President. You are getting quotations from people who I doubt would know what the word quotation means, and the waiting list time for someone to do it is getting to the extent where the damage to the individual's property is getting horrendous and a couple of those problems I have faced up to recently as well. I think it is going to be a difficult time ahead for those people who, like me, feel that the Isle of Man people deserve and require need, and are justified in needing, a decent home in their own country and that, Mr President, I hope will be addressed in part by the next budget. I know lots of money is being put to the LGB to do a development, but it may be that we will have to have in the Isle of Man positive discrimination again for the Manx people, and if that means the government with some of these surpluses have to actually help in a better way for Manx people to buy their own homes, that will have to be done, otherwise the exercise of many, many years of developing what we have now of a sound basis will not benefit the people we hope to act for - that is, our own people. I do believe that each country goes through these phases some time or other and I think we are going through it now. The real benefits of the new economy will not be to the benefit of all the Manx people; there will be certain amounts and large groups of Manx people who will not see any benefit from it at all because their plight will get worse in the fact that they cannot really afford to be in that economy.

Mr President, I welcome the budget and the effort that has been made. I hope that the Treasury will certainly keep on the good work, and I know that the money will be there to do it, but there is one little thing that I want to mention, just in case we all get carried away with what we say here, me included: it is a fact that in 1990 the then Treasury minister, for example, went and raised an issue close to my heart and certainly the members for Douglas and Douglas East particularly - the introduction by him of support for people redeveloping their tourist premises and other premises, and at that time - and the *Hansard* is here, but I am not going to read it - it was clear to all of us - and this was in the budget speech of the Minister for the Treasury on 16th April 1991 - he outlined what we were all fighting for at that time to bring in: some support for the tourist industry and others. Now I see and have it again with the members for East Douglas, got the problem after all this time of what the people thought they were getting by interpretation, and I refer to the practice notice 31/91 dealing with the capital allowances that were brought in at that time to assist people to claim 100 per cent of the money they were spending for purchases and properties adjacent to their small guesthouses

to develop them, refurbish, make bigger rooms, which now by interpretation is not being carried out, and I have been told by one particular officer on the interpretation of his notes that he claims that he is the arbiter of the interpretation of the practice of the government, including the Treasury minister and the Chief Minister, who was then the Treasury minister, of what we meant. As far as I am concerned, what the ministers say on behalf of the government is what they mean, and no officer, to me, will tell me or the people I have represented that what he says is the law. That may happen in the high court on interpretation of criminal law we make and other law, but not in relation to orders that are made in this Court and delivered by ministers of the Crown in this Court. No civil servant is the arbiter in that case. Even on social security, people have the right to appeal to an independent tribunal chaired by a legal knowledgeable person, or a lawyer, in actual fact, to make sure that the interpretation is correct, and therefore I ask, when we are writing practice notes on any of these orders we are bringing in on the new rights we are giving people, that they are written with clarity, with understanding, with a bit of common sense and in the knowledge that the practice note, although only a practice note, is not what the government meant when they bring in orders, which are supposed to benefit and aid us to get the economy moving in any particular area. Thank you, Mr President.

Mr Shimmin: Mr President, I would like to begin by paraphrasing some of the comments made this morning by the Treasury minister in his budget speech. The Treasury minister stated that the Island's achievements cannot be overstated; they are a testimony to the efforts of all of our people. Moreover, this success has been achieved in a period of rapid change in the global environment in which our companies seek to compete to secure the employment and incomes of the population and ultimately of government. He states we should all be proud that the Isle of Man enjoys such a favourable economic condition. Those comments, along with the aims which he identified at the beginning of his speech, should give us considerable cause for appreciation of the hard work that has gone in by the members of this House, but also the many officers within the Treasury and the government departments and also the people of the Isle of Man who work hard to make the economy of the Island as buoyant as it is.

I commend the Treasury minister and the Treasury department for coming forward with such a balanced budget. It was mentioned this morning that the issues of policy and Treasury budgets were coming closer together, and surely that is something to be congratulated, something whereby the Treasury through the policy process have identified all of the issues important to members of this House and they have brought forward a Treasury budget to try and reflect the priorities and the balance required by members. This budget shows that they have listened. This year again they have continued to give a priority in staffing and funding to those core elements which reflect on all the people of the Island: the Department of Health and Social Security, the Department of Education, the Department of Home Affairs - issues which have impact on every member of our society. All government departments' budgets have been increased, but once again the Treasury have determined the priorities for the benefit of the people of the Island.

I am delighted to follow the previous speaker of Council, Mr Delaney, as I was disappointed this morning that in talking about issues I do not believe that members really appreciated the importance of the new funds which have been set up this year by the

Treasury. One of those referred to by the hon. member Mr Delaney was regarding tourism - an issue which is surely as important in the hearts of the people and the members of this House as agriculture, education, all other issues. Tourism has been a forgotten part of government for too long, and I am delighted that the department working with Treasury have come forward with a fund which will hopefully begin to reverse that trend.

The Minister for Trade and Industry referred to the fund for information, communication and technology. In the House of Keys we have gone through the Electronic Transactions Bill recently, and the idea of e-commerce is one which is becoming apparent to all members of this House and also most of the business sector and the public of the Isle of Man. Therefore again it is commendable that the Treasury has responded in a means which is actually going to kick-start and give the potential growth in a vital area where the Island must not be left behind.

The issue of housing frequently dominates this Court; certainly in the last six months housing has been the critical issue for the people of the Island, and again not often referred to is the fund for land acquisition, which would allow government to respond more quickly if necessary in order to make land available. So I believe that the Treasury have listened to the members. I know that the members do listen to the people of the Island and I believe this budget goes a considerable way to addressing some of the concerns which members have raised in recent budgets.

I applaud once again the increase in the lower rate of tax for companies and the expansion of that area; the emphasis on attempting to find the mechanism to get finances into those people on the Island who experience low income. The VAT reduction of repairs and renovations of elderly property once again is something which has been crying out for for some years. Many members have stated it; the Treasury have now responded to those calls.

One of the members this morning referred to an appreciation of those almost invisible people who have allowed us to get to this position, and by that I refer to the civil servants, often criticised in this Court. However, the amount of work which has been done and the skills and commitment shown by many members of the civil service bears great credit to them and the fact that they have remained loyal to public service is one which I believe this House needs to reflect and appreciate, and I would like to see in the future the Treasury being able to come forward with initiatives which actually recognise the contribution that they make.

There will be calls that if I and others do not choose to nit-pick and criticise aspects of this budget we are complacent - far from it. The Treasury minister this morning has alluded to all of those concerns which still feature in the considerations of the Treasury, the Council of Ministers and ourselves. It is not complacent to applaud a good budget. It is an appropriate response, in my view, to say that we are moving more this budget than ever before in the direction which I believe the government should be taking us, and we can all wish for greater speed on those areas affecting our own departments or our own regions. However, a constant problem is the size of the capital programme, and our job as politicians will be to argue our case within the right forums to try and push our own schemes and projects to the top of the priority. I believe this budget shows that the majorities, policies and priorities are being reflected in the budget. Those of us who are disappointed in certain aspects will continue to push the Council of Ministers, the Treasury minister, the Chief Minister to respond to our calls and needs for what we believe is important. However, for today Mr President, I am delighted to

say this is a good budget. I commend all those involved with its being brought to this stage and I will obviously support it.

Mr Crowe: Mr President, we have today had a very upbeat message from the Treasury minister, and I too would add my congratulations to him, his colleagues and staff for delivering the budget today, which gives lower taxes, higher allowances, an impressive capital programme while still being able to increase reserves for a rainy day.

This budget does, however, have cautionary overtones, such as the external threats from the OECD, the EU and others, and the minister also refers to the uncertainty and volatility of the current international economic climate which is bound to impact on our economy. We are experiencing rising interest rates, increases in the cost of raw materials, increasing oil prices and other factors giving rise and concerns over the inflationary aspects of strong growth. Other performance indicators such as the reduction in company formations this year will have a bearing on next year's government receipts.

On business issues generally I was pleased to hear that one of the minister's aims is to ensure that the Island retains its competitive business environment, and I would fully agree with that objective, and this is relevant whether it is for small and medium businesses as well as the larger companies too. Whilst we can put in place the legislative regulatory and taxation regimes it is, as the Treasury minister states, the business sectors that produce the income to meet the expenditure of government. The reduction of taxation for both companies and individuals is a very welcome initiative to reward and encourage enterprise in our Island.

As an international financial centre we are not insulated from the effects of the constant change in the delivery of financial services, and we are seeing more frequently the consolidation of those service providers through mergers, acquisitions and takeovers. The most recent of these on our own doorstep involves the takeover of the NatWest Bank group by the Royal Bank of Scotland, both operations having extensive investment in this Island. This merger is bound to have an effect on the situation locally, as are the new internet banking services being offered from the Isle of Man.

This brings me on to the very dramatic development in the rise of the internet and the impact this will have on employment and also on consumer choice. The support for e-commerce through the establishment of the e-commerce ICT fund is a very positive move. It is better for us to be proactive by establishing such a fund which is bound to assist in the development of e-commerce from and in the Island.

Just commenting on the budget papers, they are well presented and contain as usual the analysis of future spending plans. It is a very useful document for people on the Island or for any business considering a presence here.

I am pleased to support the budget, which reflects the continuing buoyant state of the economy - strong growth, no external debt, a balanced budget and a further strengthening of the reserves, and this is a very satisfactory position for this Island to be in. Thank you, Mr President.

Mr Cannan: Mr President, in politics and economics nothing is perfect, but this budget is good and the Treasury minister is to be congratulated. However, sir, the greater congratulations must go to the people of the Isle of Man and, in particular, the business

leaders who, by their drive, commitment and enthusiasm and with the support of their employees, have enabled the Isle of Man to enjoy unprecedented prosperity with no unemployment.

It is this drive and energy outside by the people of the Isle of Man that enables us here to preside over a budget, ably collated, that will give benefit and return to the people we represent. In short, the Isle of Man is a good place to live, and we as politicians must not forget, as I have just said, that the only money government has is the money collected from the people and businesses of the Island.

So the Treasury minister has rightly decided in this period of prosperity to reduce the amounts and percentage rates of taxation. A modest reduction of the standard rate of tax from 15 per cent to 14 per cent is to be welcomed, but may I say it lacks the flair and initiative when the income tax rate was reduced from 20 per cent to 15 per cent and fully transferable allowances were introduced in 1989. Modesty, is not always my strong point!

As I have already said, this is a good budget and the government accounts are in good order. However, there are three matters that give me some concern, and that is why I said nothing in politics is perfect. Now, the first of these appears to be contrary to what is being said - no real improvement over the years in the economic well-being of the low-paid. I have always said in this Court that there is no pride in poverty and no self-respect and esteem in having to live on government hand-outs. They are necessary, I support them, but far better to have a wage economy for which there is less requirement.

Let me give you an example: 10 per cent of the families in the Island are on low income and their children eligible for free school meals; that is an indicator. In January 1998, 10.4 per cent of all children were receiving free school meals. In January 1999, 10.45 per cent were receiving free school meals, and in January this year, 10.44 per cent were receiving free school meals. The yardstick for receiving free school meals is the income of the family. I would like to see that it is time to improve the income of the family, and I believe that this can be partly achieved by the introduction of minimum wage legislation as soon as possible, a minimum wage that should be no less than £4.50 an hour; £4.50 an hour is £180 a week and, as I have said in debates we have had in this Court about the minimum wage, there is the invisible Manxman sitting in the gallery here in Tynwald watching us debate from our well-paid positions how much he should receive in a week, and I believe that £4.50 is a fair and equitable minimum wage.

The other matter which gives me concern is the introduction of the taxation of child benefit. There is no need for this taxation; the Treasury does not need the money. There is nowhere in the figures supplied of the government accounts to show that the government need the money or the tax on child benefit, and I believe it has been introduced and imposed for purely ideological reasons. Dr Mann, earlier before lunch, gave a very good explanation of the manner in which child benefit was introduced in the welfare state way back in the 1940s as an income to the mother to provide for the family, and I have to say that when my own family was young, child benefit was not taxed and I do not see why today's families should be so taxed on their child benefit. It is an income to a mother to provide for the children and then there is the precedent; are other universal grants to be taxed in the future? Child benefit was a universal grant, the Christmas bonus to pensioners is a universal grant - it is not taxed; it is not income-related. The death grant is not taxed; it is not income-related. We have certain

universal grants of which child benefit was one, and I am very disappointed to see that it has now been decided that it should be taxed.

Another matter that gives me concern is the charge on the water rates of the financing costs of the £70 million bond issue to pay for the Water Authority infrastructure renewal programme. I believe the financing costs of the £70 million bond issue should be paid from general revenue, otherwise there will be a dramatic and unacceptable rise in water rates, and water rates, hon. members, as you know, are not income-related, they are household-related and charged on the rateable value of the house irrespective of the income of that house. The capital charges for the improvement of the water infrastructure by the building of the Sulby Reservoir were paid out of general revenue and not a charge on the water rates.

I now turn to a matter for which no financial provision has been made but will have to be as a matter of priority, and I refer to the very serious coast erosion which is a threat to the village of Kirk Michael. This is a very serious matter. It is deteriorating, it is visible, it is there for all to see and the residents are very concerned. Coast protection work has been done in Gansey at a cost of £1.2 million over the 12 years, fully supported. Nobody in this Court has ever queried that expenditure. It is quite right, the road needs to be protected and the houses beyond, and all we ask for is fair and equitable treatment.

As regards the spread of the economic prosperity throughout the Island it is necessary that the north, possibly the west get their share of what is available in terms of prosperity, and at Jurby I am pleased to say tentative plans are being made for a major business project and feasibility studies are currently being undertaken. And so I look forward to an announcement in due course by the developers. It is important that this prosperity is identified across the Island.

So all in all, as I said at the beginning, in politics and economics nothing is perfect, but this budget is a good budget, it is worthy of support, but there is this one problem of the taxation of child benefit which I do not believe will have universal support out there amongst the public, especially as for years and years since its introduction it has been a universal payment to the mother for the benefit of her children. Thank you, Mr President.

Mrs Cannell: Mr President, during last year's budget debate there were several issues that I raised at that time. One was the reduction in value added tax on the refurbishment and restoration of properties; another was the urban regeneration study which is presently going on within my constituency of East Douglas; minimum wage was also mentioned, and the community care programme for the mentally handicapped, and of course the Villa Marina. I am very pleased to get to my feet today to see that almost all of those particular issues have been covered this year. We have already heard that we are hopeful that we will get leave to introduce this value added tax charge of five per cent, which should kick-start some serious investment into areas that are presently suffering with dilapidation. However, I understand that if we are to receive this it will only run for a period of three years, and I wonder why this is not being tied in to the urban regeneration study that the Department of Local Government and the Environment are presently pursuing. Given that the department's proposal may not even begin for two, possibly three years, one would have thought that such an incentive by way of saving on value added tax could have been better timed, perhaps. So either Treasury is perhaps a little early or the Department of Local Government and the Environment is a little late but it would have been prudent, I would suggest, to have twinned both of those initiatives together, because not only would phase 1 of the regeneration programme initiated by Douglas

have had a good kick-start by such a saving but it also would have drawn in, I would suggest, and attract a lot of private investors to ensure that phases 2, 3 and possibly 4 are successful. And so I would ask the Treasury minister in his summing up, bearing in mind that we are still, I understand, waiting for final clarification on this probably some time today, whether or not he would consider extending or going for an extension of that three-year period so that it can embrace and complement the scheme of urban regeneration.

The minimum wage was mentioned by myself, and I am pleased to say that despite the fact that we are as government criticised at times for moving very slowly on this particular issue, I believe, once the decision in principle was taken to bring in a minimum wage, that the Department of Trade and Industry have moved and are moving very quickly on this, and I am very hopeful that we, the department, will be able to introduce a minimum wage, in May with any luck.

The community care programme for the mentally handicapped - of course we have moved ahead since last year's budget in that we have a select committee looking at community care and also considering the possible provision of village communities. What does concern me, though, is that so much money has been spent on the acquisition of properties by the Department of Health in the provision of community care and just one or two more to be bought to bring the department to full compliment. I would not want to prejudge the outcome of the select committee, but if, for instance, the select committee were to make a recommendation for a village community, what concerns me is that there would be no financial provision set aside and no flexibility within this programme to bring forward such a scheme, and so I put that down as a marker because I have no idea what the deliberations of the select committee will be at the end of the day.

Of course, the Villa Marina - we have moved on with that because now, of course, government is to finance an appropriate refurbishment of the Villa Marina, and not before time. I was concerned last year that it appeared that the government were going to withdraw altogether, but of course now we are more secure in relation to the future of the Villa Marina.

Turning to the speech that was made by the hon. minister in moving this budget today, there was one word that I picked up in his opening remarks that actually appears on page 2. He spoke very briefly; he said he spoke of compromise, but he did not go on to expand upon what he regarded as a compromise. This is in relation to discussions with the United Kingdom or OECD or any other body and he also referred in the previous paragraph to protocol 3, the relationship that we have under that, and I wondered what he meant when he said, 'Although I talk of compromise there are two areas where basically we remain strong.' I would not like to think that we are prepared to compromise in any way, shape or form in relation to the position and the autonomy of the Isle of Man, but if he could go on and perhaps expand a little on that I would appreciate it.

We have heard much said of e-commerce, and e-commerce, yes, is the way forward and, members did mention it last year; in particular the hon. member for Douglas West, Mr Shimmin, made reference to it and urged that we take in on board seriously. That has been done and I believe that is the right way to go.

All in all it is a fairly well rounded budget, different to last year's and different to the year before, because there are measures, albeit some in token form, which go some way towards

rewarding the people for the loyalty that they have given the Isle of Man in working and paying their dues. I am disappointed, though, about the issue under low income measures. There is quite an in-depth paragraph about it but at the end of that paragraph we are no further ahead. There is mention about some kind of credit system and that hopefully something will come back, and there is a reference to the minister saying that perhaps he is talking about jam tomorrow. I would suggest that he is talking about jam tomorrow and possibly has been for, to my mind, the last three budgets.

On the one hand we have had criticism about child benefit and I will touch upon that a little bit later, and on the one hand we have had a reduction in income tax rates down to 14 per cent, but I would have thought that rather than drop it to 14 per cent - that is, income tax - perhaps that one per cent could have been utilised in some kind of scheme towards the people who fall in the low income bracket. Some sort of scheme, I feel sure, with a little bit of time, flair and imagination could be put together rather than dropping the overall income tax rate.

Free transport for schoolchildren is to be welcomed, but I take on board the comments made by the hon. member of Council, Dr Mann, when he said that there is no supervision, and that obviously has to be looked at, but I think it is a good initiative; it is a start, it is a step in the right direction to get youngsters used to going on the bus, and I think this is to be welcomed.

Free TV licences - again this is something I and, I am sure, at least half this hon. Court have put in their manifestos in years gone by, that they felt that TV licences should be free but for pensioners. There is a cut-off point, of course, because you have to be over 75. I would have thought that we would have had and could have had a bigger impact on this particular community, our pensioners, if we had allowed a free TV licence at age 65. (**Mr Quine:** Hear, hear.) I dare say it would have had economic implications, but again we are told we are buoyant, the land is flowing with milk and honey, we are booming. We are booming so much that income tax rates have been dropped one per cent, and so I would like to see initiatives coming in in the future to provide free TV licences for those 65 and over. (**Two Members:** Hear, hear.) Anything less than that, I think, is impractical.

Air passenger duty - now, the minister in his opening remarks referred to this. I suppose it was prudent of him to do so. In fact, it would be remiss if he had not, but what he has not mentioned is the fact that the Isle of Man to my mind is a special case, and I understand that Manx Airlines will be lobbying to that effect to say that the Isle of Man is a special case and should be considered as something different than everybody else, but obviously air passenger duty that continues to go up the way it has been in the last couple of years is severely damaging not only business to the Island and residents who want to get to and from the Island but, of course, our valuable tourists. And so I would urge the minister to support that lobby that suggests that the Isle of Man is a special case and should be considered as such.

A little bit disappointed too - and I do not want to be too down on this budget because there are good things in it (*Laughter and interjections*) - but great mention has been paid to the fact that the Department of Local Government and the Environment are doing an urban regeneration, but there is no financial provision within the budget for it. Now, I wonder why that is. Is it a case that the department have not yet worked out how much they will require to get it rolling? Did they not apply to Treasury in the discussion rounds prior to budget day? Or have they, and Treasury have rebutted it? I would have thought that there needs to be some kind of

financial provision here to actually kick-start this. I am aware that government are acquiring property as and when it becomes available and they will be doing that, I would imagine, under their normal budgetary provision within the department, but I would suggest they need some money to get this going if it is going to be a reality.

I am pleased to see that some of the revenue coming from the lottery is going to be divided between the Sports Council, the Arts Council and Manx Heritage Foundation. I am very pleased about that, but I would like part of the proceeds. I would like to see some kind of extension which would include other Manx charities, because there is nothing in this budget for Manx charities and yet it is said time and time again by political members in this hon. Court that without charities certain provisions partly provided by departments would not function, could not function, (**Members:** Hear, hear.) without the support of local charities. And so I would have liked to have seen some of that milk and honey flow their way because now that we do not have our own lottery, which did provide some coffers for local charities, they are somewhat wanting.

What I would like to ask the Treasury minister - in relation to extra money going to the Arts Council, will this enable the Arts Council to sponsor students, particularly those who are studying in the arts? Will this enable the Arts Council to sponsor our students? I do know - and it has been mentioned very briefly before by the hon. member for Peel regarding student grants and student support - of students who are off-Island who are studying courses in theatre, in music, in art and who are struggling. Manx students who are doing very well and do the Island a real credit are struggling. And so I would ask the Treasury minister to look at that. I do know that the Minister for Education intimated a little while ago that they were reviewing the support for students, but I would ask the Treasury minister to look at it. It is in *Hansard* so I have got a copy of the assurances from the Minister for Education. (**A Member:** Hear, hear.)

The capital programme - now, it would be remiss of me not to mention the capital programme, in particular one project, of course, and that is this dogged attitude of government to go for the mass burn incinerator. There are remarks within the notes here from the Treasury minister about the capital programme, and he keeps issuing warnings. Every year he issues a warning about curbing the capital programme, about not adding to it, and I would suggest that it is important for us as members of the public purse that we go for prudent measures in relation to this capital programme. We know of another solution to waste management. We know that one is working successfully abroad and we also know that the costs are much greater than those proposed for incineration, and yet we have a reluctance, almost, as though damage was going to be done to the pride of government, almost wanting to ignore the fact that there is an alternative which is going to save us money, save the taxpayers money and is equally as reliable and more environmentally friendly and acceptable for our solution (**A Member:** Hear, hear.), but there is a reluctance. I would like to see a little bit of open-mindedness in relation to this because this scheme - we do not know what the total cost is going to be, we have the department promising to come forward in June to ask for some money and yet we have no idea, although I am sure the Treasury minister does have, a floating idea - of what this is going to cost. I believe we cannot afford it both on financial grounds and environmental grounds and I think we are honour-bound to look at this PEC solution. That is what we should be looking at. We should have a fresh team going out there, members from Treasury and from the Department of Local Government and the Environment,

to look at this other solution because the last time there was a visit made it was before the plant was commissioned and, in all fairness, how can a proper assessment be done when a plant is not operational? So let us look at it one last time. Let us look at an alternative. I am not saying do a u-turn, I am saying let us look and have an open mind on this. If this other solution is found to be acceptable to the political membership and government, then let us go for it. Let us save the taxpayers some money and let us satisfy the environmental consciousness of the population of the Isle of Man.

I would like to see the sewerage infrastructure proceeded with a little bit faster. It has been going on for so long I would like to see that speeded up.

Mr Brown: Twenty years.

Mrs Cannell: I still worry about the hospital, about the final costs, and there are problems at the moment. We have got problems with contractors and problems with disputes and all sorts of things building up which were all referred to before. It is not as though members were not aware that this was going to happen. Everything that was predicted a couple of years ago is coming to fruition and so I hate to have to be in a position where I can say hand on heart 'I told you so.'

Now, let us look at child benefit. We have had two or three members refer to this and say that they are not in support of it, and for people my age and younger with families we have always called it family allowance. It is money that goes into the family, those with children, and a great many families actually rely upon this family allowance, because it becomes payable on a Tuesday. Right in the middle or after a weekend when mum is a bit short, she can always go into the post office and get her family allowance to provide a meal for her children on the table. Now, to tax that - on the one hand I can see why the Treasury minister has done it because I can see that those families who are not subject to tax and who do not earn by way of a job will benefit by the full increase, and those of us who work will not, but nevertheless it is a very, very, very dangerous precedent to be setting, I would suggest, because there will be a fear within the community that if you are prepared to tax child benefit what other benefit will this government be looking at next and will it be a part of the overall review -

Mr Cannan: Christmas bonus? (*Mrs Hannan interjecting*)

Mrs Cannell: - and welfare review? The UK looked at this and they kicked it out of touch because it proved to be unpopular with the people and it was certainly not a Labour government policy. As I understand it, our government here, our Council of Ministers, looked at this a little while ago and it was kicked out of touch, and yet here we are, it is here in all of its glory and it is on the top of the list of the main features of the budget. I would ask the Treasury minister to please review this in a year's time. Obviously he has made provision for it now and I have no doubt that this budget will go through unanimously because overall it is a good budget, but I would ask him to look at it again before the next budget and if there are any problems and any kind of backlash - because of course this will bring people, particularly single parents, into the tax bracket where previously they were just below it, so it will actually bring people into a tax bracket because it is judged as income and is subject to taxation - please review it. Do not leave it where it is and think, 'Right, now I have got it through in the year 2000 it is going to be there to stay', because hot on the heels of that will be ideas of taxing other types of benefit, which is a non-starter.

Now then, finally I would just like to touch upon the three new funds which I think are essential, very important, and I think show a certain degree of forward planning by this particular government. I am very concerned, though, that the £750,000 for the tourism development fund which is to be established is established in order to help the industry, and I would ask the minister to ensure that this fund is not going to be similar to the grant support that we have had in place previously, because I know from the industry that the grant support schemes that have been in place previously are not only over-bureaucratic but very few in the industry actually qualified for grant support, and so although it was a laudable scheme to put into place it did not benefit and enhance and help the industry as I am sure it was designed to do.

I would like to have a little bit more information on what this fund is supposed to do, what it is going to embrace, how it is going to operate and who it is going to help. The hon. member for Council, Mr Delaney, referred to a situation and he referred to a practice note which came out from the income tax division dated 26th January 1993, and in that particular practice note it talked about building allowance, and I quote, 'One hundred per cent initial allowance may be claimed on the allowance capital expenditure incurred on the acquisition, extension or alteration of a qualifying industrial building, agricultural building or tourist premises.' Now, that particular scheme has not benefited tourist-related issues, tourist premises. We do have hoteliers and indeed a meeting took place only this lunch-time with hoteliers who feel aggrieved that they have applied for assistance under that scheme and have been or received a rebuttal without a proper explanation. So I would ask the Treasury minister to please look at that but also ensure that this new fund to be established is going to be people-friendly and is going to help the tourist industry because the tourist industry is still an important industry. The construction industry is still an important industry, and that was one issue that has not actually been covered, other than the value added tax saving, by the minister this year.

Mr Corkill: Absolutely.

Mrs Cannell: He has not addressed the issue of overheating. In all fairness, he is only one department and so it would take, I would suggest, all departments to be looking particularly at their capital programme in order to assist the overheating of the construction industry but it has now reached boiling point. So perhaps we need to be looking at a package of measures to help that situation. Thank you, Mr President.

Mr Rodan: Mr President, I doubt if there is a finance minister anywhere in the western world who would be standing up in front of his parliament outlining an economic performance in as fine an economy and in fine shape as that of the Isle of Man, and I do congratulate the minister for what he had to tell us this morning. I would not describe the reaction to what he said as euphoria in the words of my hon. friend of the Council, Dr Mann; I have detected very little euphoria. There are plenty of grounds for euphoria but the reaction has been, I think, typified by the last speaker, the hon. member for Douglas East, Mrs Cannell, who acknowledged that there were good things in this budget. I will say there are good things in this budget. This is what could be described as a triple-whammy budget, because we have got in it reduction in personal and business taxation and headline rates of taxation. We have got increased public spending on important public services, 10 per cent increase in that, plus £15 million into reserves, still leaving an operating balance and without recourse to external borrowing at a time of minimal inflation and virtually full employment. Now, this economic

record, it is no exaggeration to say, is unlikely to be matched anywhere else. Other speakers have referred to how the seeds for what we have today were sown perhaps 20 years ago, certainly 10 years ago, and the Treasury minister is gracious enough to have acknowledged that what he is presenting today is in no small part due to far-sighted decisions that were taken by previous members of this hon. Court.

Mr President, in the past I have likened the Treasury minister to a canny bank manager - all smiles, but giving nothing away. This year I was looking forward to hearing at least once in his speech the word 'prudent' so I could describe him as being 'the man from the Prudential', but not once did he mention the word 'prudent'. Nonetheless, there is something for everyone in this budget and the wide-ranging political aspirations of many in this hon. Court will have been met today, and again for that the minister is to be congratulated.

I think one of the things this budget does show is importance to maintaining and creating competitive advantage for the Isle of Man, something that business leaders have highlighted very recently, and, again we have signs of that competitive advantage in business with reduction of business taxation rates, but very importantly we have, in the field of personal taxation likewise, a widening gulf between ourselves and the adjacent isles. Not only has the huge tax advantage that now exists with the UK been continued with the extremely favourable personal allowances, but we have had a reduction in the headline rate of personal income tax also.

One thing the minister did not mention, perhaps because it is so taken for granted now, is that one of the major continuing advantages of earning your income in the Isle of Man is that you still have the ability to offset against income tax your housing costs and your mortgage interest in full, and not only that, but bank interest on any borrowings you may care to make, whatever luxury item it may be as long it is from an Isle of Man lending institution. At the very time, Mr President, when MIRAS, mortgage interest relief in the adjacent isle, which for so long had been at £30,000 and has been gradually reduced, this year is to be reduced to nothing, we have mortgage interest relief in full in the Isle of Man, and this is something that is not sufficiently acknowledged, but undoubtedly makes the Isle of Man a very fiscally attractive place to set up business, to conduct business and to live here.

I am sorry in many ways that it has not been possible to integrate a tax credit system, a system of benefits and taxation. In last year's budget, it was announced that this had been the long-term intent and indeed it does remain a long-term intent, but very little progress has been made for practical, technical reasons, we understand, to do with the necessity to harmonise the benefit system with the UK, but it is a pity because it would, if it was operating, have the effect of integrating every benefit recipient into society to make everyone a taxpayer, which, having an inclusive society of this sort, can only be healthy, and I would like everyone to pay even £1 income tax a year, to be integrated fully into society, so that we do indeed have one society, not those having the wherewithal to earn and generate personal taxes which are handed to others, but in fact to have everybody together, which is why actually I welcome the proposal to tax child benefits.

Now, as I understand it, the intention is still that the benefit goes direct to the mother, so there is no question that somehow it is not going to those who most require it and that its traditional historical purpose will not be fulfilled. What is happening is that those clearly in the changed economic circumstances we have who do not require it as much will be taxed upon it.

I think it is only right that those with high incomes be taxed on this particular benefit. Why should the state continue to give to those people a tax-free hand out when it is not needed? So I welcome that.

As far as VAT on repairs is concerned, I, like many members of this hon. Court, had this in my last election manifesto and it has been a particular ambition to see this brought about. Little did I think that we would actually see progress in this area -

Mr Cannell: You were conning them then, were you?

Mr Rodan: Little did I think it would be practically possible to re-negotiate the customs and excise agreement to the extent that has been possible to have the UK take up on our behalf our case with Europe. I had always believed that here was the sixth VAT directive of the European Union, holy writ, that would be virtually impossible to change, so, I congratulate Treasury and Customs and Excise in being able to negotiate to the extent that they apparently have, a reduction to five per cent VAT on repairs.

Now, we should welcome this, and generally this has been welcomed although the hon. member for Ramsey, Mr Singer, considers it does not go far enough, it is not extensive enough in that it only relates to VAT-registered tradesmen, and to the hon. member for Douglas East, Mrs Cannell, it is too late and should have been tied in with urban regeneration schemes. Well, I applaud what has been negotiated and I am convinced it will be a significant shot in the arm not only to regeneration of town centres but those with aspirations to improve the standard of their property.

The opportunity has been taken to continue with improvements in the infrastructure of the island, the IRIS system. Although I continue to believe it is not the correct method of sewage disposal, nonetheless I acknowledge it is Tynwald policy and am pleased that further progress at least is being made, and I particularly welcome, wearing my constituency hat, the proposals to deal at last with the Glen Road sewer, which has been an outstanding matter, as the minister well knows, for many years and will permit a most unfortunate state of affairs in Laxey to at last be addressed in that particular area.

Now, Mr President, as one who currently has responsibility for the second largest spending department in government, I would wish to say that unquestionably this budget is an extremely good one for education and, I think, upholds the traditional importance that has been attached to devoting educational resources within the Isle of Man and the traditional importance that has been attached to learning in general and advancement of the Island's people by education, and this year we have 30 new posts and these are not only posts that might have been created as a result in the growth of pupil numbers, although undoubtedly, pupil numbers are at record levels with 6,500 in the primary and over 5,000 in the secondary sectors, so it would be surprising not to expect matched teaching resources to deal with that growth, but we also have a very real expansion of educational services in areas for which the department has long had ambition.

Extra secretarial time is being devoted this coming financial year, which may sound something not very much of anything but in fact is very important in order to make possible the delegated financial management responsibilities to primary schools that we have in mind for April next year following in the wake of the extremely successful strategy in secondary schools, whereby school heads and managers can set their own local priorities, but for this to

happen in a way that can be assimilated without putting unnecessary pressure on teaching staff and heads in particular, it requires administrative and secretarial support, and this has been acknowledged.

Teaching support is also to be created for primary pupils who have severe reading difficulties. This is to be welcomed, the expansion in this area. Similarly, the peripatetic music instrumental tuition is to be extended (**Mr Houghton**: Hear, hear.) I greatly welcome this. This had been static for some years, and I very much welcome that the facilities are now to be in place to have three more teachers in that regard.

The facilities have also been made possible to pilot - and I emphasise the word *pilot* - and to trial a pupil referral unit in the primary sector to take some of the pressure off primary schools, teachers and the great majority of pupils whose education can be disrupted when resources are diverted to that small minority of pupils who can be extremely time-consuming and resource-consuming within our schools. This is to be further worked through, but I look forward that it is possible this year to have the resources to do something in this area.

Secondary schools will see the completion of the post-16 blocks and have significant computer additions for sixthformers and school staff.

Higher education - reference has been made to student funding. The position is, Mr President, that the Isle of Man remains the one place in the British Isles where tuition fees are paid in total and which maintains a system of grants and has not had it replaced by loans. That system is to remain. I am sorry to say that other jurisdictions - nothing to do with us - have not taken as an enlightened an approach as us, and even the Scottish Parliament, which was looking at this question, pulled back and, instead of having tuition fees paid in full, they are to be in advance, to be offset against earnings in future years. If it is possible to do anything, we could certainly do that here; our political judgement in the Isle of Man is that the present system where we give opportunities to our students to have access to higher education remains. (**A Member**: Hear, hear.)

I hear what is said about a fund, funding for top-up loans. This is being examined in the overall context of the review that is taking place, but I have to say, Mr President, that to be carried to its conclusion what we are really talking about there is government acting as a bank, as a lending institution. I would far rather maintain a system of support and have parents discharge their responsibility for their student offspring if they can afford it, and unquestionably many can afford it, and to assist in that responsibility I am delighted that the Treasury minister has increased the covenant facility to £5000.

The core budget having been increased by 3.7 to £57.3 million, Mr President, has allowed for one or two other initiatives to take place: a doubling in the number of preschool nursery units, and we are looking at three areas of the island, Castletown, Peel and Ramsey to introduce more nursery units for doubling. That is to be welcomed. The establishment and development of further area youth and community special projects and outreach work - there is additional staffing for that, and I know that has been something hon. members have called for in the past. The capital buildings programme will see the commencement of the extensions in Marown and Kirk Michael this year together with a further 16 Island schools and the college being involved in a £20 million programme over the next 5 years - very significant capital works indeed taking place.

As far as the issue raised by the hon. member for Onchan, Mr Cannell, is concerned of the sixth secondary school, this budget changes nothing; there is nothing new other than the reiteration of the place in the five-year programme for the island's sixth secondary school and confirmation of the funding for that is in place if the necessary forward planning has not yet been completed as to its location to be most effective in dealing with the anticipated rise in secondary school numbers over the next ten years.

Now, I wish to conclude, Mr President, by just saying something on the question of the ICT fund. Information technology and computers, especially when it is talked about by politicians, runs a grave risk of becoming a term that gets worn out and devalued just like the millennium: if we have heard the millennium once, we have heard it too often. I would recommend, Mr President, that members of this Court actually go out, make arrangements to visit their local primary school and see what is happening at the very cutting edge of this ICT technology. I do not exaggerate by saying that in the Department of Education we have, first of all, schools as the biggest internet user in the Isle of Man with a thousand concurrent users in any one day, but we have, as far as the British Isles are concerned, a situation where we are right at the very front. We have in this Island every school with extensive networked internet access.

This makes us unique. Schools in England will claim that they are connected to the internet and indeed they are connected to one machine, but we have an internet and an intranet network within our school system that is right at the cutting edge, and it was not for nothing that representatives from the *Times Educational Supplement* were up at Scoill Vallajeelt at lunchtime today to see some of the pilot work going on there. And if I may just take a minute or two just to tell you about it, up there, for the last two weeks starting two weeks ago, we have a pilot scheme for wireless lap-tops. Now, by wireless lap-tops I do not just mean the lap-tops that you carry around and are battery-driven; These have no wire connection or batteries. They are smaller than Mrs Crowe's folder here (*Laughter and interjections*); opening it out automatically triggers the machine and starts up the machine, and what we have in effect is something the size of a book that is opened up like a book and gives you access to the libraries, virtually, of the whole world, and I can tell you, it was a joyful sight to see year six, ten-year olds not being able to take their eyes off these screens and working away and doing real work and valuable work of accessing all the systems and all the knowledge that is available to them. This works through radio connections to a base station set up in the schools, and this school got its base station two weeks ago. Last summer was spent putting all the cabling technology throughout the school networks so every classroom has its telephone point and its plug and its sockets. But what we are talking about here has gone beyond that; we are talking about wireless lap-tops.

Now, Mr Cannell in his enthusiasm said that every pupil was getting his or her own laptop. Now, that is not the case yet, but what this ICT fund will do, and the £1.5 million a year extra - that is not the total, but this is extra that education is getting over the next three years - will enable every teacher to have their own laptop. Since September last year, in Ballakermeen, as a pilot, all their teachers have had their own laptop, and by September it is intended that the whole school network be included. Now, what intrigued the members of the *Times Education Supplement* when they were up there was the fact that we were doing this in the Isle of Man, not just the pupils working away on laptops, but the fact that our teachers are

to get their own laptops. Mr Blair, across, has been trumpeting interest-free loans for teachers for laptops starting now, and to be done over the next few years. We have been there, we have done all that, we are at the next phase; we are at the next stage; where every teacher will have their own laptop. This is what this funding is going towards as well as the training. No other education authority in the British Isles is doing this at this time. No doubt they will in time, but we are at the start, and I think that is a matter for great pride on the part of this Court and of this Island (**A Member:** Here, here.) We are in at the start.

The hon. member for Peel rightly said that computers had been in schools, and what about those who leave school who are going into trades or not necessarily going to be in office-bound work or work which required computer skills? Well, first of all I have to say that increasingly traditional trade work (**Mr Delaney:** Hear, hear.) will require these computer skills so it has a relevance there, but secondly it is crucially important that we remain at the forefront of this technology, not just to familiarise our young people with the technology for the world of work when they enter it but in fact to make them comfortable with it as learning tools and as teaching tools, and so the second aspect is that this technology will actually improve teaching and learning within our schools and it will be possible for a history teacher, say, to open up his wireless laptop, connect the multimedia projector, which I saw in use at Vallajeelt today - it is the first school to have it - the parents bought that for that school, actually. I have told the head teacher we will buy it back, but every school will be getting one of these at some point. It will be possible for that history teacher in this multimedia projector to have both what is on his computer screen fired up onto a blank wall, to have television plugged in, to have printed material transposed, the blackboard of the future. Eventually that will take over chalk, and if it has not already, they are already things of the past. This will be the new technical blackboard of the future.

So, a most impressive situation, and in order for our children to continue to learn on new equipment of this sort and not to be stuck with obsolete equipment, part of this ICT fund will allow for a three-year replacement cycle of the sort of technology I am talking about. I will not repeat what is in this document, but the ratio at the moment enjoyed in the schools is 1:7 computers in the primary, 1:5 in secondary, and 1:1 in post-16 education, and we want to be in a position where it will be possible for a student no matter which school they are in, to access minority subjects with their peers in other parts of the island and conduct the same lesson, and the technology has been put into place in our post-16 units for the video conferencing facility to make this possible.

I hope, Mr President, hon. members will take advantage of visiting the computer bus next week. It will be possible to see these wireless laptop computers there and to see exactly what our young people are getting into, but I do emphasise the importance of the steps that have been taken by the government in setting up this fund.

Lastly, if I could just say that there will be a further opportunity, through the establishment of the international business school, to assist government in the sort of training that is going to be needed. The so-called 'magic project' which envisages every desk in government, including, I hope, our own desks, having network access. This will all require training and a business school is already hoping to provide for elements of that training to allow greater use through government of this new technology. Mr President, with those few words I welcome the budget (*Laughter*) and sit down.

Mr Braidwood: Mr President, over 40 years ago, the British prime minister at the time, Harold MacMillan, said in a famous speech, 'You have never had it so good.' A few years later in the UK it had to devalue the pound because of an economic crisis, thus showing none of us knows what is around the corner. The minister has expressed his desire that the Treasury must and will continue to act, and for the benefit of Mr Rodan and Mr Lowey, prudently in controlling government expenditure and building up reserves, and departments must realise that the increases which they have achieved this year and the last few years is probably unsustainable - 10.6 per cent increase in government spending compared to a rate of inflation of 2.2 per cent to December 1999. The Island cannot be complacent; it is under close scrutiny from various quarters. I said last year, the Isle of Man Government and particularly the Treasury is well aware of the dangers emanating from the EU and OECD. The Treasury minister in his budget address said, 'As a mature nation we will continue to enter into constructive dialogue on international issues, although we will not be compromised on our own autonomy and right of self-determination and the defence of our economic interests.'

The goalposts seem to be changing. We know we have the EU draft savings directive, although the UK Government has indicated it is prepared to use its veto if this proposal goes ahead because of the impact on the Eurobond market in the City of London; we have the EU tax code of conduct where harmful tax practices have been identified, seven in the Isle of Man, although these can be described as preferential rather than harmful; we have the OECD harmful tax competition where the Isle of Man is one of 47 jurisdictions being examined to see if it qualifies as a tax haven, although we believe we do not meet the criteria; we have the financial action task force, the UN offshore forum, financial stability forum et cetera, although the impact we expect will be limited.

This budget is probably the best there has ever been. It has something for everyone, particularly targeting the lower-paid with children. I honestly believe it was the best way forward to increase the child benefit by £3.50 and for it to be taxable. (**Mrs Crowe:** Hear, hear.) This was targeting the lower paid people with £3.50. Those who pay the higher rate of tax of 20 per cent will not benefit.

Housing has been mentioned by a number of hon. members as at the top of the priority list. The Department of Local Government is going ahead with developments with the private sector to construct first-time buyers' housing at Harcroft. The urban regeneration project in East Douglas is essential to bring people back into the town centre. My colleague mentioned that it was unfortunate that the proposed decrease in VAT to five per cent could not be in conjunction with the urban regeneration, but may I point out that this was an EU initiative and the Isle of Man at the forefront of making representations to the Home Office to put our name forward to the EU so this would go forward. I hope that this proposed VAT reduction to five per cent for a trial period of five years on repairs and renovations of private dwellings will help in the renovation of older properties, of which East Douglas has its fair part.

My colleague has also mentioned the tourist development fund. This is close to my heart because I have been lobbying over the last few years for its reintroduction to the Minister for the Department of Tourism and Leisure.

Business has not been overlooked. They are the driving force behind our economic well-being. The lower rate of income tax and trading companies has been reduced to 14 per cent on the first £125,000 of taxable income, thus maintaining a competitive tax regime in

comparison to other jurisdictions. The Irish Government's announced intention is to harmonise its tax rates at 12¹/₂ per cent; thus the Island must remain vigilant and react accordingly to competition.

We are in an electronic age and the e-commerce and information communications technology fund is an essential ingredient to make sure that the Island will be able to provide the resources required and the opportunities which will no doubt present themselves in the development of e-commerce in the current and future climates. The funding of the connection charges for ISDN and ADSL for individuals and business shows the commitment of this government to the electronic age.

Sometimes you have to put your head above the parapet, and may I turn my attention to the pensions supplement, which has risen by 21 per cent to £18.70, a £3.30 increase, approximately 28 per cent of the basic pension of £67.50. We are very fortunate: since the establishment of the national insurance fund in 1978 it has grown considerably because of successful investments to an estimate of around £395 million. Since the introduction of the pension supplement in April 1993 at a standard rate of £5 per week to entitled pensioners, it has risen steadily and now stands at that £18.70. The pensioners who receive this supplement are very grateful for this additional help, but we also have to look to the future not even for ourselves but for our children and our children's children to receive the benefit from this fund.

The reason I bring this to the attention of this hon. Court stems from the quinquennial review of the national insurance fund of 1992 to 1997. The actuary comments that if the increases continued unchecked the fund will be extinguished by the years 2036-2048 depending on migration, price uprating et cetera. A decision has to be taken sooner or later that a constraint be placed on this supplement when it reaches a certain figure, say 50 per cent of that of the basic pension, an amount which I am sure the pensioners of today and tomorrow would say is a fair compromise to enable the fund to continue well beyond that expressed by the government actuary and be of benefit for generations to come.

I wholeheartedly support this budget and may I also thank the officers of the Treasury for all the hard work they have done over these past few months. Thank you.

Mr Lowey: Mr President, the budget really is the annual general meeting of the Isle of Man plc, and the Pink Book - actually the figures cannot be disguised, they make exceptionally pleasing reading. You can dress it up as you like, it is a success story for the Isle of Man and, if you were an investor on the outside and this was a PLC you would be rushing to buy its shares and to get in on the bullish market. As the Minister for the Treasury said this morning in his opening remarks, there has been a steady progression over the last 17 years, progress towards what I would call the aims of the government, which were to get the Isle of Man living standards and earning standards GNP to the same as the UK. Unlike my hon. friend, the hon. Dr. Mann of the Council, who said we were euphoric, well, I am not euphoric because we have not reached that goal yet -

A Member: Nearly.

Mr Lowey: - but we are making very nice, steady strides towards it, quite remarkable strides.

As for the way in which the Treasury team has decided to split the cake, well, there will always be debates on that. This year I am going to support the budget without reservation and I will explain why. For the first time I believe the Treasury has been radical in a social way, and that is, identifying the low paid as those that have been left behind in recent years in getting their share of the economic cake. Now, there is a big debate on the principle of universality and the minister and his team know my view on universality: I have always been a universality man, but I am also a pragmatist when it comes to political delivery. I think it was Rab Butler that said, 'Politics is about the art of the possible'. Now, the art of the possible here is to get money into the pockets and into the hands of families, particularly families, and this is one way in which they can do it and in a meaningful way. I have said this is a step in the right direction; let me be quite brutal on the family allowance: it is a major step on the way,

(A Member: Hear, hear.) and I cannot understand the concerns of those that say somehow the delivery of this money is going to make it difficult for the people who are going to be the recipients and the main beneficiaries. Let me say to those on the £50,000, as in the example given by my good friend, Dr Mann, this morning, with £50,000 income, yes, there are difficulties, I readily accept that, but they have a choice; somebody who is not paying tax will not have a choice - they have Hobson's choice. And also in this budget that same group of people, the £50,000, will get the tax benefit as well as the tax allowances which will not be to those at the other end of the scale, so they are not forgotten, they will be better off but only slightly better off. The end result of the Treasury minister's proposals is that there will be £1.8 million extra from the government going to that area where we wanted to; that is targeted and I welcome it.

Now, I do take on board my colleagues' views where they say that this must not be accepted by the Treasury as the green light to have a go at other benefits and again, using my good friend, Dr Mann, this morning who says, 'in the future'. Well, let us be honest, nobody knows what the future may bring to that extent, like the minimum wage; I hear this afternoon a couple of members referred to the minimum wage and I agree that that is another step along the way of social engineering that will be of benefit in my view, but we had that opportunity last October and this Court decided in its infinite wisdom that it would delay it for a year. It was nobody else; this Court decided and, as far as I am concerned, I am a pragmatist when it comes to delivery, this is a positive step in helping a very large number of people who deserve helping and who have in my view been left behind.

I have to say also that the Isle of Man has got a pretty good record when it comes to the children's allowance. Memories are short. When the UK froze children's allowances - remember in the Thatcher era - we did not; we continued to increase. We were different and rightly so, and that is why our children's allowances, even now with the new advances, will be 70 per cent higher than the UK. That has got to be welcomed; I think it is good news and it should be shouted from the rooftops **(Mrs Christian:** Hear, hear.). I really do.

We were told, 'Ah, but a lot of people now are going to be attacked by indirect taxation' - I prefer to use the phrase 'taxation by stealth'; however, that seems to upset some people. The reality is, that is happening now - again, the example used by my good friend, Dr Mann, who said about the mortgage. Well, forget the mortgage, let us go for the rents. This government has been increasing council house rents - there are 5,000 of them, by the way; there are 5,000 families getting charged twice the rate of inflation not just this year but last

year and the year before that and the year before that, so it is going on now with the concurrence of this Court, and therefore I think to suggest that in the future they may be worse off. . . and they will be worse off, because we do have the incinerator and the waste disposal things to actually deal with, but it will be for this Court to decide, but when you are putting in the machinery in legislative terms for that to happen, then do not be surprised if you are then invited, and, to be fair to the Council of Ministers, they will invite this Court to decide how that should be funded; that is the time you can do it. There are alternatives to this budget: you could, for example, say to the Treasury team, 'By the way none of the tax cuts and none of the money to the. . . keep it all, put it in another special fund and pay for the incinerator or the waste disposal system, whatever it may be, and pay for it for a one-off'. You could choose to do that but in economic terms I do not think that is right; I think we have got where we have got by encouraging people and creating a climate. This budget meets all of those criteria. It encourages people, it rewards them for their efforts; as was rightly said, it is the people outside that are making this economic miracle appear, and we are picking the apples of the tree, but we encourage them. I mean, let us face it, we quietly said that there is £0.75 million extra for small businesses and £125,000 from £100,000 which I support, but it is not to be forgotten that last year we gave the same group of people £2 million to create the climate for them to be successful, and that is what they are - being successful, so let us invest in success; that is the pragmatic Lowey approach to it.

Now, as far as I am concerned, the balance of this budget is about right. I am in favour of the increased expenditure on what I would call health and education; I am in favour of bringing forward the likes of the Villa Marina, the funding that has gone on there and, all right, let me be parochial too, the Silverdale car park. We are able to do that; I am in favour of that. As I said in private, I am not a technological person and it leaves me cold, but I do know that we live with the new technology, we ignore it at our peril, we have to invest in it, the schools are showing the way and that is why I think businesses are now going to be encouraged to connect and do their business. If you do not, if you ignore it, then you are going backwards, and the Isle of Man cannot afford to go backwards. Therefore that investment is sensible and we can afford it; that is the point. So for social reasons, for business reasons, for encouragement, this budget is good news and I do not think we should be letting that go. It is good news (**Mr Cannell:** Hear, hear.), we have created the climate in the Isle of Man and whether you like it or not you have heard me say it here before: is it because of us that we are successful or in spite of us? I think the record shows it is not in spite of us, it is because of us creating the climate and the Treasury minister and his team deserve our thanks and I believe that for the foreseeable future, and that is only two or three years, the wind is set fair. Let us continue to invest in the manner prescribed today and I do not think we will go far wrong, and let us get our social priorities. I again appeal to the Minister of the Treasury and his team: do not think you have done it all by giving child allowances but it is a major step which I think will be well received by the people in the street and especially by those at the lower end of the scale. Well done, minister!

Mr Radcliffe: Mr President, as quite a few speakers have said today, this is a budget which is we can be very proud of; in fact, most countries would give their right arm to be able to say our inflation is just over two per cent but we have increased spending by over 10 per cent,

(**Mr Delaney:** Hear, hear.) and there is nowhere hardly in the world that can achieve that. It is a remarkable achievement, but I would say this: Treasury is looking after the money which comes in, but it is thanks to the people of the Isle of Man, the hardworking population out there who are (**A Member:** Hear, hear.) feeding the funds into it, that we are in the position that we are and able to achieve what we have done. We as Treasury have endeavoured to pass on the benefits which have accrued to the people of the Isle of Man in various ways. There is no need, really, to enumerate them; they are all there in the Pink Book and in the Treasury minister's speech this morning.

Very often Treasury is criticised for building up reserves, and we have, as the old saying is, 'salted some more away this year', but we definitely cannot afford to be complacent and just spend as it comes. There are, as we all know, forces far from this Island who are trying their hardest to chip away by whatever means they can find out our standing and our position as a leading player in the international business scene. To maintain our position as a leader we must continue to be regarded in the very top bracket as a well-run and managed financial centre. We must be seen not only to be giving lip service and saying we are a squeaky clean industry, but we have to demonstrate, by way of legislation and regulation, that we are really squeaky clean and never have had anything to do with business which is dubious in any way, and we must maintain our standing as a leading player in that field.

The budget has enabled Treasury to drop the standard rate of tax. I would have personally liked to see something more substantial, say 12.5 per cent (**Mr Cannan:** Hear, hear.); that would have been a leader. We led the way before some years ago, as has already been said this afternoon, and I think that that day will come - it has not happened this year but I am very optimistic - before too long when we will be able to reduce the standard rate once again.

Most members have noted the intention to introduce free TV licences for people over 75, a very good and laudable aim, but I am sure that, important though it is to people who will be able to lie back in their chair and look at television and say, 'Yes, let's pay no licence', (*Laughter*) I think that free telephone rental for people aged 70 or 75 would be as important or more important than free TV. The telephone is their contact for many of them to the outside world. They are not awfully mobile perhaps; family can ring in and say, 'Yes, mum, are you all right?' If there is a crisis of some sort the person can ring out and seek help. I feel quite sure that were this system to be introduced and all people over 70 or 75 had a free telephone rental it would help to keep some of our sheltered homes not quite so crowded because the reassurance would be there that if they had a crisis and needed help it is just a case of lifting a phone and speaking into it, and that is one that I hope to see introduced before too long. I feel it is as important or more important than free television.

The budget has been good for everyone, I would say, and I do hope that the Court this afternoon or later on this evening will support it unanimously.

Mr Henderson: Mr President, I rise to generally support the budget. I think it is a very good financial report and it gives an extremely good indication of our financial situation at present. Certainly it gives us what I would determine as a blue-chip status and I am very pleased that that is how it has come over today. I am certainly very pleased that there is almost full employment per capita is rising, the economy is good and am certainly very pleased that all the projects that have been announced for the various different departments

can go ahead and the major capital schemes as well. I am also delighted with the initiatives for the e-commerce and other initiatives which I will allude to now as I go through my notes such as the increased child benefit, the lowering of the income tax rate to 14 per cent, increased personal allowances and the threshold rates which have gone up, and the Treasury minister's assurances that he wants to keep this Island physically attractive. In fact, the hon. minister's opening comments in which he stated quite clearly that there was no compromise to self-determination or our economy could not have pleased me any better, and it certainly gave me a firmer reassurance than perhaps we have had in the past on these very important matters. I was pleased to hear that.

I also took very careful note of what the hon. minister indicated in relation to a £44 million surplus and what that was going to be used for, and certainly with £15.5 million going to the reserve funds that undoubtedly is an achievement of careful financial management. Certainly also, the setting up of the three special new funds that have already been alluded to caught my attention, not least of which the e-commerce and ITC fund which was talked about, of which I have been a promoter for some time and am extremely pleased to see the sum of £7 million devoted towards that, and perhaps would make a call on further initiatives to promote e-commerce and ITC in general if that is possible on the packages that have been given already. It is undoubtedly, being an Island, one of the main planks at the minute that we should be progressing, this communications technology, and there is no other way around it. To keep our business vibrant, prosperous and improving this is one of the main planks that we should be progressing and with all haste.

Something else which perhaps goes in tandem with that and I was pleased to note the strategic initiatives that the hon. minister referred to, in as much that last year calls for strategic planning were made not least of all by this hon. member, and that certainly seems to have been taken on board and driven further by the broader strategic plans that the hon. minister further alluded to. There is no way that we can drive our economy forward and improve on what we have got without strategic planning and environmental scanning. That has got to be the forefront of any budgetary statement and policy document.

Further to that, I was also delighted to notice the new tourist development fund. That is good news, and £750,000 is a lot of money towards that. Now, one thing I feel quite strongly about and I hope that this money will go towards something that is becoming a bit of a buzzword in the Court at the minute, is eco-tourism, but what I do not want to see is that it remains a buzzword; it is nice to have that listed in colourful brochures and documents so the Island is doing eco-tourism now and make mention of it in a few places here and there, attract the visitors over and they land, and where is the eco-tourism? We have got some of the most special and unique things in the British Isles, Europe and the world to attract eco-tourists here, and I have been banging that drum for years, the Manx hill-lands being one, the Basking Shark project, and various other things. Eco-tourism is being able to supply packages so that people, when they land, can actually go and partake in activities, and I hope this fund will go towards that and the promotion and buying in of expertise from the various organisations and experts round the Island that I am sure will be only too willing to help the Department of Tourism in the promotion of those much needed packages, and one of the main planks and ways forward I see is that industry going in the future, Mr President.

The third initiative was the land acquisition fund which, again, is an excellent initiative and I fully support that, but what I would say, Mr President, is perhaps push that idea out a bit further because the hon. Treasury minister alluded to the fact that it was for land acquisition for various needs and, should land become available, we can actually buy it, but I was not so sure whether it seems to the hon. member for Douglas West, Mr Shimmin, that it was all for housing. I would like to see this fund perhaps expanded to a housing contingency fund so that there is something there to try and help the situations that we are experiencing now or something there in the future, so that if we ever come into the difficulties that we are experiencing at the minute, there might actually be some way, or a system, or something in place to help move quickly rather than just wait, so those are my thoughts on that particular aspect.

I was also pleased that there is a stand-alone bank going to be established; that was excellent news.

Now, those are the good bits, Mr President, and certainly, as I say, I am fully supportive of the overall strategy, 99 per cent, so let us be clear on that. One correction I would like to make, was on the social security spending, or social services, and it was alluded to in the debate that it was exceedingly good to see the doors of the lunatic asylum closing once and for all and for ever, which gave out an impression that the care on site up there was back in the Victorian ages. I would just like to put on record, having spent 20 years as a professional in there, that the care is far, far removed from Victorian care and it was given and has been and still is on an individual basis, meeting those patients' needs, and I am sure all the staff at the said site would back me up 100 per cent. There are still wards open on the site and will be for some considerable time and they all aspire to those laudable targets.

Anyway, that thing said, one thing and one thing only does concern me today, and I am sorry but I am going to draw it up again as one or two other members have, and that is the tax on the child allowance. (**Mrs Crowe:** Oh!) Well, the hon. member for Rushen may gasp and sigh and have a collapse behind me but the situation remains, I agree with the ethos that some high-earning family, maybe £50,000 or £100,000. . . yes, that is fair enough, but what I would like to draw to the Treasury minister's attention is that there is what I would call a growing grey area.

Now, what do I mean by that? Well, if we are looking at, say, a single parent, through no fault of their own - a relationship has broken down, a marriage is ended - yet they may be earning in the region of £23,000 or something of that nature, maybe slightly more. They are stuck paying a rent or a mortgage, and maybe it could be as high as £700 a month. There is no getting away from that; that is a fact, and constituents and people of this Island have come to see me with similar situations, so I am not just making figures up, I am actually quoting real life cases as it happens. Now, £23,000 or so sounds good, but £700 a month rent, a £500 or £600 mortgage, one child to keep, two children, three children or even four children in some cases - that puts a whole new different slant on the picture altogether, and certainly a mother or father in that predicament are barely able to make ends meet.

Now, the tax on the child benefit - with some of the examples illustrated one or two people come off better, but there is one here where they actually come off 34p worse off in page 15 of the document that was supplied to us in the budget 2000. I take it that that is correct; I am sure the Treasury minister will correct me if I am wrong. But we have a growing

grey area here, and people that we consider would be able to support themselves, yes, they would ordinarily with a double income or some sort of improved housing measures or some sort of support for the housing that they are living in, but there is also reference made here to lone parent allowance and so on. Well, let us not forget, hon. members, that last year, this hon. Court approved - or some hon. members did - the discontinuation of the lone parent allowance, which parents becoming single now find that they cannot apply for any more and the ones who are eligible that is being phased out over a 10-year period or a similar set of time spans.

So that is what I am worried about with that issue here, that we are increasing the grey area, as I call it, and there is an increasing number of people out there now falling into this band, and we need to take careful note of that. I would make a special call to the Treasury minister to take note of what I am saying, because this problem is becoming larger and as long as we have a housing problem at the minute and pressure on public sector housing and even on private sector rented housing, this is going to continue and this problem is actually going to grow. So, with that, I will leave those thoughts with the hon. Treasury minister on that particular one, but please do not get me wrong - 99 per cent of this budget is very good, and there are some excellent initiatives.

One initiative I forgot is the experienced investors scheme, which the hon. minister said was launched today. These are the kinds of schemes we need - initiatives and niche markets, something with a bit of lateral thinking applied to it, not the usual run-of-the-mill stuff. We need this kind of initiative and more of them, and it will drive our economy even further.

One other thought with that is the fact of e-commerce and this kind of business; you can generate more business without too much of a problem with staffing, because the business can go up without significantly increasing staffing in this sector. So that is another interesting point when we are concerned with population figures at the minute, and there has been much made of it in the press and it is something that needs a serious look at.

With that, Mr President, I fully support the budget except for the one small point which I would ask the Treasury minister to take on board very, very seriously.

Mrs Christian: Mr President, I, too welcome the budget and, as a person responsible for a department which provides services, I am very gratified by the amount of increase which is available to us this year. Any department which provides services will find that they are often under pressure to produce more; it is an inevitable consequence in society that whatever we provide there is a call for more, and it is sometimes difficult to explain to people when they read the sort of numbers that we have in reserves just why that should be the case and why we can not have more to spend, but I think it has to be recognised in this budget, and it has been recognised, that we have a wider view to take. This budget does recognise external threats, it does recognise future demands on our resources in terms of pensions and so on, it does provide a balance between the spending departments and incentives to those who actually generate the wealth which allows us to provide and fund our services, and I think it is particularly welcomed in this budget that we are recognising and developing the technology of the future.

My department has been given an increase of some £19 million, which is a very considerable sum of money, and hon. members, I think, will find in this year's budget

document a much clearer exposition of how it is intended that these moneys are spent, and I hope that will be welcomed. I think it has been recognised by some members who have spoken. But in looking at that £19 million, I think we first of all have to acknowledge that around £6 million of that is required for us simply to stand still. It will not buy any additional services; it is there to meet inflation, to meet loan charges, and to make sure that we can pay staff next year what we are paying them this year.

After that, we have had comment made about the benefits growth and upratings and these are to be welcomed by, I am sure, everybody in the Court. Social security is taking some £7.4 million of this additional £19 million by way of the benefit packages that are being referred to, the child benefit increases, the pensioners' TV licences and FIS proposals. Of course, we are also participating in the drugs strategy, which takes around £0.36 million of our increase, leaving us £5.6 million across the other service departments' demands. We had, in fact, in our priority, one bid at least of the requirements of £6.4 million with a staffing requirement of 103 posts. We are very grateful to get £5.6 million of that along with 81 posts to try and fulfil the demands for service which the department is subject to.

Now, I think the general opposition to the child benefit proposals has been on the issue of taxation, and I think we can defend what we are proposing here because it is going a long way to meeting what the Court has been demanding over the past couple of budgets if not for longer, and that is to try and find a mechanism to structure our systems to give more benefit to those on lower incomes, those who fall below the tax threshold. Now, whilst a group of members, quite noticeably APG members, have opposed the principle of taxation, I have to say that when we worked on methods of providing this support to the low income families, we had no alternative proposals which we might have explored, and I think that without alternatives you can either do nothing or something and this presents a way of doing something, and if there are other ideas I would love to hear what they are.

The benefits that are being increased through child benefit, and in previous years, through family income supplement and the housing benefit are going, I would suggest, a long way to meeting members' concerns about low income families. I have heard some comment today from hon. members saying there is nothing here for low income people. I just cannot reconcile that with the sort of figures that have been talked about and the mechanisms which have been described for dispersing the funds which we are generating throughout our community. They are not reconcilable remarks, Mr President, in my view.

Within the budget, the Treasury minister has indicated that the DHSS is trying to further enhance FIS to extend the principles underlying FIS, and this is not in a form which we can come forward with today. It is presenting some difficulties in finding mechanisms which do not create confusion and difficulties with either the tax structure or other benefit structures, and it is involving joint working between the DHSS and the Treasury income tax division. Now, I think the hon. member, Mr Rodan, referred to the requirement to perhaps bring those two systems closer together eventually. That is an objective that we will seek to work to and will eventually, I hope, eliminate this grouping of people which keep being referred to as those who are low income and fall above benefits but below tax. We want to get to a position and a structure where no-one can be identified in that way, but there is a seamless system, I would hope, which will assist us through the tax and benefits structure.

My colleague, the hon. member Mr Rodan, also clarified the issue with regard to child benefit. There seems to be some misapprehension about that the parent who receives child benefit will be getting less cash in hand or less vouchers. They will be receiving the gross amount, and the taxation position will be adjusted on their family income. So mothers, if it is the mother who holds the child benefit, will receive that cash, as they do now, on a regular basis.

There has been some reference as to how people use their assets, whether there income is £15,000 or £50,000. I would venture to suggest that only when we were to develop the total nanny state could we ensure that, in giving these benefits, they are properly used. It does not matter, in giving child benefit to a low income family or to a high income family. There is no distinction between the two in terms of how it may be used. We do not control how it is going to be used. We hope very much that it will be directed properly towards the children of those families, and that obviously is its objective, but it can be abused as much in a high income family as it can in any other.

There is, within the budget proposal, reference to the changes in the national insurance structure which is phasing in over a number of years, and these benefits do, again, impinge, primarily on the low income earners. It does enhance their position. The hon. member for Peel, Mrs Hannan, did have a query, though, as to whether or not this would impinge on the pension rights of those who are being taken out of the NI net. I would reassure the hon. member that that is not the case and that the structures in future will assume levels of income for those people and make sure that their pension entitlement is in fact going to be higher than it currently is. The welfare changes in the national insurance area are certainly directed towards providing better pensions for those who, for whatever reason, are low income earners.

Mr President, comment has also been made about the pension supplement, and there is indeed a very substantial rise in that supplement embodied in this budget, and the hon. member Mr Braidwood has commented on something which will be coming up in the near future in terms of a report I hope to present, a statement I hope to make to the Court next month in respect of the actuarial review on the national insurance reserve fund, and it will become apparent, as the hon. member has indicated, that it will be incumbent I think on this Court or, if not this Court, another Court in the not-too-distant future to debate the future of that pension supplement and how we want it to develop or not to develop as the case may be. I think it is important that we do at some stage look at the rate of increase of that supplement, but that is for the future; today we have to welcome the increase. It is good news for the qualifying pensioners to the supplement, but we do recognise that not everybody in the Island qualifies for it, and the hon. member, Mr Delaney, did make some reference to that, though I think his remarks rather covered both supplementary pension and supplementary benefits, which are an issue which we shall be talking about further on in the agenda, but, as far as the pension supplement is concerned, it is a generous benefit but we will need to review how it continues to grow in future.

I think this budget highlights not only in terms of the pension supplement but in other areas the question of what sort of society we want. We have a thriving economy and some people are enjoying much more generous salaries and pay than they ever used to, whereas we recognise, through our benefit structures, that there are those who do not enjoy the same sort of rewards for their labours, and I think it is good that we have a thriving economy, but

what we do not want is a tremendous growth between the haves and the have-nots, and I think it is incumbent on this Court to try and do what it can in some way to make sure that we have a measure of redistribution of wealth. Now, to some people that might be anathema, but I do not believe that what we have proposed, what is proposed in this budget is unreasonable in that regard. We are proposing on the tax child benefit structure that there is a measure of redistribution; we are proposing in the national insurance structures that there is a measure of redistribution, and I think we will have to look in the future to the pension supplement to make sure that the division between those who do receive a supplement and those who do not does not become so wide that it creates division in our society to any great extent.

Mr President, the capital programme for the department is outlined. Reference has been made to some parts of it by my hon. colleague, Mr Cannell, and it is certainly the case that the secure unit and the adolescent unit are going to be fundamental to that programme. Revenue spending, as members will note, shows a particular pressure in the social services area for children and family services, and we will continue to require substantial resources to put into those young people who are troubled and troublesome in our society to ensure that we try and give them some hope for a positive future. I flag this up, Mr President, because I think it is important that the Court notes the tremendous growth in the cost of this area, as my hon. colleague has alluded to it.

The hon. member for Peel, Mrs Hannan, again referred to the need to put resources in when family need it, when children are young, so that we can perhaps eliminate the problems which will develop at a later stage. The department is certainly aiming to do that, as is reflected in the budget package, by improving first child parenting support and by developing another family centre. I think we have to recognise that perhaps it is our generation and some who came after us who have not quite got it right in relation to the way in which they have handled their children and we have an increasing number of these very difficult children to deal with.

The personnel increase of 81 allowed to the department is particularly welcome. I think that social services and social security have been covered pretty well in the debate, but I would like to refer to the health division's proposals, and members will note that, for example, the increase in the personnel budget will allow to put the diabetology clinic, which has been debated in here on a number of occasions, on a properly funded and staffed basis. For the first time, we have endeavoured to run those facilities by borrowing posts and by finding resources, but this budget will actually fund it properly, and I would draw to members' attention another issue that has been frequently raised in here, that Novapen and similar pens and needles will be available on prescription from the 1st March this year. (**Members:** Hear, hear.)

The document also indicates, Mr President, an extension of our services in a number of areas, some of which I think members will perhaps feel are not directly related to health care; they may be administrative, they may be technical, but they very much underpin the future strategies which we want to put in place for health care. There are issues like information technology. We do certainly need to develop the use of technology and the data bases which are available to us in the Health Service so that we can properly develop strategy for dealing with the Island's health in the future.

The other areas which I think have perhaps been alluded to by the hon. member, Mr Henderson - and I am sure my hon. colleague did not mean to denigrate in any way the sort

of care which has been provided on the Ballamona site in recent years, and I would endorse the hon. member's remarks in that I believe we have a very good mental health service and one which is shown as an example to people outside of the Island who look to the Island, for example, in some way of working and the development of the joint and multi-disciplinary teams in this area which are working in the community, I believe, show yet again a further improvement and step forward to dealing with mental health problems supported by this budget through the strengthening of those teams and the support of the Praxis voluntary organisation, which will assist us in improving the mental health care in our community.

The question of the drug strategy, I think, is important. The hon. member again from Peel, Mrs Hannan, referred to the question of prison and are we doing the best for our prisoners? I do believe that, in terms of the drug and alcohol strategy, the resources that we are being given to deal with rehabilitation and treatment will assist us to better provide a service to those who have problems created by drugs and alcohol, and quite often we know that those in prison have some involvement in those areas, so I believe this is where interdepartmental working, particularly across this strategy, will allow us to make some improvement in that area and, if it is successful, then one would hope that it might ensure that those who currently maybe sent to prison would avoid so doing in the future.

One of the other things that is frequently being debated in this chamber is the question of preregistration nurse training and this budget will give us the resources to allow us to reintroduce preregistration nurse training (**A Member:** Hear, hear.) from September this year, and I am quite sure that will be widely welcomed in the Island. (**Members:** Hear, hear.)

Mr President, some reference has been made to the benefits for disabled people. We had to look at a global position. The reference to tax allowances, whilst being one element of assistance for some disabled people, does by no means cover the whole spectrum of support for the disabled and I think we need to bear that in mind.

The question of community care and our housing strategy has been referred to. The hon. member Mrs Cannell referred to the fact that we are nearing completion of the first of the three-year phase of our housing policy, but he hon. member will know and will be aware that there is a review taking place at the moment to consider what the future needs are in that area, because whilst we may have moved people from the Ballamona site, we know that there are families in the community taking care of their own families but will be reaching the point where they are no longer able to do so, and that review will dictate whether or not we need to have a further programme of producing more accommodation in that area.

The hon. member also referred to problems with the new hospital. I would suggest, Mr President, that anybody who is involved with a project of this size could well anticipate that it is not going to be a totally smooth run. I think it would be naive for anybody to assume that any large project runs without some hitches. So far as the budget goes, the department is still working to the budget which this Court approved for the project.

Mr President, in terms of perhaps responding to the questions raised by hon. members in relation to DHSS matters, I hope I have answered them. What I would say is that I am delighted that, outwith the social security changes which are led by the low income policy if we might call it that, we have this £5.6 million to disperse through the divisions of the department to improve and extend our current services. I am quite sure that that sum of money and the

staffing allocation that we have been given with it will go a long way to putting some heart into those people who are working in the services and who have very dedicatedly dealt with increasing numbers of people year on year through the social services and health services and sometimes feel under considerable pressures. It is gratifying this year to be able to say, 'Yes, this time we are able to fulfil those demands that you have asked us to fulfil, not entirely but to a very great extent' and I think to that extent, Mr President, we should all welcome the budget wholeheartedly.

Members: Hear, hear.

The President: Now, hon. members, could I have an indication how many hon. members wish to speak? Just the hon. member for Onchan, Mr Karran, and the hon. member for Ayre. Hon. members, the Court will take a break and we will resume at 5.15 by the Court clock.

The Court adjourned at 5.03 p.m.

Budget – Debate Concluded – Motion Carried

The President: We continue with the debate, hon. members, on the budget proposal. The hon. member for Ayre.

Mr Quine: Thank you, Mr President. I have no wish to add to the quite legitimate congratulations that have been bestowed upon the Treasury minister today.

Mr Corkill: Go on, try! *(Laughter and interjections)*

Mr Quine: I did not think he was expecting it from me anyway, sir, so we will leave it there. *(Laughter)*

A Member: Just a little!

Mr Quine: But, yes, it is a good budget and we have quite rightly to recognise that. The Treasury minister, sir, has spoken and indeed written in the report of the volatility of certain sources of income and he has also, in the budget report, made what I think is quite an important statement and that is that within existing arrangements - and I repeat, *within existing arrangements* - we retain autonomy over our own taxation. That, of course, with due respect to the Minister for the Treasury, I would suggest is something of an overstatement because I think we all recognise that roughly a half of our income comes through the Customs and Excise Agreement and I think it would be wrong to suggest to the public that we have control over that. We follow suit in relation to that matter.

I would like to move to the point that was made by the member for the Treasury, Mr Braidwood, earlier on, and that is that these concerns about the so-called initiatives by the EU, OECD and others, the so-called fiscal initiatives, are still with us. We all hope for the best and I am sure we know. . . indeed, I am sure because their staff have done some sterling work to try to make our case in the discussions in relation to these so-called initiatives and we hope for the best, but the fact remains they are still on the agenda - and the Treasury minister has quite rightly pointed to that fact - and we have every right to put down a marker and have some concern as to what is going to evolve from those.

With that in mind, sir, I have to say it would have been helpful today had we had before us by now an interim report from the select committee that has been set up to look at these

so-called fiscal initiatives. Hopefully that will be forthcoming in the very near future, but it would have given us an alternative view. I hope it still will give us an alternative view as to what we are up against in relation to those fiscal initiatives. So I think we are at a disadvantage in perhaps only having one side of the coin on show today.

Certainly I welcome the study of tax credits as a possible way forward to assist those on low incomes. I amongst others have advocated that previously in this hon. Court, but I note also that the stumbling block, if stumbling block it is, is the reciprocal agreement with the UK over benefits and contributions. That appears to be what is holding up a solution to working out a system that allows tax credits as a way forward. I have advocated previously, and I still hold the view, that there is a strong case to review the reciprocal agreement which we have with the UK in relation to benefits and contributions. I believe it is an exercise that we do need to carry out, not just as a departmental exercise but as something which we as a Court need to look at.

The land acquisition fund is certainly very welcome. I think that will allow for a greater freedom in terms of land purchases than we have had previously.

I also welcome the commitment to review the family income supplement, and indeed it runs through to supplementary benefit and jobseekers allowance, in respect of the levels of support that are coming from that direction, particularly in relation to the accommodation element. We are all aware that levels of rent are causing considerable hardship for a number of people, and some at least can expect to be helped through the accommodation element within the family income supplement, supplementary benefit and jobseekers allowance, so I trust that that exercise will be carried forward as quickly as possible by the DHSS.

The assistance to those in the lower income through reduction in the employee's contribution, obviously relating only to those who are in rather than those who are contracted out, is very welcome. This again is a suggestion that has been mooted at several budget debates. We have hitherto been told that that was not within the gift of the government; that appears to have changed. We now appear to have found a way forward to make that different level of contribution.

The pension supplement - yes, this is a formidable, sizeable increase, 21 per cent, and it is certainly an area where I believe more support should be forthcoming, because although this is generous I think we should bear in mind that the underlying problem with the retirement benefit - and this of course is designed to top up the retirement pensions - is that (a) we were tied to the UK as it is a reciprocal arrangement, and (b) we are suffering from a decision taken by the UK Government in 1981 when they broke the linkage between average earnings and pegged it on to RPI. So we will have a long way to go if, as I hope, we have a target to compensate for what happened many years ago.

VAT on repairs and renovations of private dwellings I welcome, and I can see that being a significant help in relation to the major works required for private dwellings. That undoubtedly will be of benefit there, because in most of those cases, with the larger works we will be talking of VAT-registered companies carrying out those works but, like others that have spoken today, I am concerned about where this leaves the small owner/occupier who, quite frankly, is not able to employ the larger concerns to carry out this work, and indeed it was with that in mind that, only 18 months ago when we reviewed and rejigged the house purchase improvement

scheme, we changed it to registered tradesmen because for the smaller works we could not get VAT-registered tradesman, companies in other words, for to carry out these works. So, yes, it will be very useful but I do feel it still leaves us with something of a problem in relation to the smaller works for the owner-occupier.

I am afraid I must touch briefly on child benefit as well because although there has been a spirited defence of the proposed changes to child benefit by the minister for the DHSS, I am afraid I do not see it quite the way that she does. I think the minister has put to us that it was this do something or do nothing in the sense that we either sought to redistribute by taking this approach or we did nothing. I do not see that at all because, quite frankly, we could do all we need to do through general revenue. So I do not think that was the only alternative. There are other alternatives.

But I think there is also a matter of principle: where are we going from here? If today we are talking about taxing child benefits, tomorrow are we talking of taxing the Christmas bonuses? What is the difference?

Mr Cannan: No difference.

Mr Quine: Where are we going from here once we break the circle, as we have today? I remain very unhappy about this. It is a change in principle, as far as I can see, and I am concerned that it is taking us along a path to taking a similar approach in relation to other matters.

The final two points that I would like to mention which cause me concern are we already have pressures. Well, we have a strong economy and we have social pressures already making themselves felt. Today in this budget, for good reasons, we have brought about improvements, quite legitimate improvements, for our own people, not least those in the low income bracket and I support those wholeheartedly. But in a way I am coming at this from a similar position to the hon. member for Peel. I am concerned that, because of our relatively better position vis-à-vis the UK and other places, we are at risk of creating a honeypot effect. We are at risk, I think, of accelerating further immigration into the Island, we are at risk of creating further inflationary pressures and that to me must be a matter of some concern.

I think there is a balance to be struck here and it brings me on to what I believe is the most important matter facing us today, which really I do not think has been touched on by any of the many very good contributions, and that is are we in a position to manage our success? I believe that that is the real issue that we are confronted with today. We have a strong economy, strong income and, as we know from past experience, that produces pressures, but are we in a position as a government to manage that success? I fear that we are not yet in a position to manage that success and I recollect a good 10 years ago, when the hon. member for Rushen, Sir Miles, was Chief Minister, I remember him making the point that he would rather manage success when we were discussing the pressures with which we were confronted, and I wholly agree with him. But whether we have moved on from there to gear ourselves to manage success is the issue really, I believe, that we should be addressing in greater depth today and in the immediate future.

I think history has to a certain extent repeated itself. Over a three-year period from 1986-87 through to 1988-89 we experienced economic growth approaching 40 per cent and while there are no specific year on year population figures for that period, over the five-year period

ending in 1991 the population increased by 5,500 and it is a matter of record as to the problems that we had flowing from that situation. It would appear that the three-year period 1996-97, 1998-99 is going to reflect a somewhat similar pattern. Economic growth in the order of 23 per cent is what we appear to be heading for and a population increase for that three-year period which is going to be at least 2,500 and that level of population appears to be continuing. Now, during the late 1980 period that I referred to we saw year on year increases in house prices of 18.9 per cent, 16.6 per cent and 22.6 per cent and during the three-year period 1998-99 again on the average median house price movements we got 9.3 per cent, 8.4 per cent and 11.25 per cent. So that is why I say that history is repeating itself to some extent at least.

I believe that where we are weak is that we have not yet developed an effective form of corporate government to pull together the contributions from departments so that they anticipate as far as they can and approach these issues as one. If and unless we do get our act together in relation to a corporate approach, a joined-up government approach to these issues, then I am afraid we are going to feel even greater effects from the social pressures which are with us and are certainly not abating at this time.

This budget will be well received outside. This budget holds promise for continuing strong economic performance. What I ask this hon. Court and ask the government today is to concentrate their efforts to a greater extent on managing this success because unless we manage it more social problems and greater social pressures will be experienced by us. Thank you.

Mr Karran: Vainstyr Loayreyder, I have found the debate quite interesting today, the way that certain members have turned left-wing and socialist-minded. It has been quite interesting to listen to some of the members in this hon. Court. We had our good friend the hon. member for Ramsey, Mr Singer, the ex-Tory councillor from the United Kingdom, whose party dismantled the welfare state, here trying to make out all the things for the working people, and we have had one or two others in the debate doing so and -

Mr Singer: Too left-wing for you.

Mr Karran: - what concerns me in this hon. Court is the fact that we have not had tangible alternatives from many in this Court that have criticised. At least I might be consistently obnoxious with the Establishment, but I do put things up in its place on a regular basis, and I am glad to see that some things have come about long after I have battled to try and get them to do them. Admittedly, the position in my opinion on too many things will be that the motive of this administration will be too little too late on too many fronts. It is a shame that we are bringing in the actions of the national insurance stamp really because of what has happened in the adjacent island. It would have been nice to have seen us get in there and do an initiative to help that some of us have wanted for so many years.

I am disappointed that we have seen so many begrudged things in this debate. Kids going free to school - why couldn't we have kids going free, full stop, on the buses? It is a nonsense. It really is petty-mindedness and instead of doing the job right, here we are, we are just providing it for going to schools when we should be saying to all children, 'Use the buses, full stop.'

I am glad about the VAT. I am only sorry that once again it is a compromise of five per cent. This has been one of the biggest augmenters of the black economy and the demise of the trade system within this Island because people who played the system right, put all their materials through their books and then had to be VAT-registered, have been decimated out there unless they are the big firms doing the big projects. I am sorry that we have not managed to get away with going the whole hog and getting away with the five per cent because a lot of the time, as I say, because of these sorts of pressures of the black economy, apprenticeship opportunities have been lost over the last decade, and I am sorry that it has taken three years from when I put a motion to this hon. Court to see some action on this front.

There are other things that I would say need to be thought about for the future. We heard a very good point from the hon. member of the Council, Mr Radcliffe, about telephone licences and that, but surely it would be far better for the Treasury to make sure that the next time there is a telecom licence to be had, that is a condition, that pensioners get free access as part of the licence position instead of giving them more profit than they are already getting at the moment. Admittedly, you can be wise after the event and at the time it did seem a very good deal to the Isle of Man, the proposal of Manx Telecom getting the situation, a bit like the hon. member for East Douglas who was on about the new hospital as far as being wise after the event as far as the new hospital is concerned. I think the point is that many of us in this Court will be able to prove what was said in *Hansard* on the issues.

But I think the important issue is that there is still a long way to go as far as helping the ones who were not paying tax long before this budget came out today. I do find it rather amazing that they are complaining about family allowance being taxed. Obviously we have got reasonable tax levels as far as people are concerned, far more generous than the adjacent isle on either side, and I think that we should realise that. I do not mind paying taxes. I want to see as many people as possible being able to pay income tax. That is why I wanted to see at least the minimum wage at a fiver an hour and even on that, if they are married, they would not be paying income tax.

So I believe that it is wrong for some people in this hon. Court to try and sour the good work of the Minister for the Treasury, but I do feel that far too often we do not go far enough.

The points that were raised as far as the Water Authority are concerned - yes, I agree with the hon. member for Michael. I would love to see the taxpayer pay for the infrastructure renewal of the water supply. It would be a nice idea and had I thought I had any confidence that that would have happened, then I would never have gone down this road, but I knew it would never happen. It was difficult enough, when inheriting the job as Chairman of the Water Authority. Putting rates up loses votes generally and so consequently what we have had in the past is that people have kept the rates artificially down, and I think it is all right some people saying put it onto the taxes, which is fair enough. Maybe the member would have the Department of Education's budget dramatically cut back to pay for my rate increases in the Water Authority. I understand it would be nice to have it paid for and I understand and I am glad to see the conversion in this hon. Court now by many in this hon. Court to the implications that some of us have been on about, about refuse, incineration, about the water and about the situation as far as IRIS is concerned and how if it is going to go on rates it is going to be a major problem, and what I would like to see is some recognition in the near future for some sort of rate-rebate scheme, and I think we are going to have to get down to doing something

and not hiding behind the DHSS as far as our social security levels are concerned, because there are big implications when this happens.

There are things that I am not happy with in this budget. I find it absolutely crazy as a member that represents one of the more affluent areas. We have our poor in our constituency but we also have our rich in my constituency of Onchan, but to give free TV licences for the over-75s willy-nilly I think is just typical of this hon. Court of following the mainland mentality of doing it because they want to do it in the UK. What we want to see done is see those people who paid in with their little bit of money from their Highway Board wages of five per cent, into a pension scheme, who fall between the nets, who now find they do not get the social, they got the five per cent increase on the council house rents, who are gradually falling back, and I want to see something better than just following the UK. I want to see us provide the heating allowance and the TV allowance at income tax level instead of at social security level. If we have got any sincerity in this hon. Court they are the sorts of things that should be done, because I hear so many people complain about the poor people who pay tax, but there are an awful lot of people outside who are not paying any tax.

The biggest social issue, I believe, that has been missed in this debate in my opinion is the fact that we have not seized the opportunity of income generation to this government from rental income and the extortionate amount of rental costs outside, and I am sure if it was something to attack the working man you would have come up with some bonanza in order to get the money out of him. But here we have a situation where we have new estates, virtually 25 per cent of them are privately let and have a bonanza of income coming in and what are we doing? There is no movement here to attack the real rich as far as I am concerned and I would have liked to have seen some sort of move as far as a speculation tax on property which would affect the situation where we get something that is effective, not like the previous one where what happened was we had a situation where the speculators were the only ones that did not get affected, and that was the truth because once again the inner sanctum in this hon. Court protected their own. But I would have liked to have seen some recognition and if we are looking for something for an initiative, the growing number of single pensioners who are living in their own house on their own, with the same TV licence, same heating costs, same repair costs, and that may be something that could be looked at at a future generation as far as this is concerned.

I support the budget. I support the situation. I do give credit where credit is due. This hon. Court and the people who create the environment cannot create the money, but we create the environment in order that we can flourish, so the economy can flourish, and some maybe do more spadework in the manure to create the environment so that the seeds can grow, and I think some credit has to be given to the Treasury and its staff, but I do feel that what we see in this budget is once again not enough drive and enthusiasm as far as some of the things that should be picked up but have not been picked up.

Can I say that we have heard many people talk about the pressures of housing and I do find it sad that, here we are, going for £5 million for land acquisition within the budget, but again too little too late. This should have been done years ago. You do not buy in a peak. We have this situation now in my own department where some of us have pleaded for three years to be buying property and now we are talking about buying it. It is reactive instead of proactive and I do feel that we do let ourselves down badly at times as far as that is concerned.

I shall support the budget. I do hope that the points that I have raised will be brought on and I hope it will not take years in order to have some of them come to fruition within this hon. Court.

The President: The hon. Treasury minister to reply.

Mr Corkill: Mr President, firstly I would thank very much all the members who have supported this budget. I am very aware that some members, some more than others, are supporting it perhaps in different ways. So in my position at a time like this any support, whether full or limited, is welcome. But I do actually sincerely thank all of those who have contributed, not just today, but during the preparation of this year's budget.

Now, I hope hon. members will permit me to perhaps answer some of the major points rather than start at half past ten again this morning and go through every contribution.

Mr North: Go on, Richard.

Mr Corkill: Well, I am tempted, but I think I might lose favour in this hon. Court and I know perhaps when to quit and when to go for a vote. But what I would like to say to all hon. members is that the Treasury team has been here all day and we have taken copious notes of every single issue that has been raised. Some I would say are legitimate and some I would say are perhaps not fair, bearing in mind the overall context of the budget, but that is the purpose of the debate and so I am grateful for any contribution.

We have of course had one or two red herrings, but that is only to be expected, and some of those came in fairly early on, such as problems at the hospital and a rather strong presentation for a Port St Mary marina when in fact we have not got the one in Ramsey or Douglas completed yet, and so the debate moves on.

Now, it is quite amazing really because since October policy has evolved and so the budget has tried to take account of the changes, but even as we have had the debate today there have been one or two issues that have cropped up which are not in the budget that is in front of me and I am beginning to think, 'Wow, we're on to the next budget already', because there have been things such as marinas, such as milk support raised fairly early on which no doubt we will address in due course, but it demonstrates that although we draw the line today on this particular budget, it really is a moving feast and it never stops.

Now, the big issue of course through the debate has been the one about child benefit. This has not been gone into lightly. It has been discussed very, very fully at the Council of Ministers and I am sure it is no surprise to hon. members that perhaps the decision in the Council of Ministers was not unanimous. It is a very emotive issue and quite understandably. The hon. member for Ramsey, Mr Singer, and the hon. member of the Council, Dr Mann, both mentioned that they thought this was contrary to the longstanding history of our benefits system. Now, I am a bird of passage, a common phrase that the hon. member for Glenfaba often refers to, and I would not wish to have a legacy of being someone who had tried to dismantle something which my forebears spent many years fighting over, but regarding this business of a benefit being taxable, it is not as if it is a new issue. We already tax jobseeker's allowance, unemployment benefit, supplementary benefit, family income supplement, retirement pension, widow's pension, widowed mother's/father's allowance, job release payments and invalid care allowance. They are already on the tax form to be declared as

income. What we are proposing is that child benefit is treated that way, but we have not just done it because we want to tax child benefit, we want to do it because we have a cause to deliver something meaningful to low income scenarios and that is where we started from and that is where we finish on this particular issue. So for the red herrings to be floated that this is just the start of an agenda to tax all the other non-taxable benefits is just not true. At the very outset when this was considered in Treasury, that decision was taken.

We focused on child benefit. The increase of up to £3.50 per child per week is a very meaningful increase for those people who do not pay tax. The rest of the budget does a lot about tax. It is irrelevant to those people who do not pay tax, the 15 per cent down to 14 per cent, but even that was considered in the light of low income scenarios because a rate cut of 15 per cent to 14 per cent gives a better benefit or more of a shift of a benefit to those people at the bottom end of paying tax, not perhaps low income as we have been talking about because they are paying tax, but at the bottom end of the tax scales. It will benefit them more than people on the top rate. We can change allowances. We can put those up even higher and all that happens is that people on the higher rates do actually benefit just as much. So there are two scenarios running alongside here and it is targeted at low income groups.

Now, to help hon. members we have produced some examples. They are not perfect examples because everybody's taxation situation is different, but we tried to highlight for the information of members the different situations to show that those who are paying tax will in fact stay neutral or have a slight increase at the end of the day with the increased benefit being taxed. But I come back to the point that those who do not pay tax will get the full benefit. They will also have the situation of free transport to school for schoolchildren if they wish to use that service and I think that that is a useful explanation of what the child benefit is all about.

There has been debate in the past as to why the transport allowance of the buses is actually included in child allowance. Politically, historically it has been a painful debate, I appreciate that, but that money is going to be provided to the Department of Tourism, Leisure and Transport to run what I hope will be an improved service, and they have got new buses, they have got some more double-deckers. Things are being addressed, and I know it is not perfect at the moment, and I am aware that the hon. minister in charge of that department is not available today but I know that he is addressing those issues.

So what I am hoping that hon. members will appreciate is that this issue of child benefit is a real meaningful increase to those people that we are really trying to target.

Now, there were many, many other issues raised and quite a few of those were constituency issues. Now, it is the old story with the capital programme. We all say it is too big, we debate it at length, we say this, we say that, and at the end of the debate the capital programme, surprise, surprise, is bigger, and that is what is happening.

Now, the Villa Marina was added to the capital programme. That is the will of this Court. Treasury has acknowledged that, the Council of Ministers has acknowledged that and therefore it is in the programme. But I cannot see anything that has dropped out of the programme. It is additional.

So we have to acknowledge the fact that we have our desires. Quite rightly we have this desire to improve the infrastructure for our Island and at the end of the day this is a time when

we have little worries in many other areas. This is perhaps the first time that a generation or two has had a period of stability. We have not had world wars for a while, we have got a low inflation economy, we have got full employment and we should be concentrating on the infrastructure.

Now, comment was also made - and I was interested in Dr Mann's comment that once before it was suggested and Dr Mann had disagreed with this and I firmly agree with what he says - that the cost of extra people coming to the Island, the growth in population, was not worth the cost of renewing the infrastructure. But the point is of course, and I am sure the hon. member of the Council realises this, that when that infrastructure is renewed, whether it is on the back of a population growth or not, it benefits everybody who is already here. The new hospital - okay, it has to deal with a few more people, but it is there for us, and I think that is an important point to make when we are dealing with infrastructure renewal.

Now, the issue of five per cent VAT is another headline in this budget. I have not sought to promote it as a panacea. I think it a very useful additional flexibility to our Customs and Excise Agreement, and I have to say that I do take issue with the hon. member for Ayre, Mr Quine, when he says that we do not have control of our taxation in this particular area, because we do. We do not have to have a Customs and Excise Agreement, but by choice we choose to have it. We all know it can be terminated by six months' notice in either direction, but, whilst we have the agreement, the policy is to seek flexibility where that suits, and it is not just my manifesto or the hon. member for Garff, Mr Rodan's manifesto that says that he wanted a lower rate of VAT, and I too, when I wrote the manifesto, thought, 'I wonder if we'll ever be able to deliver that.' It is not perfect because I do appreciate that it only applies to VAT-registered scenarios, but maybe it will be beneficial in more than one way, and the hon. member, my colleague from Onchan, Mr Karran, talked about the black economy and there is a black economy out there, there is a cash economy, and that is not fair on the rest of us who pay taxes in the normal way. So if the five per cent VAT is an attraction for people to come into the system, then so be it, because I believe the best levels of taxes are the ones that people do not mind paying and I would suggest that five per cent VAT is a sensible figure to go at.

Now, the issue of 'Why three years?' was raised. The hon. member for Douglas East, Mrs Cannell, said it is the wrong timing. Well, in a perfect world we would time these things, but this issue became available within the European Union, it was spotted by our Customs and Excise, it was raised with the UK and they have their best to promote it on our behalf and I think they have done a very good job and I am quite optimistic that we will, in due course, get approval for this five per cent rate. I would have preferred to have had it signed, sealed and delivered before it became public, but that is not the way of things sometimes.

So I do believe that that is a useful addition, bearing in mind the calls for regeneration that we hear time and again for older properties, but I do realise that for individuals who are not dealing with a VAT-registered trader they will still have to carry on paying the 17¹/₂ per cent as they do at the moment, so it will be a no change scenario for that small owner-occupier or small works situation as was described.

The debate about management of the economy - we are perhaps in the eye of a storm in some ways, that is the way I see it, and the comment about history repeating itself has been made. It is bound to be because economic cycles are just that. I think we are very fortunate this time that the economic cycle, the success that the Island is enjoying at the moment, is

extending. If you read the policy document from two or three years ago, we were supposed to be in a downturn by now and that has been put off year after year for, say, three years now. It cannot go on for ever, and those comments were made in my opening comments, that there are no guarantees.

So what we have done we regard as a well-balanced package, as all budgets have to be, with some reduction in taxation because we believe the people, the individuals - and a number of members have alluded to this - who drive our economy - I think that was the expression - who create the wealth, who provide services to all our global customers and provide services too on the ground for ourselves are the ones who will be acknowledged with the small reduction in taxation. I think it is incumbent upon us to do that, although perhaps members may have realised that this perhaps was not unanimous within Treasury and there were those who perhaps wanted to go a little bit further. (**Mr Cannan:** Hear, hear.) Now, that was a debate on one side. Now, there was also the debate on the other side, very much in the mind of ministers and the Council of Ministers who want to deliver services to the benefit of all of us, and all credit to my colleagues because we believe that by a 10.6 per cent increase in public spending we are going to deliver real meaningful growth in those service areas.

But I think the hon. member of the Council, the minister for DHSS, mentioned staffing and personnel issues. We believe we have gone quite a way on personnel this year, but it is in a difficult environment, it is in a very difficult recruitment environment. So I wish those departments well with their recruitment, because it will not be easy, and that is an issue of resources, it is not to do with money, it is to do with other types of resources, human resources, and of course in some of our departments 85 per cent of the cost of running those departments is in salaries; we are talking about people.

Now, we think that that is an important thing to do to increase that expenditure, to grow the economy, to grow the services and keep stability, but even better than that is that we are in a position to add to our reserves and that is the the triple whammy that the hon. member for Garff talked about. That really, in terms of a Treasury minister, almost takes away decisions, because I can tell you honestly, Mr President, this year has been the most difficult budget to put together, ever. It is very easy when there is not much to share out, I can tell you that, because everybody puts their shoulder to the wheel and says, 'we've got to do better', and we all unite. This time we have had a big debate about how to share the cake, as another member put it. We think we have got it about right. We hope that the Manx community will approve of the changes, but it is not a standstill scenario, we will be trying to develop the themes.

We are not drawing the line on low income scenarios, the low income families, and not just families, but low income individuals as well, and I think it is very important to acknowledge that we are trying to drive together the income tax and the benefits systems so that there is a better interface, so that information can flow in the proper way so that we can actually target the people that a number of members have alluded to, the ones who drop through the net. That is not going to be quick, but there is a commitment to it, and there is income tax legislation coming through the system, there is retirement benefits legislation in the House of Keys at the moment. All these are long-term strategies so that the issue of long-term pension provision has to be addressed now before the national insurance fund is exhausted, as my hon.colleague Mr Braidwood, from Treasury, the member for Douglas East, is concerned

about, quite rightly concerned about, but then didn't we hear the exact opposite debate from the hon. member for Ayre who said that when the UK had dropped its connection of pension provision from wages to the RPI we had never recovered, but that is the very problem that we are experiencing with the pension supplement at the moment, where we have got it linked to salaries and that is why it is racing ahead of the other provisions.

So there is a lot of work to be done, a lot of balancing to be done in the future, and I look forward to the hon. minister for the DHSS bringing forward the report on the NI fund and the actuarial analysis that is being done, when that comes forward, because I think it will make for very interesting reading.

Mr President, I could go on and reiterate the whole of the budget. I think that would be counterproductive. What I would reiterate is that we have taken note of many of the issues that have been raised, of the concerns.

There was another issue relating to the bond which the Water Authority is in fact dealing with in relation to government's external borrowing. Now, it is quite clear government departments are not resorting to external borrowing. The Water Authority, as a statutory board of Tynwald, is in a different scenario because it raises its own revenue through rates and this is just a one-off opportunity, as I see it, because at present the gilt yield curve is steeply inverted - it sounds painful, doesn't it, hon. members? - primarily because of excessive demand at the long end of the bond market from pension funds attempting to meet UK minimum funding requirements. Ordinarily the longer dated a bond is, the higher the yield should be. However, the current situation allows the government to borrow at a low rate of borrowing over a 30-year period. It is prudent in the present climate to take advantage of this unprecedented situation, and it is not a situation that is going to occur again for a long, long time and it is an opportunity for us to peg our costs for that 30-year period. We know where the Water Authority is going: they have had their strategy and their costings, their whole programme through this hon. Court and it has been agreed. We want to make sure they can get on with the job. This guaranteed funding, we believe, is a good way forward:

So I just wanted to put that in context in terms of the policy of no external debt, because I think that is important, because it is not a change in policy, but it is just an opportune move.

Mr President, there are many more points that no doubt will surface as time goes by. I commend this budget to this Court. In the round I believe it benefits everyone, which is what a good budget should. We have tried to be fair, but of course everyone has a different view on that. I think it is fair and I commend it. I beg to move.

The President: Hon. members, I will put the resolution set out at item 2 on order paper no. 2, that the budget proposals for the year ending 31st March 2001 be received and necessary action be taken to give effect thereto. Will those in favour of that resolution please say aye; against, no. The ayes have it.

A division was called for and voting resulted as follows:

In the Keys -

For: Messrs Gilbey, Cannan, Quine, Rodan, North, Sir Miles Walker, Mrs Crowe, Messrs Brown, Houghton, Henderson, Duggan, Braidwood, Mrs Cannell, Messrs Shimmin,

Downie, Mrs Hannan, Messrs Singer, Bell, Karran, Corkill, Cannell, Gelling and the Speaker - 23

Against - None

The Speaker: Mr President, the motion carries unanimously in the House, 23 votes being cast for, sir.

In the Council -

For: The Lord Bishop, Messrs Lowey, Waft, Dr Mann, Messrs Kniveton, Radcliffe, Mrs Christian, Messrs Delaney and Crowe - 9

Against - None

The President: In the Council, hon. members, 9 votes have been cast in favour of the resolution, no votes against. I declare the resolution carried.

**General Revenue and Capital Payments 2000-2001 and Investments and Reserves
1999-2000 and 2000-2001 – Motion Carried**

The President: Moving on to item 3, on order paper no. 2, the Minister for the Treasury.

Mr Corkill: Mr President, I beg to move:

(1) *That the Treasury be authorised to expend during the year ending 31st March 2001 sums not exceeding those set out in column 3 of pages 2 to 5 of the Isle of Man Budget, being the amounts required by the revenue-funded government departments and other bodies after deduction of the receipts of the said government departments and other bodies (estimated at the sums set out opposite their names in column 2) to enable those departments and other bodies to expend sums not exceeding those set out in column 1 totalling £482,837,825 for the purpose of carrying into effect the services approved by Tynwald.*

Provided that a department or other body, having the duty to administer expenditure out of monies provided by Tynwald, may transfer savings on any main heads to meet additional anticipated expenditure to be incurred on any other main heads of its vote, subject to the conditions set out in Financial Regulations FD15 - Virements, issued by the Treasury in January 1999.

(2) (a) *That the Treasury be authorised to expend during the year ending 31st March 2001, from capital transactions account, sums not exceeding those set out in column 1 of the capital estimates of government departments and other bodies on pages 8 to 11 of the Isle of Man Budget, totalling £52,742,500 (being expenditure on projects already approved by Tynwald).*

(b) *That Tynwald approves of the expenditure detailed in column 2 of the capital estimates of government departments and other bodies on pages 8 to 11 of the Isle of Man Budget and authorises the Treasury to expend during the year ending 31st March 2001, from Capital transactions account, sums not exceeding those set out in column 2, totalling £10,465,300.*

(c) *That, upon Tynwald approval to such projects being obtained, the Treasury be authorised to expend during the year ending 31st March 2001, from capital*

transactions account, sums not exceeding those set out in column 3 of the capital estimates of government departments and other bodies on pages 8 to 11 of the Isle of Man Budget, totalling £15,405,500.

- (d) That Tynwald sanctions borrowings not exceeding those set out in column 4 of the capital estimates of government departments and other bodies on pages 8 to 11 of the Isle of Man Budget, totalling £124,686,000, being made by government, such borrowings to be repaid within the appropriate period as set out in column 5.*
- (3) (a) That Tynwald approves the transfers from general revenue account of the amounts set out in column 2 totalling £42,050,000 and the transfers to general revenue account and other expenses' expenditure set out in columns 5 and 6 totalling £16,616,000 and £7,450,000 respectively of the Investments and Reserves, Probable 1999-2000, on page 14 of the Isle of Man Budget.*
- (b) That Tynwald approves the transfers from general revenue account of the amounts set out in column 2 totalling £18,800,000 and the transfers to general revenue account and other expenses' expenditure set out in columns 5 and 6 totalling £19,000,000 and £10,068,000 respectively of the Investments and Reserves, Estimate 2000-2001, on page 14 of the Isle of Man Budget.*

Mr Radcliffe: I beg to second, sir.

The President: I will put the resolution, hon. members, set out at item 3 on the order paper. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

Income Tax Act 1970 – New Tax Rate and Allowances – Motion Carried

The President: Item 4, the Minister for the Treasury.

Mr Corkill: Mr President, I beg to move:

That in accordance with section 119 of the Income Tax Act 1970, it is hereby resolved -

- (1) That in accordance with section 1(2A) of the Income Tax Act 1970 -*
 - (a) the standard rate of income tax shall be 14 per cent on every pound of taxable income;*
 - (b) the higher rate of income tax shall be 20 per cent on every pound of taxable income.*
- (2) That the income tax payable on every pound of taxable income derived by any person not residing in this Island, or any association not registered in this Island, from any trade, profession, employment or vocation carried on by such person or association in this Island and from any other source within this Island, shall be at the rate of 20 per cent.*
- (3) That the personal allowance -*
 - (a) in respect of married men under subsection (1) of section 35 of that Act shall be £15,070;*

- (b) *in respect of individuals under each of paragraphs (a), (b), (c) and (d) of subsection (3) of that section shall be £7,535.*
- (4) *That, in accordance with section 1(2A) of that Act, the threshold for the payment of the higher rate of income tax shall be -*
1. (a) *for a single person £10,000;*
(b) *for a married person who for that year of assessment is not living with his or her spouse £10,000;*
(c) *for a married man who for that year of assessment is living with his wife £10,000;*
(d) *for a married woman who for that year of assessment is living with her husband £10,000.*
 2. *For the purposes of paragraph 1, a husband and wife shall be treated as living together unless -*
 - (a) *they are separated under an order of a court of competent jurisdiction, or by deed of separation; or*
 - (b) *they are in fact separated in such circumstances that the separation is likely to be permanent; or*
 - (c) *an election for separate treatment is made in accordance with section 65 of the Income Tax Act 1970.*
 3. *If the threshold of a married person under paragraph 1(c) or as the case may be 1(d) is not exhausted, the threshold of that person's spouse shall be increased by the unused balance.*
 4. *Any increase under paragraph 3 shall be made by the Assessor.*
- (5) *That the allowance in respect of registered blind persons under subsection (1) of section 35A of that Act shall be £2,070 and the further deduction under subsection (2) of that section shall be £2,070.*
- (6) *That this resolution shall have effect in respect of the income tax year commencing on 6th April 2000 and subsequent years.*

Mr Radcliffe: I beg to second, sir.

The President: Hon. members, I will put the resolution set out at item 4 on the order paper. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

Income Tax (Donations to Charities) (Amendment) Regulations 2000 – Approved

The President: Item 5, the Minister for the Treasury.

Mr Corkill: Mr President, I beg to move:

That the Income Tax (Donations to Charities) (Amendment) Regulations 2000 [SD No 48/00] be approved.

Under section 61D and 61E of the Income Tax Act 1970 relief is provided for donations made by associations and individuals to charities.

For an individual the maximum amount for all qualifying donations is currently £4,500. For an association the maximum amount is the greater of either £4,500 or one per cent of taxable income before relief in respect of losses or capital allowances.

The amendment made by these regulations substitutes an amount of £5,000, as in the Pink Book, for the existing figure of £4,500. The increased limits will have effect from 6th April 2000.

Mr President, I beg to move.

Mr Radcliffe: I beg to second, sir.

The President: Hon. members, I will put the resolution set out at item 5 on the order paper. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

Income Tax (Deductions) (Prescribed Cases) (Amendment) Order 2000 – Approved

The President: Item 6, the Minister for the Treasury.

Mr Corkill: Mr President, I beg to move:

That the Income Tax (Deductions) (Prescribed Cases) (Amendment) Order 2000 [SD No 49/00] be approved.

This amendment increases with effect from 6th April 2000 the maximum amount on which relief may be given from £4,500 per child to £5,000 per child.

The order refers to an amendment to the provisions relating to educational covenants.

I beg to move, Mr President.

Mr Radcliffe: I beg to second, sir.

The President: Hon. members, I will put the resolution set out at item 6 on the order paper. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

Income Tax (Car Fuel Benefits) Order 2000 – Approved

The President: Item 7, the Minister for the Treasury.

Mr Corkill: Mr President, I beg to move:

That the Income Tax (Car Fuel Benefits) Order 2000 [SD No 50/00] be approved.

Section 2J of the Income Tax Act 1970 requires a benefit to be charged where by reason of a person's employment fuel is provided for a car which is made available for private use. The employee concerned is deemed to have received an amount of income calculated in accordance with the cash equivalent tables A and B contained within the section.

This order revises the existing tables and increases the cash equivalent figures to take account of changes in the value of fuel over the last two years. The revised tables come into operation from 6th April 2000.

Mr President, I beg to move.

Mr Radcliffe: Second, sir.

The President: Hon. members, I will put the resolution set out at item 7 on the order paper. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

Income Tax (Child Benefit) (Temporary Taxation) Order 2000 – Approved

The President: Item 8, the Minister for the Treasury.

Mr Corkill: Mr President, I beg to move:

That the Income Tax (Child Benefit) (Temporary Taxation) Order 2000 [SD No 51/00] be approved.

The intention of the order is to bring child benefit within the charge to income tax. It is being made under the temporary taxation provisions contained in the 1995 Income Tax Act.

Hon. members will be familiar with this process, which was used for the first time in last year's budget. With the approval of Tynwald it permits the Treasury to introduce new taxation measures by way of an order and has the same statutory effect as if contained in an Act of Tynwald.

An order made under these provisions ceases to have effect after 12 months unless in that time a Bill confirming the order is read a second time by the House of Keys. Provided this occurs the life of the order is extended to 24 months to allow time for the Bill to be enacted.

Articles 1 and 2 are self-explanatory and bring the measures into force with effect from 6th April 2000.

Article 3 interprets what is meant by 'child benefit' by adopting the provisions within the Child Benefit Act 1975 as applied to the Isle of Man.

Article 4 brings in the charging provisions and provides for it to be assessed on a current year basis.

Article 5 repeals the section, exempting the benefit from any income tax charge.

Mr President, I beg to move.

Mr Radcliffe: I beg to second and reserve my remarks.

The President: Hon. members, I will put the resolution set out at item 8 on the order paper. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

Non-Resident Company Duty (Amendment) Regulations 2000 – Approved

The President: Item 9, the Minister for the Treasury:

Mr Corkill: Mr President, I beg to move:

That the Non-Resident Company Duty (Amendment) Regulations 2000 [SD No 40/00] be approved.

These regulations will increase the fee charged to non-resident companies from £775 to £800 with effect from 1st June 2000. This increase is broadly in line with inflation since the fee was increased last year. I beg to move, Mr President.

Mr Radcliffe: I beg to second, sir.

The President: Hon. members, I will put the resolution set out at item 9 on the order paper. Will those in favour please say aye; against, no. The ayes have it. The ayes have it.

National Lottery (Designation) (Amendment) Order 2000 – Approved

The President: Item 10, the Minister for the Treasury.

Mr Corkill: Mr President, I beg to move:

That the National Lottery (Designation) (Amendment) Order 2000 [SC No 57/00] be approved.

The purpose of this order is to direct that the whole of the excise duty received in respect of lottery sales during the financial year ending on 31st March 2001 be paid to the Public Lottery Trust if the duty is less than £200,000. If the duty is more than £200,000, then the lottery trust will receive £200,000 and the balance up to £400,000 will be apportioned equally out of general revenue to the Arts Council and the Sports Council. If the duty is more than £400,000 in total, then the balance over £400,000 will be split three ways between the lottery trust, Arts Council and Sports Council.

In the United Kingdom the duty of 12 pence on every ticket sold is of course retained by the UK Treasury for general expenditure. Our Act only allows us to designate the proportion that we can give to the Public Lottery Trust, but Treasury, by the explanatory note to this order, pledges to pay the balance of the revenue for this year to the Arts Council and the Sports Council and retain nothing for general revenue.

Many of the United Kingdom distribution bodies which receive a proportion of the funds raised by ticket sales are prevented by their constitutions from making grants to charitable bodies outside specified areas. The Isle of Man Treasury accepted during negotiations with the United Kingdom authorities that changes to UK legislation to allow a proportion of the national lottery distribution fund to be allocated to an Isle of Man body could not be considered in the short term. Treasury is therefore following the example of the United Kingdom as regards recipients but allocating duty instead, be it by order or by commitment and I beg to move.

Mr Radcliffe: I beg to second, Mr President.

Mr Singer: Mr President, I would like to reiterate what I said before, and my feelings certainly have not changed, in that in the peak years of the Manx lottery they probably had an income of round about £200,000 to £250,000 for distribution to local charities, and this went down, as probably it went down in proportion to the number of people who started to buy the English lottery, the UK lottery, and the income dropped to £30,000 to £50,000 and then the lottery ceased and so the government then put in over the last two years £50,000 for distribution to charities.

Therefore in putting in £200,000 the government is in fact only putting in £150,000 because it will not be putting in the £50,000 that it has done during the last two years, but even so I do not believe that the public would agree that the intention is to put the money into anything other than local charities. There are many clubs and charities which are promoting the arts and the sports, yet they are not eligible for Arts and Sports Council grants and they do need the lottery money for their projects, and I believe that putting the full amount in, as I had hoped would be done, would make a great difference not only to those charities but to many, many charities and groups on the Island in financing them.

I believe, therefore, that the £400,000 should go to local charities and that the present funding arrangements for the Arts and Sports Council should remain as they are now and therefore I will vote against this resolution in the hope that the minister will reconsider.

Mr Lowey: Mr President, I rise to support the resolution as printed and can I say I wear two hats, maybe three hats on this occasion.

The Sports Council certainly do a lot for disabled people under their constitution. Yes, they do get funded and I would say this, that as the world will be coming to the Isle of Man, and I use the word lightly, for the Island Games in the year 2001 I think it is important that we prepare our young sportsmen to the best. Our competitors are certainly doing that and I believe that this opportunity for sportsmen and women to benefit through the Isle of Man Sports Council is right and proper.

I do believe that, although we have had a very generous increase this year in the Arts Council from the Treasury, I believe there is so much more that can and should be done and we believe that this funding will give us that opportunity to do it.

But my third hat that I am wearing is as president of the Manx Foundation for the Physically Disabled who has lots of close connections with many charitable organisations in the Isle of Man, not least the Hospital Charity Trust which the hon. member refers to, and the work that it does is excellent. My Lord Bishop, it makes the parable of the loaves and the fishes pale into insignificance. They do do a lot with a little.

Having said that, I believe that the amount of money that will be available will greatly enhance the work of all three bodies, to the betterment of the quality of life of many people: the able, the disabled, the charities, the young people, the old people. I believe the way in which they have brought a balance - the first £200,000 to the hospital lottery, the next £100,000 each to the Sports Council and the Arts Council - and the surplus a triple way is a Solomon-like judgement. I believe it commends itself to the Court. If there is half a million, each of them will get another £33,000 on top of their allocation of the first £400,000.

I believe it is a sensible way forward. I think it is a practical way forward and contrary to the member of Ramsey, Mr Singer, who says it will not receive the support of the people outside, I believe it will receive the overwhelming support of the people outside. I may remind him that Man does not live by bread alone. I do believe sportsmen on the Isle of Man deserve a little extra. I commend the Treasury for doing it this way, and as for the Arts, I believe they could do a lot more with a little bit more encouragement financially. I believe it to be a sensible decision and I would urge the hon. member to keep the consensus of this Court and give the backing to the budget.

Mr Duggan: Mr President, I support the view of the member for Ramsey, Mr Singer, actually, sir, because I see Mr Lowey's point, but on the other hand there are lots of little charities, hon. members, like St Bridget's Hospice, and Douglas Endowments is a typical one where they have got very little in the way of funds and they try and support people on low incomes, especially at Christmas-time, and those are the people that should get some support from the lottery, so I fully support Mr Singer.

Mr Cannell: Mr President, I rise to support the motion and the most pleasing aspect is that it has answered the fear that I expressed in this hon. Court or in another place when the

matter was being considered and that was that the Treasury undoubtedly, as I said, apparently undeservedly so as it has worked out, would feel obliged to hang onto something just for the sake of it, and they have not and full marks to them.

When we talk about some money being awarded to the Sports Council and the Arts Council, the Arts Council is an organisation which is now going to transfer in its constitution, so we are led to believe, but any justification which you need for the Sports Council, besides the Island Games heading our way, you only needed to tune in your television to British EuroSport last evening and see one of the finest sporting ambassadors performing on the television, the great Steve Colley, running third in the world championship and finishing fifth in the outdoor championship last year. We also have Harry Creevey, Dave Moore, Martin Rowe, David Knight, the Higgins boys, not just motor sport, shooting and lots of other things. We have Cheryl Done hurtling down the Cresta Run and many others - all the product of an improved sports back-up which has been given over a long number of years.

Not all of the points that happen with the distribution of it we are always going to satisfy, and I did make the point and so did many other members that in fact the local charities might suffer if the lottery came. Well, if suffering is £200,000, as a first go I think we are going to have to stand it and we are also going to have the promise of the Treasury, undertaking through the hon. Treasury Minister, that they will keep the pressure on to try to actually get the full monty from the Camelot or Richard Branson or whoever is going to run the lottery in the imminent future to get our full rights to actually getting the benefits from the full organisation, but it is not a bad shot that we have got half a million into the coffers and the best is not a halfpenny staying in the Treasury.

Mr Shimmin: Mr President, as a trustee of the Public Lottery Trust it would be easy to stand here and say that the moneys were coming our way and we should have the entire cake. That would be churlish. I think the way in which the Treasury have dealt with this reflects a growing need amongst the Isle of Man's people for a variety of worthy causes.

The revenue which will come to the Public Lottery Trust is slightly lower than we had originally hoped for, but the understanding as to why the Treasury have gone down this road is quite clear.

I would, however, ask the Treasury minister whether now or at a later date he could furnish myself and maybe hon. members whether there is going to be any change to the terms of reference of the Sports Council, the Arts Council with regard to this extra funding coming their way. I ask particularly because there are many sporting bodies and arts-related bodies who apply currently to the Public Lottery Trust and whether those bodies will now have a clarity of whether they apply as previously to the Public Lottery Trust or whether this extra money is now to be their normal route to try and claim any support. If the Treasury minister does not have that information today I would appreciate it in the future.

Other than that, the Public Lottery Trust has battled valiantly in recent years to try and operate for the benefit of the people of the Isle of Man, with limited funding. The level of funding outlined here will certainly make a major contribution to all charitable and individuals on the Island and I can understand why the Treasury have picked the figures as they have done so.

Mrs Crowe: I think the chairman of the Lottery Trust has just clarified the point that I wished to make, Mr President, which is that any charities on the Island will be able to apply to the national lottery trust for funding. There is a misapprehension that charities are being taken out of the equation. That is not the case. Charities will indeed be catered for and considered favourably, I hope, in most cases by the national lottery trust.

Mrs Hannan: Eaghtyrane, I think it is sad that after discussing a budget of some £300-plus million we are now arguing over lottery money. I mean, it brings it really down to size. I would have thought we could have accepted that this is where this small amount of money is going to go. We have supported arts, not to the amount that we should have done. We have supported sport, not to the amount that we should have done, but this is like extra and let us just get on and agree it.

Members: Hear, hear.

Mr Henderson: Well said, Hazel.

The President: Reply, minister.

Mr Corkill: Just a couple of points, Mr President. The hon. member for Ramsey, Mr Singer, was saying that we are clawing back this £50,000. It was always understood that in one particular year the lottery trust had a grant from the taxpayer, from general revenue, of £50,000 to keep the structure in place. I was not very comfortable with that because it is not what I would regard necessarily as the best use of taxpayer's money and some people actually argued the point at the time that it should not happen at all. This year they have had an advance of £50,000 before the payments come through from the duty system and that is beginning to happen now, so I would not want hon. members to think that we were clawing this £50,000 back. It is just part of the duty that was promised.

The lottery is not new, we have had lotteries before, and therefore the arguments about impacting on small charities is not a new one, but I do appreciate that there is a certain amount of concern that perhaps people are going for the big jackpot prize as opposed to supporting small charities. To date I must admit from my own experience I have not recognised that as actually being the case, but I was surprised when the hon. member for Douglas South, Mr Duggan, said that the St Bridget's Hospice was a little charity. My understanding is that they need a million pounds a year basically to stand still and that they are very industrious in the way that they produce that revenue -

Mr Duggan: They need support.

Mr Corkill: - and they need support and I think the people of the Island are very, very good in supporting the hospice. So of course there is a limit as to how much charitable giving there is in a community and I understand the pressures hon. members are alluding to.

We did not come forth with this order without somewhat of a debate behind the scenes, certainly in the Council of Ministers and prior to that in Treasury. At the end of the day we think this is a package, it is a spread.

I would point out that the Arts Council and the Sports Council have both got increased funding in the normal way of the budget process and I am glad the hon. member of the Council, Mr Lowey, has pointed that out as chairman of the Arts Council. This is not to replace

that. This is in the event of these figures being reached, these top-up figures will be available for those purposes.

The other point I would like to make is that my understanding of the lottery trust, having been a member of it some time ago, is that the heyday of the old Manx lottery produced in the region of £250,000, maybe I think £290,000 at its peak, for distribution purposes and that a figure of round about £250,000 is the sort of figure that the lottery trust can handle comfortably in a year. Now, that is dangerous me saying that because obviously in a trust like that where money is being distributed no doubt they could distribute 10 times as much if they put their back to the wheel and tried hard, but we felt overall that those were the figures that people were generally comfortable with and that is why we produced this order.

Terms of reference the hon. member Mr Shimmin referred to, and I think this is because I am aware that the Sports Council has actually applied to the lottery trust for help in recent times. I am not too sure what the issue is. One would hope that the trustees of the lottery trust would take that into account now that they know where the money is going. Well, it is not a matter for me to be a party of. The make-up of the trust is such that they make their own decisions on these issues.

Of course the Sports Council comes under the Department of Tourism and Leisure, whereas the Arts Council has a life of its own, as it were -

Mr Cannell: Not for much longer, thank heavens.

Mr Corkill: - but I understand that there may be moves to change that, but that is Tynwald policy as it stands today and I do not think it would be constructive at this time of the evening perhaps for me to start down that debate, but I hope that puts the terms of reference in context.

I thank those members who have supported the order. I do not think we are arguing over lottery money. I do not necessarily think it is distasteful, as perhaps the hon. member for Peel alluded to.

What I would finish with is the fact that this is an annual order, so we will be able to talk about it in a year's time perhaps. I beg to move, Mr President.

Mrs Crowe: Wonderful.

Mr Houghton: Hear, hear.

The President: Hon. members, I will put the resolution set out at item 10 on the order paper. Will those in favour please say aye; against, no. The ayes have it.

A division was called for and voting resulted as follows:

In the Keys -

For: Messrs Gilbey, Cannan, Quine, Rodan, North, Sir Miles Walker, Mrs Crowe, Messrs Brown, Houghton, Henderson, Duggan, Braidwood, Mrs Cannell, Messrs Shimmin, Downie, Mrs Hannan, Messrs Bell, Corkill, Cannell, Gelling and the Speaker - 21

Against: Mr Singer - 1

The Speaker: Mr President, the motion carries in the House with 21 votes cast for, 1 vote against, sir.

In the Council -

For: The Lord Bishop, Messrs Lowey, Waft, Dr Mann, Messrs Kniveton, Radcliffe, Mrs Christian, Messrs Delaney and Crowe - 9

Against: None

The President: In the Council, with 9 votes cast in favour of the resolution, no votes against, I declare the resolution carried.

Procedural

The President: Now, hon. members, I want your guidance. If we were to carry on until 8 o'clock tonight there is a possibility of finishing tomorrow. I know that some members wish to be away on Thursday. It is entirely up to you. What would you like to do?

Mr Lowey: I propose that the House adjourns now, sir.

Mr Cannan: I second that.

The President: Adjournment proposed. I will put the adjournment resolution to the Court. Will those in favour of adjourning at this stage please say aye; against, no. The ayes have it. The ayes have it. The Court will now adjourn and resume at 10.30 tomorrow morning. Thank you, hon. members.

The Court adjourned at 6.39 p.m.