

**REPORT OF PROCEEDINGS OF  
TYNWALD COURT**

**Douglas, Tuesday, 20th February 2001  
at 10.30 a.m.**

Present:

The President of Tynwald (Hon N Q Cringle). In the Council: The Lord Bishop (the Rt Rev Noöl Debroy Jones), the Attorney-General (Mr W J H Corlett QC), Hon Mrs 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 (Hon J D Q Cannan) (Michael); Mr L I Singer and Hon A R Bell (Ramsey); Mr R E Quine OBE (Ayre); 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 R P Braidwood (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); Mrs P M Crowe and Mr J Rimington (Rushen); with Prof T StJ N Bates, Clerk of Tynwald.

*The Lord Bishop took the prayers.*

**Apologies for Absence**

**The President:** Hon. members, we have apologies for absence from the hon. member for Rushen, Sir Miles Walker, who is away on government business, and from the hon. member for Douglas East, Mrs Cannell and the hon. member for Douglas South, Mr Duggan, both of whom are indisposed this morning. We also have apologies from the hon. member for Ayre, Mr Quine, who is attending a funeral this morning and will be joining us later on during the day.

**Clerk of Tynwald's Resignation —  
Letter from Keys Members to Tynwald Management Committee —  
Statement by the President**

**The President:** Now, hon. members, I believe that the events of the last few weeks have by now been very well documented. There is, however, one matter that I feel is incumbent upon me to comment upon. Although the Tynwald Management Committee, a joint committee of Tynwald, had invited all members of Tynwald to a meeting on Thursday 25th January to discuss the events surrounding Professor Bates' resignation, the House of Keys chose to hold a censure debate on Wednesday, 24th January. Being a member of the Tynwald Management Committee and having no opportunity to address Keys members, I wrote with my comments in advance of the sitting of the House.

Having read the transcript of the Keys sitting, it is evident that there was a misunderstanding in relation to my comments. I have no objection to the letter dated Tuesday 16th January, which was signed by 14 members and addressed to the committee. I consider it perfectly acceptable, robust, parliamentary work. However, I reiterate that it is my opinion that the letter signed by 12 members of the Keys dated Friday, 19th January asking for individual members of the committee for their personal opinion,

requiring a response by a deadline and stating that the failure to meet that deadline would be assumed to be a negative response, is threatening when viewed against previous correspondence and the timescale of placing a motion on an order paper. I refer members to standing order 11.4.

Hon. members, when we elect members to serve on committees we place in them our trust that they will carry out their duties to the best of their ability. Some of their decisions we will agree with and some we will not. During debates on committee reports the assumption is made that unless a member of the committee has appended a memorandum of dissent to the report, the recommendations have been made and agreed by the committee as a whole. We do not ask individual members of the committee if they personally approve of each recommendation. This is a basic parliamentary principle and while the correspondence from the 12 members who signed that letter may have been ill conceived, such behaviour is unacceptable and I would hope that, though they may still agree with outcomes that they wish to achieve, they will accept that this was not an appropriate way to try to achieve it.

### **Bill for Signature**

**The President:** Now, hon. members we have a Bill for signature and if you are agreeable, we will continue with our business while it is being signed.

**Members:** Agreed.

### **Order Paper No. 2 — Papers Laid before the Court**

**The President:** Hon. members, therefore, in keeping with Standing Orders 2.2(4) and (5) we now turn to our agenda paper no. 2 and I call upon the Clerk to lay papers.

**The Clerk :** I lay before the Court:

Isle of Man Budget 2001-2002

Income Tax Act 1970 -

Income Tax (Nursing Expenses) (Amendment) Order 2001 [*SD No 30/01*]

Income Tax (Car Fuel Benefits) Order 2001 [*SD No 31/01*]

Income Tax (Benefits in Kind) (Exemptions) (Amendment) Order 2001 [*SD No 35/01*]

Non-Resident Company Duty Act 1986 -

Non-Resident Company Duty (Amendment) Regulations 2001 [*SD No 34/01*]

National Lottery Act 1999 -

National Lottery (Designation) (Amendment) Order 2001 [*SD No 38/01*]

Income Tax (Exempt Companies) Act 1984 -

Income Tax (Exempt Companies) (Fees) (Amendment) Regulations 2001 [*SD No 32/01*]

Limited Liability Companies Act 1996 -

Limited Liability Companies (Income Tax) (Fee) (Amendment) Order 2001 [*SD No 33/01*]

## **Budget Speech — Minister for the Treasury — Debate Commenced**

**The President:** Now, hon members, I would advise you that in accordance with the resolution of this Court, Manx Radio has chosen to broadcast the budget debate in its entirety. Dealing then with item 2, I call upon 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 2002 be received and necessary action be taken to give effect thereto.*

This is my fifth budget and the final one of this present hon. Court. In it I intend to concentrate on the future. However, to put that into context, I do propose to look back briefly at what has been achieved.

I started my first budget speech in March 1997 with the following words, and I quote. 'I rise to present this, my first budget, with a mixture of emotions, emotions which I am sure accord with those of hon. members: excitement at the opportunity available to us to make our island a more prosperous place to live and work and to protect and enhance our quality of life, but tinged with a degree of trepidation at both the enormity of the tasks we face and the volatility of the global economy within which we must increasingly live and work.'

I do not believe at that time any of us had a full appreciation of both the nature of the opportunities and the enormity of the tasks we would face, for, hon. members, let us not underestimate the scale of the issues that have come to face the Island in the last few years, namely increased global competition, scrutiny by international regulators and attach from national tax initiatives. In spite of this, official statistics relating to the health of the Island's economy tell a marvellous story. They pay full testimony to the work that has been done by all stakeholders in the Isle of Man economy, from our corporate leaders and their hardworking staff and the small firms who continue to provide such a large part of the Island's employment and income to politicians, government itself and all of its employees.

That we have steered a course through all these issues and sustained full employment with economic growth of around 10 per cent per annum over this period is, I think in all fairness, a remarkable achievement. So too is the elimination of unemployment. It has its downside for employers, of course, in the form of an ever-tightening labour market, but to have only 200 or so individuals registered unemployed out of a workforce of over 35,000 is arguably the ultimate reflection of the success of economic policy.

It remains my contention that creating and securing jobs is the most effective means of raising income levels and living standards for all of this Island's residents, and lest it be said that this is just a passing phase, it should be noted that the level of unemployment has now been in steady decline for eight years. As I have said, these achievements have been accomplished through the efforts of all, and it is only right that the result is benefits that can be felt by all. This budget, through its allocation of public moneys and through its changes to taxation, is another mechanism through which the benefits of growth can be distributed.

In the light of the external uncertainties that have dogged the last couple of incoming administration could have wished for a better financial starting point. That is not to say that everything is going to be plain sailing; there is still some way to go to resolving all of the

issues that have arisen out of, for instance, the international tax initiatives, but the next administration will start from a position of strength and with a number of core initiatives underway in e-commerce and the new tax strategy. That, I feel, will reposition this Island at the top of the league of successful jurisdictions in coming years. Our task has been to seek to position the Island such as that it is in a much stronger position to withstand external pressures and to exploit the opportunities in a global market place.

However, one must not dwell on past performance. As I have said on many occasions, none of us, either in government or in business, can afford to be complacent. It is a hard world that does not owe us a living. We have to go out and earn it.

Our continuing task is to look forward to the challenges the Island faces in the future and in particular over the next five years. We need business competitiveness to generate economic growth in order to be able to generate the government receipts we need to be able to fund the government services that we are under constant pressure to provide and improve. This brings with it social pressures which I acknowledge and regret, and which I, along with all of you, wish to see minimised. However, far from taking our foot off the accelerator, this is the very time that we need to be taking steps to ensure that we can achieve the necessary economic growth into the future.

The Island's economy is now at a stage in its development where the broad strategies of the past need to be reassessed, for in the past the strategy has by necessity been concerned primarily with building up the economic footprint, deepening and widening the range of economic activities undertaken and the goods and services provided, and increasing employment opportunities. These objectives remain. Certainly we want still further expansion. Certainly we want will more diversification but, with the overall structure of the economy now much more consolidated, with the demand for the goods and services we have to offer now much more secure than ever before, with there being a much greater global awareness of the Island as a financial centre and with government finances in a strong and sustainable position, there is now a need not simply to encourage growth but to try to shape to a greater extent than in the past the form that growth takes.

The policies, the instruments, the tax regimes used currently must not be seen as permanent, as always being of relevance. Rather we will need to assess the future threats and opportunities and, where necessary, revise policy and options. Current policy should not shape our future efforts; rather our assessment of the future should shape future policy.

A significant start has already been made with the tax strategy, the e-commerce programme and other initiatives, but more will need to be done if we are to secure a vibrant future, a future of full employment of higher value-added activity and of managed development wherein growth can be achieved without commensurate increased pressure on human resources and on the Island's infrastructure.

Mr President, over the past 12 months rapid progress has been made to ensure that the Island is well positioned to take full advantage of the opportunities presented by the development of e-commerce. The government now has the legislation, the strategy and the resources in place to ensure that e-commerce is developed to its full potential. The last 12 months have also seen significant enhancements to our e-commerce-related

infrastructure with the completion by Manx Telecom in December of a self-healing ring of fibre optic cable which will ensure that traffic continues to flow even in the event of a break at any point in the network. In addition, the Department of Trade and Industry's optic fibres associated with the electricity interconnector are now in place, which will improve resilience further and create an option for competition on wholesale services in the future.

The 12-month initiative announced in last year's budget whereby the cost of connection charges for implementing ISDN and ADSL technology was met by government. This has proved popular and successful and has been well received as an innovative step by those looking to the Island as a potential base for e-commerce business. In order to build on that success, the Treasury proposes that the initiative be extended for a further 12 months at a further cost of £150,000. The many advantages and benefits which the Island is now able to offer are increasingly being recognised and this has resulted in a significant increase in e-commerce-related enquiries. I am confident that with further hard work and diligence, we will be able to develop the Island to its full potential in terms of e-commerce related development. The additional £12,000,000 transfer into the e-commerce ICT fund that I have included within this budget is a tangible example of government's commitment to deliver this potential.

It is all too easy in a period of economic growth to overlook the fact that we are in strong competition with the very sources of our revenue. It was to ensure that we did not fall into this trap that I announced to Tynwald in June last year a taxation strategy which will seek to maintain our competitive edge. (**A Member:** Hear, hear.) The strategy centres round the principles of acceptability, simplicity and sustainability. It seeks to maintain a diversified economy which has at its heart and appropriate and enduring finance centre. Direct tax rates will be kept low to help keep costs low, and taxation legislation will be scrutinised to ensure it meets the future needs of all our business community. It will require meaningful consultation to identify what some of those future needs are and the taxation legislation necessary to sustain that market need.

Acceptability has to be at both domestic and international level. The recent commitment made to the OECD has removed the Island from being blacklisted in July as an unco-operative tax haven. There can be little doubt that the future would have been even more uncertain had this not been achieved.

Do not assume for one minute that giving the commitment means the Island accepts all that the OECD initiative seeks to embrace, nor does it mean the Island will be moving faster than other jurisdictions - far from it. Over the coming years every effort will be made to ensure that the Island is treated fairly and consistently and does not get ahead of the game, but the strength which comes from being on the inside track will be used to help shape the future international standards which we will follow.

Although our commitment provides for taxation changes with effect from the end of December 2005, I would remind hon. members that the commitment is wholly conditional upon other jurisdictions also complying with their responsibilities, and in turn this is dependent upon member countries of the OECD having already ceased their harmful taxation regimes by April 2003.

At this point I wish to comment on two issues which I know are of paramount importance to our financial businesses: exchange of information and exempt companies. The message I wish to get over on exchange of information is that the commitment is to an exchange based on an internationally agreed and adopted standard which the Island will have helped to construct. It will be by formal written request, thus ruling out fishing expeditions; it will recognize human rights issues and will not be with a country which does not; it will be on civil tax matters which will be defined in the agreement. Client confidentiality will remain at the heart of the island's operations, but not for a legal or unacceptable activity which taints out good and hard-won reputation.

As to exempt companies, it is already recognised that the zero-rate approach will secure the position of our major exempt company employers. The same approach will be adopted for business which is tax-neutral such as investment holding and leasing transactions. For other activities there is a joint working group which is examining tax structures found in other jurisdictions which are acceptable to the OECD and which could be adopted in the Island. The OECD has offered its assistance and I am confident that we will find a way forward on this difficult and contentious issue.

Whilst I fully recognise the importance of this type of business to our existing economy, we must not be so blinkered in our desire to meet this one objective that we overlook the need to identify where our business will be coming from three, five or even ten years down the road. We must grasp the opportunity which international acceptance presents and turn it to our advantage in the same way we did following the Edward's review.

I said that the tax strategy also had to be acceptable at domestic level, and it is that to which I will now turn. At the heart of Treasury policy is the desire to ensure that all within our Island community benefit from our vibrant economy, that the opportunities for advancement are available to as many as possible and that the wealth created is shared by those genuinely less able to help themselves. Our buoyant and broadly-based receipts place me in a unique position to achieve this, firstly through the taxation measures which I shall be announcing, and secondly through the impressive level of government expenditure, about which I will say more later. Last year the taxation changes I announced came to a record £7 million. This year I intend to let individuals and businesses retain a further £17.5 million.

The bulk of the reduction for individuals will come from the reduction in the income tax rates. The standard rate will fall from 14 per cent to 12 per cent and the higher rate from 20 per cent to 18 per cent. This is the first reduction in the higher rate for over 20 years. The tax threshold for the higher rate band will remain at £10,000 for each individual. Total cost is expected to be £9 million and the changes will be effective for the income tax year commencing 6th April 2001.

Personal allowances will again be increased in line with inflation. The 2.2 per cent increase will result in a single personal allowance of £7,700, a combined allowance for a single parent of £12,970 and a combined allowance for a married couples of £15,400. The blind and disabled addition will add a further £2,120 to the above allowances. The maximum amount for nursing expenses will remain in line with the personal allowance at £7,700.

All the changes will apply for the 2001-2002 income tax year. The total cost of the changes in allowances is expected to be £1.5 million.

Mr President, there will be consequential changes to the tax tables used by employers and for the rate of income tax where the sub-contractors' scheme applies and where relief is given for class 4 national insurance contributions. The benefit in kind arising on the provision of a car for private use has not changed, but the car fuel element will be brought in line with those applied by Customs and Excise. The current extra-statutory concessions applying to police houses and use of a works vehicle will be formalised in an amended benefit in kind exemptions order.

In all, the net cost of the proposals I have outlined will amount to a further reduction in the income tax bill for individuals of £10.5 million.

Moving onto companies, I also propose to reduce the top rate from 20 per cent to 18 per cent for all companies, whether trading or not. Additionally, specifically for trading companies, the lower rate is to be reduced from 14 per cent to 12 per cent whilst at the same time substantially increasing the lower rate tax band from £125,000 to £500,000. This will have a significant benefit for the smaller to medium-sized operations which are the mainstay of our diversified economy.

These three measures will apply for the income tax year commencing 6th April 2001 and demonstrate once again in an effective manner that the Island intends to remain a competitive jurisdiction. The total cost is expected to be over £7 million or, to look at it another way, the operating costs for those companies will reduce by £7 million.

As announced in November last year, I intend to increase the fee for an exempt company and an international limited liability company from £400 to £430. This change will apply for the income tax year commencing 6th April 2001. The duty on a non-resident company is to increase from £800 to £830 with effect from 1st June 2001.

There are two other changes which I propose for companies. The first related to exempt companies. I intend to streamline the declaration procedure which has to be followed after the end of a year of exemption and before the application for next year can be made, to bring it into line with the procedure for international limited liability companies. So, with effect from the income tax year commencing April 2001, it will no longer be necessary to have the declaration sworn on oath.

The second of the measures relates to fund managers. In a taxation strategy, reference is made to the introduction of a zero rate of tax for specified businesses. The primary legislation for this will be contained in the forthcoming taxes Bill but, as an interim measure, I propose to bring the effective rate for fund managers down to zero for the income tax year 2001-2002. This will be achieved by increasing the special deductions set out in the extra statutory concession from 75 per cent to 100 per cent. As this will apply without regard to where the business is conducted, it does not fall outside the commitment made to the OECD. A revised extra statutory concession will be laid before Tynwald in due course.

The last of the income tax measures to be introduced and to which I wish to refer is the reintroduction of the commercial building allowance for designated areas. In

appropriate cases this will be linked into the proposed new business start-up incentive which involve a phased approach to taxation. The economic development committee of the Council of Ministers has identified Ramsey and Port St Mary as priority districts, and specific areas have now been outlined by the planning office in conjunction with the Treasury. In the case of Ramsey, these will follow the provisions of the Ramsey Local Plan which came into effect in December 1999 and will incorporate the existing commercial and industrial zones.

For Port St Mary there is currently no adopted plan for the village, but the area plan will be the subject of a public inquiry later this year. It is therefore intended that the incentives will apply to the areas designated within the adopted area plan zoned for commercial and industrial use.

The incentive, similar to that which was successfully introduced for lower Douglas in 1994, will have three-year life commencing on 6th April 2001 with a subsequent two-year run off. In the event of delays in finalising the Port St Mary plan, the timescale for that area will be revised. I propose to bring the necessary order to introduce this allowance before the April sitting of Tynwald. A map of the proposed area of Ramsey to which the allowance is to apply has been provided to hon. members today.

I believe that the proposals which I have outlined represent a significant and tangible step towards the delivery of the taxation strategy approved by this hon. Court in October last year. The details and examples set out in the Pink Book show how tangible some of those changes will be. However, there is no room for complacency. Much still has to be done, and I have in mind the work on the current-year basis of assessment, for which consultation is now complete, the work on the corporate tax measures now moving into a final round of consultation, consideration of incentives for saving, and importantly the work on improving the tax mechanism for the redistribution of income through tax credits.

All require a measured and co-ordinated approach if they are to have the maximum benefit, and I would ask hon. members to be patient for a little longer, and now is the time for ideas and debate on what should be included within the strategy, but I would urge hon. members not to move ill-considered amendments to the current Income Tax Bill which may add unnecessary complications to our tax system and lack overall effectiveness.

Before moving on, there are two further matters to comment upon. Firstly, hon. members will see from the budget documentation that I am proposing the continuation of air passenger duty. The reasons for this are that, having introduced and received Tynwald's almost unanimous support for the tax strategy, with the prospect of direct taxation reductions, which I will deliver today, I consider it prudent to retain it as a source of taxation, and also I do not consider that this has had or will have had any material impact on people's travel habits.

Secondly, I am conscious that there has been criticism in the past that the budget has not contained reference to the potential for future rate increases, particularly to fund the costs of IRIS and the incinerator. I would say at this state that no final decisions have been made in relation to these matters and no doubt they will be the subject of much debate in the forthcoming general election. However, in recent years I have sought to develop a budget strategy and build up reserves such that, should decisions in the future be taken to

fund such services from general taxation rather than by some form of charging perhaps through the rating system, then government's finances might be capable of funding such costs. I would, however, emphasise that such decisions are not cost-free. If such new services are funded from general taxation, it inevitably means that there will be less revenue available to meet the costs of other spending proposals or further taxation reductions in line with the tax strategy.

Probable income for the year continues to be particularly buoyant. At £393 million, it is £61 million above the estimate for the year. This is partly due to the continuing strength of the island's economy and partly due to the continued receipt of significant elements of volatile revenue which, given the uncertain nature of such revenue, it would be imprudent to build into future spending plans. I make no apology for this approach; I consider it to be the sensible, necessary and careful manner in which to act. Probable spending at £322 million is about £5 million above the original estimate and allows for the impact of pay awards and supplementary votes, such as the recent DHSS vote relating to the cost of UK placements. The probable surplus for the current year is an extremely healthy £71 million, and I am taking the opportunity to make a significant transfer of £25 million to the capital account to ensure the government's large and optimistic capital programme can continue to be funded without external borrowing. I intend to continue to utilise such surpluses to continue the policy of further strengthening reserves at every opportunity.

Once again the current year's probable capital spend has shown the original estimate to be too optimistic, with probable spending at £52 million, or two-thirds of the original estimate. The capital programme for 2001-2002 stands at an unprecedented £113 million, almost £34 million more than last year's estimate. It is based on a programme endorsed at the October policy review which accelerated the delivery of the IRIS scheme, but also takes into the account the rescheduling of spending on the new hospital and the integrated incinerator facility, and the impact of the transfer of responsibility for sewerage from local authorities to the Department of Transport. In addition, it allows for the increased estimated cost of certain schemes of the Department of Education. It also introduces new schemes for the provision of residential accommodation associated with the new hospital and a scheme for improved visitor facilities at the Sound.

I am conscious that there are a number of implications which flow from this level of projected capital spend. It requires significant transfers from the general revenue account to ensure adequate internal funding. It also places further work into an already busy construction industry. I have to say that the scale of the capital programme needs to be kept under constant review and may in future require the time over which such schemes are undertaken to be extended.

I have already indicated significant transfer from the general revenue account to the capital account in the current year. In 2001-2002 I intend to transfer a further £7 million to the capital account. There are a number of other transfers to reserves to be made. I intend to continue the well-established transfer of £5 million a year to the public service employees' pension reserve; in relation to the reserve fund I propose to transfer £26 million over the current and next year. At the end of March 2002 the estimated book value of the reserve fund will stand at £234 million or, in fact, it is 87 per cent of the target level of

half of one year's government gross spending. This is an increase over last year, when it stood at 79 per cent.

Last year the Treasury set up three new funds which I believe were well received. This year I wish to make further transfers to those funds and thereby make them all the more acceptable and capable of achieving their objectives. I referred earlier to the important and major transfer of £12 million to the e-commerce ICT fund, with the potential it allows to stimulate this important potential growth area for the Island's economy. In addition to that I propose a major boost to the tourism development fund, increasing by £4 million over two years. I believe this to be a significant and tangible commitment to this economic sector, presenting the Department of Tourism and Leisure with the opportunity to stimulate improvement in the Island's tourism product and infrastructure. I also to propose to increase the level of the land acquisition fund by a further £8 million. In total, a very substantial £92 million will be transferred to reserves over the current and next year.

As stated earlier, a budget is not only about taxation; its prime purpose is to set the expenditure for the coming financial year. government spending affects every one on the Island in a wide variety of ways. It is also a subject on which there are probably as many opinions as there are people on the island. There will always be calls to spend more in particular areas. Equally there will always be calls for limitation of the level of government spending. As always, the budget seeks to balance the competing pressures.

I believe this to be a budget that is appropriate to both the Island's internal requirements and the external pressures and climate in which our businesses must operate. I want to emphasise that we are keenly aware that it is our business competitiveness that fosters economic development, which in turn generates the government finances to be able to meet the level of public spending to which government aspires. However, I also believe it to be a budget that delivers impressive increases in government spending. A significant proportion of that expenditure supports those less fortunate within our society, be it as a result of poor health or low income. It also supports our Island's future generation by funding our educational programme. This is a more effective way of assisting those less able to help themselves than any reduction in tax rates or claims for relief, particularly when the relief is limited to 12 pence in every pound. At £355 million, revenue spending for next year shows an increase of £37.7 million - that is, an increase of 11.9 per cent. This will be met from estimated income of £377 million. Even after taking into account the cost of the major tax reductions announced earlier, this still provides an extremely healthy estimated surplus for the year of £22 million.

At the end of March 2002 an operating balance of £23 million is estimated. This represents 6.5 per cent of the net voted services for the year and exceeds the target set of at least 5 per cent. The gross spending of the Department of Health and Social Security is set to increase by £31.3 million - that is an increase of 13.6 per cent. The total cost of benefit uprating and changes proposed total £15.8 million for 2001-2002 compared with an increase of £4.1 million in the current year. This major increase in benefits includes the pension supplement increase from £18.70 to £36.25 per week as from April 2001. This means that for an eligible pensioner married couple the basic pension plus supplements will be £173.85 per week - that is £57.95 per week more than an equivalent couple residing in the UK. (**Mr Delaney:** Hear, hear.)

In addition, the DHSS has a number of improvements to income support funded through the budget. My colleague, the Minister for Health and Social Security, will be identifying in more detail in due course. The gross spending on education is to increase by £6.6 million - that is, 11 per cent. Fifteen point one million pounds is to be spent from capital on public sector housing, with a further £5.5 million from revenue.

Also included in the estimates of the Treasury is the cost of the provision of a one-off £10 contribution to offset the cost of the 2001/2002 waterrate for domestic water rate payers. I propose that the total proceeds of the duty from the United Kingdom National Lottery once again be distributed. In 2001-2002 the public lottery trust is to receive an estimated £300,000 and the remaining £300,000 is to be split equally between the Arts and Sports Councils and the Manx Heritage Foundation in addition to the money they already receive in the normal way through the budget.

Full details of government spending are set out in the budget documentation, which is publicly available from the Tynwald library in government offices - can I say that it is very good value at a cost of £5.

In order to provide people with more readily available information about the budget and the activities of departments, Treasury intends to issue a budget extract to each household. Delivery of this should commence at the beginning of next week and will be distributed by the Post Office. I do feel that a cautionary note for the future needs to be sounded.

In the longer term I remain convinced that we must retain a prudent approach to government spending and not anticipate such high levels of growth, and temper our spending plans accordingly. Greater financial discipline may be required during the transition to the realisation of the benefits flowing from the tax strategy.

In relation to government's personnel, an increase of 149 - that is, 2.4 per cent over last year, is planned, with 43 in the DHSS and 33 in Education. Personnel is one of the key areas where the contradicting pressures for limitation and increase are felt most sharply. It must be acknowledged that there are a number of areas where the requirement to control the overall level of government staffing will create pressures for departments in their ability to meet aspirations in relation to services. However, given the current employment situation and government's requirements not to unduly add to the population increase, it is likely to remain as a difficult but necessary discipline.

Mr President, hon. members, once again I would like to thank my Treasury and ministerial colleagues and departmental members and staff for their assistance and input into the formulation of this budget. As I stated earlier, I feel extremely fortunate to have been able to take the helm of the Treasury through a period of major economic development and to be able to conclude this series of budgets with one which delivers major tax reductions for people and businesses throughout the Island, further increases government spending on services to a significant extent, strengthens further our reserves and enhances the competitiveness of island businesses. Mr President, I commend it to this hon. Court.

**Members:** Hear, hear.

**The President:** The hon. member for Council, Mr Radcliffe.

**Mr Radcliffe:** Mr President, I rise to second the resolution and reserve my remarks.

**The President:** Mr Speaker.

**The Speaker:** May I, Mr Treasury Minister, be the first to congratulate you and your Treasury team, both political members and senior civil servants, who have guided the economy of this Island to this successful state. I think it would not be inappropriate to say that over the past five years in office you have held a steady course. You have dealt with the OECD and with the European Union. We have weathered various storms that have come in from outside and I believe that the Island now is enjoying a prosperity it has never before enjoyed. We have full unemployment and, for the vast majority, a high-wage economy.

As I said, you have guided the economy, but thanks must also go to those who work in the economy, those outside, because they, with their drive, their initiative and their entrepreneurial ability, have taken advantage of the legislation that we have and given the prosperity to our people - businessmen, by their leadership. I would mention here that the main beneficiary, while all are involved in it, is of course our financial services industry.

So our Island community have today been rewarded, and rightly so - all who have contributed to this success. Income tax reductions and increases in personal allowances will increase the total disposable income of £10<sup>1</sup>/<sub>2</sub> million annually. People will have the feel good factor after today. They will have so much more in their pockets, so much more that I believe it will be advantageous to the retail industry, which we hear from time to time is not doing as well as it might be.

In looking at all this we must look at our Island community as a whole. Is everybody benefiting? The retired, the pensioners, will receive a significant increase in their pensions and that has already been announced. The vast majority of those in employment will receive the benefit of increased allowances and reduced taxation announced today. But where are the benefits for that small minority of the low paid? They can, of course, receive certain benefits from government - welfare benefits, but I believe, and I always have done, that to a certain extent is demeaning. I would rather see them earn the money in their salaries and have the satisfaction of knowing that they earn it. So I support the introduction of a legal minimum wage and the minimum wage must be an amount that will not leave people feeling aggrieved. (**A Member:** Hear, hear.) We must have a community in which all feel that they are part of the success. In principle I support a significant minimum wage, whether it is £4.50 or £5 per hour, but it must be significant. Of course there will have to be exceptions. Of course it will not apply to young people at school earning holiday pay. Of course it will not apply, possibly, to students and other exceptional cases. But in general, for an adult person at work, there must be a significant minimum wage to make them feel part of the success. We cannot have part of our population feeling disenchanting. (**A Member:** Hear, hear.)

I fully support the commercial building allowance to bring up and to give incentive for business, whether it is at Port St Mary or in Ramsey. I am only disappointed that the government, with its biggest share of real estate. . . the biggest share, Mr Treasury Minister, of real estate that you probably have in the Isle of Man is at Jurby - an industrial estate, air airport and a whole campsite, an area crying out for redevelopment; an area that the community want redeveloped, not opposing it as in so many other communities, asking for

something to be done. This has been going on for a long time and I have drawn the Chief Minister's attention to it way back since May 1998 in a series of correspondence that has gone right on up to yesterday. So I hope, Mr Treasury Minister, that you will bring in an order for that commercial building allowance to go to that area.

I am also pleased to see in your budget that you have rewarded the businesses that are producing our wealth by reducing business taxation, because that too gives them encouragement and satisfaction.

So in order not to go through your speech in which you have so ably elucidated what we have done and what we have not done, the increase in reserves, the increase in capital reserves, the general sense of security which these increased reserves bring to the community and the proposals to continue our buoyant economy, all of which are of great credit, as I said earlier, to you and your Treasury team - the government accounts are in good order - I believe as a parliament we can say 'Well done.' We can say even more, 'Well done' to those outside by their industry who have achieved what we asked them to achieve, and I believe the public can be well satisfied that the Treasury has done a job well done and the public accounts are in good order.

**The President:** Hon. member for Onchan, Mr Cannell.

**Mr Cannell:** Thank you, Mr President. Faced with the main features of this budget, it is difficult to be anything but proud that the Isle of Man is in such a healthy financial position - truly an economic miracle. Standard and higher individual tax rates, each down 2 per cent, government spending up more than £37 million and a contemplated £113 million capital spending programme are illustrative of the secure place that the Island now finds itself in. The population is set to increase around 400 per year and the average wage is now rapidly catching up that of the United Kingdom.

Yet, Mr President, for all the wealth which surrounds the place, there remains a feeling of some injustice among many of our inhabitants. It comes from a feeling that the government continues to develop the prosperity of the Island in a style which makes the rank and file just a little nervous that their quality of life continues to be eroded.

Little I have heard today gives me much comfort in this area. It is not that it is unappreciated that the expansion of government services comes from that healthy financial position, but the attainment of it seems to be being pursued in a manner divorced from what has been the normal and accepted way in the Isle of Man.

So where is this discontentment or, as Mr Speaker has just said, disenchantment? It is not universal. It is not a case of everybody feeling that the Isle of Man is not a great place to live. But, as I said during my speech on the Chief Minister's policy document, many feel that the rich are taking the place over and that the Island's traditional way of life is being eroded. The question, of course, is whether the financial rewards being obtained outweigh the removal of traditional culture and its reliance on working hard for a living. I would concur with my hon. colleague from Kirk Michael, the Speaker, Mr Cannan, that a minimum wage should go a long way to ensuring that that situation is properly addressed.

The budget spells out riches undreamed of 25 years ago. Who could have entertained the thought of a £5 million reduction on the standard rate of income tax or a forecast of £22

million surplus for the next financial year? The hon. Treasury minister has said that at the heart of Treasury policy is the desire to ensure that all within our Island community benefit from our vibrant economy, that the opportunities for advancement are available to as many as possible and that the wealth created is thus shared by those genuinely less able to help themselves. That, Mr Treasury Minister and Mr President, is thoroughly endorsed, and I believe and I hope that I am not being too big-headed that some of that opinion derived from my remarks at the Chief Minister's policy statement, because it is representative of what the public of the Isle of Man are feeling.

At the end of the day, what concerns most people is the level of income to which they can reasonably aspire either through working or by gaining the pensions they have earned through working and the appropriate retirement benefits. I welcome the references that the hon. Treasury minister has made in this speech that in fact that will be the case. Certainly, there is every expectation that the enhanced benefits which he has announced today will go a long way towards that, but later I shall be speaking regarding the discrepancies between the newcomers to the Isle of Man and those who are already here.

The young are screaming out for reasonable cost housing - (**Mr Karran:** Hear, hear.) again, partially addressed by the hon. Treasury minister. I do not subscribe to those who just say that the Isle of Man is in a housing crisis. I do not think it is, and I think the hon. local government minister would tell us in fact that he has evidence to prove that that is not the case. I am sure that somewhere between the hon. Mr Gilbey and Mr Karran, my colleague for Onchan here, is the reasonable ground.

The middle-aged are calling out to produce fair wages for their fair endeavours in the market place, and that is not just the finance sector, and the retired and the elderly are looking to us to ensure that their latter days can be spent in a reasonable fashion without having to be unduly frugal.

Many of the measures in this budget I commend, Mr Treasury Minister, and I think that it is fair to say that you have looked at this and done as much as possible, but the genuine concerns can be seen that the Island is overly concentrating on the top end of the market - the so called 'fat cats', and the disenchantment will continue to manifest itself. It is attitude; it is looking after the people who have provided a stage for this show to take place. There is a lot to be thankful for, and I am certainly not knocking the finance sector. It has been the salvation of the Isle of Man creating, as we have heard, very low unemployment and exceedingly general well-being, the so-called 'feel good' factor which the Speaker has referred to. It has also done wonders for the recognition of the Island internationally. As I have mentioned previously, it has done lots for the restoration of derelict countryside properties in the Island too. It gives me great joy to see once downtrodden farms and cottages restored to good state, even if some lose their correct spellings along the way.

But it is no use whatever, Mr President, pretending that an 'anti' feeling does not exist in this Island. It does, it is real and it is very worrying. We are in real danger of alienating some of our own population in the constant pursuit of the prosperity of the Island. Now, you might say that without prosperity then there cannot be any pursuit of good feeling, and that of course is correct, but just sometimes I would urge those who are closeted in the Treasury, the Council of Ministers and other enclaves to just step back and go out into the general public and see what in fact is happening to the man in the street's position. We

rarely - and I include myself in this - you can be caught up in it - get a feeling right down at the grass roots. Do we every step aside and wonder if the fabric of the nation is being jeopardised? If what we achieve - and I would not suggest that we have done so far, but we might - is a two-tier nation of haves and have-nots, we will be rightly found guilty as charged of selling some of our own Manx folk down the river.

The situation can and should be still be saved, and many measures in this budget today and elsewhere are designed to offset some of the effects. Pleasing are the taxation reductions and the promised social security upratings to come. These and many other helpful benefits directly arise from the finance sector and are readily acknowledged as the positive side for which we all must be grateful.

But there are other incentives, Mr President, that could and should be considered. There are still many public sector properties occupied by people who not only can afford to buy but in fact wish to buy their way out of such situations, and we must address the problem of ensuring that actually happens so we can free up homes required by larger families.

An overlooking takes place with the single people of the Isle of Man, some single by choice, some single by being innocent divorcees. Their needs in housing must also be recognised.

In the middle grouping, as I have said, the aspiration is to earn a fair day's wages for a fair day's work, but the feeling abounds that some people in the financial sector are bringing in sums of money totally disproportionate to their level of experience or ability. That fuels the discontentment of those struggling away for lesser rewards. There are the pensioners and the retirement groups; a substantial supplement is to be added to the Manx pension and puts those qualified for it on a very competitive level. But that again creates a gulf. It is a gulf because the people who have come to live here and do not qualify do not care for those who receive the extra reward. We know why it happens but we must address the factor of why the others are not catered for by their own previous governments - not an easy one to resolve.

On personnel - the hon. Treasury minister hinted at that - this also is a problem for this hon. government. The head count is the subject of much scratching of heads amongst every government department in the land of the Isle of Man. I can never accept the strange system where, if you drop someone, a laundry operative, or something of that nature, you are able to actually acquire the services of a child psychiatrist. It cannot possibly be right, but we are calling for increased services for the Isle of Man and the Treasury minister is doing his level best to accommodate it, but we are bound by a system of head-counts rather than, apparently, by a system of money allocation. Providing you can make it fit the head count and the government is not employing too many people, then that is all right, but it is not the actual correct way to do it, and we must decide which services we are going to have to scrap or at least put aside if we are to entertain the aspirations of those who would seek to expand either the services we have or to introduce new services. It is a very great worry.

The hon. Treasury minister said late in his speech that a significant proportion of expenditure supports those less fortunate, either as a result of poor health or low income. I

think that we would all subscribe to that. But, Mr President, the awash-with-money culture as we have is something that true Manxmen, or perhaps older Manxmen, are reluctant to accept. Certainly saying there is a lot of money about is almost tempting fate one day there might not be. I suppose it is a post-war attitude where in fact you did not have any money, no-one had any money, there was no prospect of employment in the winter and the winter's bills were paid when the seasonal employment started just after Easter. The brown paper went up at the back end, as they say, and that was it. Things are very different now and I would not like to swing the light and say that there is any parallel, but that is what colours it and that is no bad thing, but people will just occasionally keep the brakes on the runaways.

I hope we never see the Island return to those days. In fact, I believe passionately that in fact it is unlikely that we shall, but those who remain with that feeling will never forget what it actually entailed and this business we are now in, this enterprise we are now all engaged in, is a direct result of those people making strenuous endeavours in the '50s and on into the '60s to ensure the base. That is why, Mr President, I call for them as they reach retirement age and beyond to be more than adequately provided for. A gap of nearly £60 a week between the benefits in the Isle of Man and the benefits in the United Kingdom is a great vote-gainer, but only, of course, for those who are getting it. It is a vote-loser for those knocking on the doors, when they say, 'Why aren't we getting it?' and you try to explain why. They just cannot understand it. It is very simple: they have not paid the money into the fund, and if you do not pay the money into the holiday fund then you cannot go on holiday; it is as simple as that.

But, Mr President, today's budget is reflective of a prosperous Isle of Man which reflects great pride in the number and variety of services offered, quite the equal of counties of much larger-sized populations in the United Kingdom and elsewhere, and we should stand here and not be churlish and just remember this moment because, as someone said, it never is likely to get better than this. It is not a case of saying that we will spend the rest of our time here knocking the elements of it; we should remember this moment and say that virtually no unemployment, reductions in income tax, it must be the most pleasing prospect for a Treasury minister that has ever stood in this hon. Court, because, with respect to my hon. colleague from Onchan here, I think even he would say it is very easy to be the Treasury minister in these circumstances; it must have been exceedingly difficult to be presenting budgets when you had nothing to spend and nothing to give, and I admire those who have trodden that path before us.

It is hard though, finally, Mr President, to spot anything particularly significant to the constituency of Onchan in the budget - I have combed the Pink Book long and hard - though it is pleasing to have been able to have attended yesterday's sod-cutting ceremony for the sheltered accommodation proposed at Bemahague and knowing that the Department of Education is now firmly committed to a new secondary school in the adjacent fields. We look forward to seeing that come about before too long.

All I could see in the Pink Book, with reference to Onchan particularly, is that Onchan school is going to be given an opportunity for its expansion. It is down for £22,000 contract design fees and £274,000 worth of construction work. Great! But - you have to read to the right hand side of the columns to find it - that puts it into 2004, 2005. It is too long to wait, Mr Treasury minister, my hon. colleague from Onchan, when it is obvious that there is the

money to get on with. If we just transfer a mite less to our reserves and pinch that to do our schools programme - not just Onchan but there are other schools too, wanting small improvements - small beer, small amounts of money that would go such a long way to satisfying the staff of the schools who have to work in conditions that cry out for some refurbishment. There is too much reliance on a five-year programme. These do not really fit in a five-year programme; it is the big developments that fit into the capital five-year programme. This really, in terms of the Isle of Man's wealth, is petty cash. If the hon. Treasury minister thinks as an Onchan MHK that to do that he would compromise himself by advancing the scheme three years, all he has to say is, 'Geoff Cannell says it is all right.' In an education capital project estimate of £75 million pounds, surely it is not too much to ask that the establishment that set me on the road to fame should be more favourably treated.

**The President:** Hon. members, I appreciate the difficulties which members have in dealing with budgetary matters, but the minimum wage legislation is before the branches and it would be inappropriate for us to develop that theme this morning. Hon. member for Ramsey, Mr Singer.

**Mr Singer:** Thank you, Mr President. I certainly feel that this budget is an excellent budget for the taxpayer who will finally have in their pockets a not inconsiderable level of extra cash income after deductions. Therefore not only will a taxpayer benefit but also the business sector from the increase in the money circulating in the system, and therefore, as the circle is completed, the exchequer itself will benefit from the extra income in direct taxation. So it is good news and good news that has continued year on year despite the hon. Treasury minister's annual cautionary statements that initially warned the Island that it will probably be turning into recession in the year 2000.

There is no doubt, however, that we are doing well in general terms and that the steps being recommended by the Treasury minister will enhance our reputation globally; it will show our intent to the world's financial sectors and to the various official and self-appointed world finance forums that the Isle of Man is at the forefront as a well-run and responsible finance centre. By reducing company costs we will thereby be actually boosting business confidence in the Island. So I do wholeheartedly welcome the budget and congratulate the Treasury minister for adopting forward-looking policies as far as taxation is concerned while he has the opportunity to do so. He is doing so well; I only wish that he was at the helm of the Global Challenge yacht!

I would like to pick up three particular points from the budget. I welcome the initiative to establish the financial incentives to Ramsey, to encourage the establishment of new industry in the town. I am aware of interest in investing in Ramsey and developing new business with worthwhile job opportunities for local people who cannot or who do not wish to have to travel into Douglas to find those jobs.

The proposed income tax commercial building allowance is at last becoming a reality. I have certainly been in continuous contact with the Treasury minister since my election, pressing for Ramsey to receive equal treatment to that which was received by Douglas in the early 1990s. I do believe that this type of incentive could have been proposed earlier, but my hope is that this initiative will see early development within those designated areas

of the town. It is very strange, though a welcome coincidence, that the plan to develop part of this area is in fact being lodged this week.

Within this area also is a plan to build a new estate of 160 houses at Pooyldooie, including first-time buyers' houses, and I would hope that the developer does not hold back from beginning that development as soon as planning permission is obtained and that he does make sure that he owns all that land at that particular time so that he can start immediately.

The position of young people requiring affordable housing in Ramsey and in the north of the Island is just as desperate as in Douglas, and hopefully the developers will respond speedily and efficiently to answer that need.

I am not too sure what the hon. Treasury minister is trying to demonstrate by the one-off £10 contribution to the 2001-2001 water rates. Yes, for someone living in the country whose house has a low rateable value and therefore pays minimal water rates anyway, £10 may well equate to a quarter or a third of their water rate, whilst for a person living in a similar property in a town, which has a much higher rateable value, the £10 may be less than one tenth of their water rate. Considering that it must cost considerably more per household to deliver water into the country, this gesture by the hon. minister only creates a greater imbalance. We are aware of the massive and necessary spending plans of the water authority; we are also aware of the cost of replacing the antiquated system and that these costs are being placed more firmly on the shoulders of the town dweller. The hon. minister knows this is inequitable but so far has not been prepared to find a better way of spreading the burden more evenly and more fairly. I believe that Treasury should be setting up a body to investigate not only how to spread the cost of the water rates more equally but also to find a method of rebate for those who cannot afford to pay those higher water rates. Surely now is the time to make that effort.

Whilst we are saying to the Treasury minister this is an excellent budget for showing our commitment to the outside world and to our taxpayers, we must not forget, as has already been stated, that we have people here who either pay minimum tax or no tax who therefore will get little or no benefit from a tax-cutting budget. The minister is certainly aware of a recent case which I discussed with him, where a constituent of mine, for various reasons, is finding it difficult to make ends meet. Now, this constituent holds what is considered to be a difficult and necessary job in the community, but circumstances are that under the present system it would be better for him to give up his job and live on the state. And let me make it clear that this particular person does not want to do this; he only pays a small amount of tax and therefore this budget, as good and as welcome as it is, will not improve his position. DHSS rules under the reciprocal agreement are so rigid that they cannot help him in his present position, so it may well end up that he and his family live off benefit, costing the taxpayer a considerable amount annually.

Indirectly the Treasury could help by working closely together with the DHSS, releasing more of the excess income to the DHSS, which could in turn become less rigid in reciprocal agreement compliance for the good of Island residents, for the good of the individuals' families and the ability to keep people in work, rather than them only being able to survive by relying on state benefits. Government, Mr President, should be working on the presumption that we can do it, not on why we cannot.

What I hope we will all recognise and realise is that even in these good times there are still people in the community that are not sharing in the success and need the help of a caring government. It is particularly at these times, when with little effort we can help, that we should be making every effort to do so and not allow any government departments to hide behind red tape and bureaucracy. Thank you, Mr President.

**The President:** Hon. member for Peel, Mrs Hannan.

**Mrs Hannan:** Thank you, Eaghtyrane. I agree with the minister when he says that a budget is not only about taxation. I also agree with him when he said we need business competitiveness to generate economic growth.

In my constituency we have, just this last week, had planning approval for 72 new properties on a green field site. Now, it is government policy to build 400 houses every year. Last week this government's minister for planning, also minister for housing, approved those 72 houses on that green field site following an appeal. There is a total lack of supportive infrastructure for this size of development with another 230 houses on this particular phase and other developments which I shall come to in a minute. Schools are full to overflowing; all my pleading with the Department of Education to purchase land have come to nought it would seem, to make provision for the future. I share the concern of the member for Onchan with his school, but the next planned extension to provide decent facilities at Peel Clothworkers School, the only primary school in the area, is in the year 2004-2005 with more spending 2005-2006 - another five years. At a cost of £1.6 million - and I agree that it is better than nothing - more school spaces will have to be provided if all the land zoned for development goes ahead. So 600 to 800 dwellings are possible, but this latest approved development is being built at 10 dwellings per acre, so on the land available for development it would be possible, at that density, to have a possible 1,300 dwellings on 133 acres of land zoned around my constituency.

Any increased development brings pressure to all areas of infrastructure. Peel will not be connected to the IRIS treatment works for some years, so this development and others will add to the sewerage being disposed off to sea until Peel is connected, which I believe will be one of the last.

With continuing concern about water standards in the bay, there also going to be added pressure on roads and health services. Water supply is already a problem with pressure being low in certain areas, especially the higher areas, where this development is to take place. Fire services - all these areas, again policing - that will bring pressure to bear on the existing community. My community has not said that there should not be development; what they have said is that there should be planned development, and they consider that this development is too dense and a dense use of green field land.

The Planning Committee do not use the legislation which they have at hand. They do not use section 18, planning gain. I wonder if they have ever used it to ensure that the developers provide facilities for houses that they build, facilities for community use to support young families, children, teenagers, the elderly, even to provide play areas. They do not ask for these facilities to be provided when they are making millions of pounds on any of these sites.

My reason for raising this, Eaghtyrane, is to ask where other people who buy these houses going to work. It seems Peel is to provide government with housing; their policy is to provide 400 houses every year. But we have not been granted the support in this particular budget, the commercial building allowance to support work locally. So what is going to happen? People purchasing these houses are going to be travelling to Douglas, Ramsey or Port St Mary where they have been given this commercial building allowance.

It seems that if you run down your constituency, complain that you never get anything, then the government provides these incentives, but there is nothing in my area. We are providing houses but we do not get the incentives. Six years ago this government did spend £6 million in my constituency, and that will be for ever thrown in my face as money spent in my constituency. Other areas have also had money spent in their constituency, but they moan all the time that they get nothing.

The £6 million did not revitalise Peel. It has not been our saviour, welcome as it is. The House of Manannan serves the tourist industry, but it has not served Peel. Peel is in need of urgent government support. Traders find it hard to compete with the large shops and supermarkets in Douglas and Ramsey. I have heard nothing in the budget to encourage me to support it.

Peel is doing its bit. Now government should be supporting us. In fact, I felt sure that this initiative, when announced, would be supportive of Peel so that Peel could be treated fairly, but obviously I was too trusting.

I also make a fairness for educational building development. I do not want to see another primary school; that would be divisive, I feel, in my constituency, but I do want children to go to the same school, and I do think that the Department of Education should be more imaginative and should be spending more money in Peel prior to the 2005 in this budget.

Eaghtyrane, I must also make a plea for a number of areas for spending. I welcome some of the initiatives, the pensions, but we have already had that introduced before this budget, support for children, more money in our pockets to spend, but, as I have said before, we need community investment for children, young people, for families, for the elderly. Money in the pocket is not everything. As the Treasury minister said, a budget is not only about taxation. I welcome some of the investment in the west, but it has come after a long and hard fight to get anything. It would seem that even to get the high school, the people in the west had to fight much harder than everyone else has had to fight. In the same way with the pool for the west.

I would make a plea with the increased spending in the health section of the DHSS and I have raised it, I think, at each policy and each budget debate. This is regarding health promotion, 11.7 increase on the health side, but this is mainly for medical management, not keeping people healthy or encouraging people to have a healthy lifestyle or preventing illness in the first place, and I would again make the plea for health promotion. Where are the adverts about AIDS? Most young people have never seen an AIDS poster. Where is the education about underage sex or safe sex posters? Where are the healthy heart promotions exercises?

**Mr Downie:** The canteen.

**Mrs Hannan:** What do we do about preventing obesity, which is a huge problem? I know we have this initiative on drugs and alcohol, but what are we doing to try to deal with the problems that drugs and alcohol cause? We are very happy to receive the money and the duties from alcohol, but what are we doing to try to cut down on alcohol. Yes, we do not allow advertising of smoking but we do not do anything to try to stop and prevent the problems that come about by the abuse of alcohol. It is a huge and major problem.

There need to be many more people concerned with dietary advice, and we have heard many questions asked about diabetes and all those sorts of issues, and it is very important to treat those issues, but one of the difficulties that I have is that we should have people advising people on dealing with some of these issues and especially their complications.

I am concerned that we tend to wait for people to get ill and then put them right, but government can also be proactive and be more active the help and continued help that we could give through health promotion. A number of years ago a health promotion officer was appointed, a Mrs Quayle from Noble's Hospital, but I do not know what has happened since that time. It seems that it is more a job created for that particular person than to actually do a job of attacking some of these particular issues. It is all very well us providing more money into the DHSS, but if we are not doing some of these proactive things, then I think, in a way, this hole will continue to be there and we will continue to pour money in to satisfy the concerns that have come about, and one of the reasons is our higher standard of living.

Another of my concerns, Eaghtyrane: the minister stated in his document about keeping out those in relation to paying income tax. Whilst some of us can be pleased by the budget that puts some money into our pockets, the minister said, 'Keeping out those of modest income out of the tax bracket,' but in many cases the people that we take out of the tax brackets pay more indirect tax, more percentage of their indirect tax, than those of us who are able to pay tax and therefore a higher percentage of their income actually goes on tax than people who pay tax, and especially those who have been relieved to some extent on the income tax which they pay, and I am concerned that the higher majority of our income comes from indirect tax than from income tax. The ability to pay tax is one of the areas which I think is important, and we should stay with that. Modest incomes and the higher percentage goes on value added tax.

There is not an easy answer to this because I think the message that the minister is trying to get over is that we are a low tax area, and in actual fact, when more of people's income is spent on value added tax, than paying tax, then I do not think there is a fair distribution of wealth in that particular area.

As I have said before, I welcome some of the initiatives that have been brought about by this particular budget, but a budget is more about taxation, it is about supporting areas and my area in this budget has not been supported. There is development needed in my area to provide houses to support communities and we are suffering from government policy, the government policy of planning, of allowing developments outside of town centres. We did have a policy of not allowing that; obviously the Planning Committee approved these developments such as Tesco's and such as other out-of-town developments and it is at the expense of town centres, and I would say to government

today that I hope that the next budget is more supportive of Peel and the west than this budget has been. Thank you, Eaghtyrane.

**The President:** Hon. member for Douglas North, Mr Henderson.

**Mr Henderson:** Thank you, Mr President. A good solid return for the year - £393 million in estimates. It is quite obvious that we are doing very well, a government capital programme which will no doubt be the envy of other countries. This economical health check shows the Manx economy to be robust and fit: a £22 million surplus, £14 million to the reserve fund, £12 million to the e-commerce fund, tax cuts all round, new initiatives - very welcome indeed; a very clear and powerful signal to the community in general and business sectors specifically.

The Island's financial services are competing very well in the European and world markets ensuring a vibrancy obviously well able to utilise the competitive face generated by the Island. Consequent to that, it enables production of their services and packages, empowering them to stay and improve their customer base. The finance sector represents around 50 per cent of government revenue, a vital part of our economy. We must ensure that they have the environment required to continue to flourish.

I would insert a word of caution at this point, however, based on the present methods of scanning the market and assisting the Island's competitive edge and business attractiveness in British Isles terms and in the context of European and world stages. It is a drum I have been banging for a long time; the technical term is 'environmental scanning', continuously assessing what is happening on our own doorstep and on the greater world platform. I still feel we are not particularly strong in this area. It is a skill which has to be sharpened up. It gives us valuable information both current and forecasting, which in turn is invaluable for planning and ensuring we take into account all the available opportunities, watch possible threats and plan accordingly. We must also get out of the 'Oh, we can't possibly predict further than the end of this financial year or in a couple of years time' mind set. It is important that we anticipate events as much as possible and plan, as far as we are able, strategic planning and thinking to ensure success and *appropriate* growth of our economy - and I use that word purposely. It is also about not being caught by surprise and ensuring we do not suffer from any strategic drift, keeping our eye firmly on the ball, reacting quickly and positively to any changing circumstances or, if we have got it right, implement our own changes prior to any external impacts which may affect us, and to that extent I acknowledge the new tax strategy as one such excellent example, but a rare occasion.

All the main points of this year's budget report a good, in fact, excellent, and as such cannot be faulted. The Treasury staff must be thanked for their input and hard work in producing this document. Furthermore, all the staff of all government departments must be thanked for all their hard work in carrying out the wishes and desires of this Court over the past year in making today possible. It is certainly a great achievement for the Isle of Man and one that no-one would dared have dreamt of in the '50s.

In the face of such a statement I cannot offer any 'buts' or negative criticisms. However, there are some issues which must be spelt out for the Treasury minister and the Chief Minister to take note of and act upon over the next 12 months. We must work harder

to ensure a more diverse economy and Treasury must instruct the Department of Trade and Industry. Treasury minister, greater priority to environmental scanning especially in relation to monitoring external threats from areas such as the UK, Europe and the OECD. One of the most fundamental issues which at our peril we must not lose sight of while we might be basking in the warm glow of success: we must have a much more robust and sustainable housing programme which must match the needs of the ordinary people of this Island - the people who cannot afford £100,000 mortgages for a first or second-time buyer's house: our young people and folks who are not big earners, the people who do not earn the wages to enable them to obtain a mortgage usually based on 3<sup>1</sup>/<sub>2</sub> times main salary or 4 times joint salaries. That is a huge chunk of the Island's community. No amount of tax cuts are going to help here. We need a substantial housing programme and greater than we have at present.

I have added an element to help people in this process, my 'empty homes strategy' to free up empty property for accommodation, but this is only a short-term measure and one element in this housing crisis.

We have just put millions into the reserves, into e-commerce, into the tourism development fund, we are talking multi-millions on government capital projects, but what I want from the hon. Mr Corkill is to set up an equally substantial fund with equal priority to address what I see as the scandalous situation where our local people, the ordinary folk in the street, cannot buy a house, let alone rent one. 'We cannot make houses and sheltered accommodation grow out of the ground' is the cry; well, that is true, but to make any housing happen we need cash dollars a special fund, a functional policy driven and applied vigorously by politicians and staff who are completely given to the principle, and possibly a new housing section to achieve it - vision, commitment, funding and a willingness to step out of the traditional problem-solving areas and be creative. I charge the Treasury minister to make this commitment with the DoLGE minister.

This issue must be addressed in the present climate of full employment and encouraging new business to the Island. It all requires staffing - staff that have to come in from elsewhere and put extreme pressure on the housing market. It is a runaway train at the moment and the ordinary people in our community have missed it. This has to stop and it has to change.

Energy prices is another area where people are being hit hard and at the mercy of private enterprise monopolies. In this area I include gas, electricity, coal, petrol, oil, telecommunications and travel. I think it is now time to look at this whole area and see how best it can be managed for the Island. If we cannot nationalise this section, then we must operate a quasi-board system so there is an element of control. We need to be examining ways in which appropriate government departments or even a new Department of Energy and Fuels will have to be set up which may very well be in the business of procuring the best deals for the Isle of Man on the spot markets and devise the best and most economic ways to get fuels to the Island. We need to get the natural gas pipeline in here as soon as possible and the supply under the same sort of control, not left to one company. **(Mr North: Hear, hear.)**

Tax cuts for folk who do not earn big wages including pensioners, especially pensioners on small superannuation pensions, do not mean a lot - the 'grey area' people,

the area I have been consistently highlighting for a couple of years now. A substantial part of our community also need help. The pension supplement increase is fantastic, but in one hand and out the other in heating and energy bills is morally wrong in this present climate. We need a package of energy and telecommunications benefits which will address this made available to everyone on income support and an element of people on low incomes and all pensioners. The Island's wealth is being spread out for the community but in ways which are not of any direct benefit to the ordinary people. We must now begin to address this area. Thank you, Mr President.

**The President:** Hon. member of Council, Mr Lowey.

**Mr Lowey:** Thank you, Mr President. May I again join the other members in congratulating the minister and his team, and in particular I know it is improper really to name civil servants but it is nice to see Mr Cashen, who retires as the Chief Financial Officer - his last official budget (**Mr Delaney:** Hear, hear.) has been so successful. (**Members:** Hear, hear.) It is nice to see a 'home grown' man in the job, and having dealt with problems when they were difficult must give him immense pleasure to present a set of figures to this Court, and I think it should be on public record even if it does mean breaking with protocol. (**A Member:** Hear, hear.)

Can I take on the vein that the minister started, in a reflective mode. He said he remembers his first budget. Well, I remember how I responded to his first budget -

**Mr North:** Yes, so do we!

**Mr Lowey:** - so I will reflect on that. I think I said it was limp, it was bland, and those were the nice things I said about it! But the minister has come a long way since then, and of course he used the word 'prudent' about a dozen times. Today he has only used the word twice, but I think the adjective that will be uppermost in people's minds is 'vibrant'. This is a vibrant economy that he is presiding over and helped to create and it is one that will reflect on the Isle of Man. That is the point I want to stress here this morning. We have two constituencies here this morning, the local constituency and the external constituency, and it is very important not to underestimate the external constituency we are addressing; that is the world in general. This budget will be seen as underlining and underscoring the stability of this administration and the Isle of Man as a destination to do business in, and that of itself, I think, is very important and also underlines the problems that we are all talking about on the local scene, that niggle that somehow we are being left behind, and I think it is right that you should address that because I have been addressing public meetings in the last month or so and it is there. However, I am one of those politicians that say I am not dodging that, I am for economic growth; it means there is a price we have to pay but, as the hon. member for North Douglas said, if we tackle those problems meaningfully I think we can ride the two horses at once. I have to say to you that in my view the Treasury have come up with a way of boosting the economy by releasing over £10 million into people's pockets. I think that is a healthy sign for local industry and local business, to be assured that for the market they service here in the Isle of Man there will be more resources available. Government will certainly get a share of that in increased revenues next year and I think the Treasury will have underestimated their surpluses next year, just as they underestimated. . . the minister shakes his head, but I am pleased to say

that he gets it wrong every time, always on the right side, I hasten to add. That is not being complacent; I think that is just being factual.

I am also in support 100 per cent of the £8.7 million support to industry to help, to create, to give confidence, to allow, and we have talked here this morning of wages; that is one element of business cost - one element, and I look at the Treasury minister and say, 'one element' - but we are addressing that, we are giving, as we gave last year, substantial help, and the year before that, substantial help. This year is, I would suggest, even a record on top of record investment in industry and it is right. I am all for investing a pound if that will produce £3 or £4 for government further down the road (**Mr North**: Hear, hear.), so I am in favour of that as a policy.

The minister says it is only right that the benefits that have been created by all through growth should benefit all, and I endorse that. I also recognise when he says that like most members who have spoken so far, there are people who do not benefit from this budget just as there were last year and which I remarked on then. He says, 'Be patient'. Well, we have had committees and I am quite prepared to accept his assurance that this is being addressed and will be progressed as speedily as possible. It is complex and I appreciate that; if there was an easy answer it would have been found before now. But, having said that, do not test the patient too long because I think there has to be an end where we do have to think of tax credits, however difficult they may be, and implement them, and if we are looking for perfection, minister, do not look for perfection, grab another chunk of those and help those as an interim measure, and I think you will be universally applauded.

Can I just say that on page 2 of his speech he said, 'A significant start has already been made with the tax strategy and e-commerce programme and other initiatives, but more will need to be done to secure a vibrant future for full employment, higher added-value activity' - and this is the point - 'and of managed development wherein growth can be achieved without commensurate increased pressure on human resources in the Island's infrastructure.' Oh, I think you are dreaming a bit there, minister! This budget will increase the Isle of Man's place as a destination for retirement, for work and for investment and for places to invest in. I think that is inevitable and I think it is a good strategy, but I think we do have to be very careful that we do not over-egg the cake, but I do believe this budget will certainly add to all of our problems, it will make this place much more the place to be. By the way, that is what we have been selling; the Isle of Man is a good place to be, so I think we ought to be aware that this budget will increase the pressures, not decrease them.

The minister mentions further in his speech his efforts and the Treasury's very successful efforts and the government's successful efforts in dealing with the OECD. I would endorse their approach. I think 'jaw jaw' is much better than 'war war' and the influences from inside can be meaningful; I commend them for us and I hope they continue with it.

Can I come back to a couple of points, and these are for what I would call the internal constituency now, the Isle of Man. I notice in the companies element of it he says, 'As announced in November last year I intend to increase the fee for an exempt company and an international limited liability company from £400 to £430' and a non-resident company is to be increased from £800 to £830. Perhaps the minister could tell me why, if £400 companies can be increased by £30, an £800 company should not be increased by, if I use

the equivalent, £60? Why are we increasing one proportionately more than the other? It may be just a mathematical thing, I do not know, but it is one which strikes me as out of keeping in the taxation. Those bigger ones should pay more, I would have thought.

Can I come to Port St Mary and getting this zoned as an industrial development or a tax-free zone to help investment? Ramsey we can understand; they have a plan. You have already announced that Port St Mary does not have a plan but we will include and extend this scheme to Port St Mary when it does get a plan. But with an election looming I think we can say it will be a year before we see a finished Port St Mary plan. Doesn't this pre-emption - in other words, signalling in advance that we are going to zone places as a tax area - actually make it more advantageous for landowners to want their land included in this zone, (**Mr Delaney:** Hear, hear.) and therefore are we not interfering in a market really that is very difficult to define? I just wonder how the minister can say. . . Now, if he had announced today that Port St Mary - the whole of the village district - was going to be, then I could understand it, but I cannot fathom this thinking, really, that further down the road when we have a village plan we will make an area of it, but perhaps the minister does have that answer for me.

But can I say in overall terms I am supportive of this budget and the strategy that lies behind it, and I do believe that the minister and his team have done a very good job. I think the Isle of Man will broadly welcome this budget. I do not think putting tax rebates of substantial amounts to people has ever being given back in this way, and I think that will be good news for those that pay tax. The increased spending on government services, especially health and social security, I know will be welcomed. I know it will not achieve everything but the pensions are truly remarkable to those who will receive them, I am sure that will be very welcome. We talk about the quality of life of the Isle of Man and the investment by government in that and, as a member of the Department of Tourism and Leisure which - and here, perhaps, I am tempting fate - in the next 10 days to a fortnight we will be opening the newly extended National Sports Centre with its indoor bowling green and extra sports facilities and new squash courts. Again I think that ought to be shouted that that is an investment in the people and the quality of life that is being offered to the people of the Isle of Man, and I would warmly welcome the Treasury's £4 million provision of an investment fund for the tourism industry, and the recognition that that gives to that industry in its role of creating new wealth for this Island. I think it is to be commended. We had seed corn last year; I think the results have been pleasing enough to give confidence to the Treasury to put £4 million forward, and I hope and I can assure him that will be invested hopefully very wisely.

So on all fronts, from a personal departmental view, from an Island view and from an external view, this is exceptionally good news in this budget and the budget should be supported wholeheartedly.

**The President:** Hon. member of Council, Mr Delaney.

**Mr Delaney:** Thank you, Mr President. Following my colleague and also my fellow colleague from the tourist department I want to stand and say immediately to the Chief Financial Officer, who I have crossed swords with on many occasions over the last 26 years, 'happy retirement' when it occurs and thank you very much for the efforts you have made in your position and for this budget particularly, because the target some 25 years

was to get to this stage where we on the Island can hold our heads up and say, 'We made it' and we want to stick with it for the future. Unfortunately like every economy that does well, it will attract certain elements which will make life difficult for the rest of us who have achieved what we have achieved today, and that is what I want to address my thoughts to on the budget. I am grateful, Treasury minister, for all the efforts of you and your colleagues. I am particularly grateful for the way the budget has been spent to help all the people of the Isle of Man who are here to enjoy it.

An Island will naturally, as I have said, attract elements which nobody wants and we are seeing, unfortunately, heads rising above the waves around us. My colleague who has just resumed his seat has pointed to one direction in relation to those difficulties the Manx people which we are trying to address in relation to housing and development, and it has been raised by a number of members. That will be, for a heated economy on an Island, one of the things that will be tackled, and I know the government will tackle it in many different ways.

The Chief Minister in his speech mentioned the fact that he is going to circulate - and I do not think anybody else has mentioned it - the details of this budget to the people on the Island. Could I ask you, minister, when you are doing that, would you also include one small thing: just inform those people who have reached retirement age and will reach retirement age how it will operate in the future, please, in relation to the increases that they will enjoy in the years 2002, 2003 et cetera, and how it is looked at - the percentage increase they can look forward to, whether it is tied to inflation, to the cost of living, because they will be interested in that because already they are asking the question. They have eaten this meal and now they are looking forward to the next. It is a small thing but I think it should be included.

The situation also, Chief Minister, in relation to the Island's economy is when we are looking at how the cake is broken down, and I am now going to address the police in the Island. I am happy with what is being attempted in the policing section, and only the minister and his Chief Constable and the members of the constabulary know the difficulties they have. I am hoping for the future that when the government is breaking down how they spend the money - I am sure other members are - we try to keep on this Island a very strong policing factor in relation to the community, because it is all well and good having an economy that is booming like ours, but if the people on the Island cannot enjoy that economy because of the difficulties they may face, I think we should be prioritising the spending of more money on the policing of the community to make sure that they have the opportunity to enjoy it, and certainly, if a battle has to be fought I would like to be in that battle with the Minister involved, from Home Affairs to ensure that is done, because that is what one of the next steps has to be as well. We do not want to be a 'boom or bust' situation as unfortunately other islands have seen where in the actual community the quality of life is lost because of the god of the finance sector. We appreciate the finance sector and what they have done for us, but I am sure there are an awful lot of people on this Island who will be conscious of a deterioration in areas of their community's well-being because of those elements that will take advantage of them. I hope that the Treasury looks favourably on the Minister of Home Affairs when he comes to that issue for the coming years, because there will be a need I am sure; the people of the Island will be asking for it, asking for more to be done to ensure their quality of life.

The OECD has been mentioned by Mr Lowey and I am the same: I am hopeful that now that we seem to have some sort of accord with that wonderful organisation, which we were told some years ago did not really matter, if you remember the questions that were asked, they were of no significance at all. If we have a very short memory, of course, it does not matter, but if you are like me and you can think back a couple of years, they had no importance to us. Now it becomes a subject of a Treasury minister's budget speech. The fact of it is, they are important on the image they can create in relation to the Island and I am appreciative of the accord they have, but they should be told and made clear that it is this Island and its community that we are looking after, not some grouping of people who want to make the world a level playing field, because the fact of it is there is no such thing and if the OECD is ever to work, as far as I am concerned it will be a lifetime before it ever works, because you cannot see, and nowhere in history will you see, that many states being able to settle certainly tax affairs in relation to getting a level playing field, and I doubt it will ever happen.

I am grateful, as my colleague is also, to the belief in tourism. It is only a small part now, some six per cent of the economy of the Island according to the statistics thrown out by the Treasury, and I hope that can grow, but it is a very important part of the economy, as are other sectors, but this one is because the beauty about a tourist is he comes over, spends his money and goes back, and that money is then used by the Treasury hopefully for the benefit of all of us. I am hoping, minister, that the situation will be, when we do get down to people claiming on that particular fund for development, that with yourselves in the Treasury, the Department of Tourism will be able to justify the confidence. If they are queuing up already I can point them in the direction of Mr Geoff LePage, who will be waiting at the front door to receive that. That is the gentleman who will be handling them.

As I have said, I welcome this budget. I am heartened that now we have got to this stage we will be working not to have a two-group economy, those with and those without, and I would warn of the experience of history of places where a boom has arrived. There has been a tendency in places to leave groups behind. The only way this Island can ever survive, in my humble opinion, is by pulling everybody with us. That includes those at the very bottom. I think we are working towards it; I think with the support of the members of the House of Keys we can achieve it, but the day you forget those people at the bottom is the day you will regret, and the economy that you feel today will certainly, if anything goes wrong, reflect back on the unrest of a community. Mr President, congratulations, minister, well done. Let us look forward to next year now for more.

**The President:** The hon. member for Ramsey, Mr Bell.

**Mr Bell:** Thank you, Mr President. I am sure other members of this hon. Court, like myself, who have been longer serving members, welcome most wholeheartedly the results that we are debating here today. Those of us who were in position in the early 1980s in particular and even late 1970s will remember that these debates used to be pretty grim affairs altogether when we were squabbling amongst ourselves for crumbs rather than for the riches which we are faced with today. The debates then were more about job creation than overheating, so it is a wonderful transition we have achieved over the last few years to get to the position we are in today.

I fully endorse the positive comments which have been made to the Treasury minister about the way his team have presented the budget today and the balance we have struck within it. We have heard, also, comments about the pressures on the Isle of Man from outside internationally, from the OECD and various other organisations who are concerned about the way we operate our economy. However, I think one thing which stands out a mile is that the Isle of Man is not a parasite economy any more; it is not simply stashing away the profits in our banks. We are investing very effectively and very sensibly in the social and physical infrastructure of the Island to ensure that the financial benefits which we gain through the financial services industry in particular are used almost in their entirety for the direct benefit of the people through health, education, leisure, housing, whatever it might be. We are ensuring that the profits which are generated within the Island are put to very best use and that is for the long-term benefit of our own people.

However, I do not wish really to go over all the various areas of expenditure; I think they speak for themselves and really almost merit very little comment in this budget today, but I do have one concern which I did touch on in the policy debate and I think is something we should bear in mind very closely; in fact, one or two members have already touched on that, and that is that the management of success can often be very much more difficult and problematic (**Mr Delaney:** Hear, hear.) than the management of recession, and I have said on a number of occasions that I believe the Isle of Man has now reached a crossroads. We have achieved most of our financial targets over the last few years, we have reached the unenviable position of having virtually no unemployment on the Island, but where do we go next? The hon. Treasury minister has confirmed in his budget today the introduction of the first phases of his long-term tax strategy. They are to be welcomed and I am absolutely sure that business outside will be very, very pleased with these recommendations.

The introduction of the tax strategy, though, was, I think, two-fold. It was to reassure business that, bearing in mind the external pressures we are under, we will continue to support them and to protect their interests and also to stimulate diversification and new business for the future. Now, that is fine and I am fully supportive of his position and I totally support the overall government's thrust for growth. I think we have to go for it because without that we will not be able to get the benefits for our people, but we are in a position of nil unemployment. We are also in a situation where our neighbours - uniquely, I think, in history - are also suffering severely from labour problems. The United Kingdom unemployment levels are likely to drop below a million in the next month or two for the first time for 25 years. They are in many, many areas already suffering severe skill shortages. On the other side of the water we have the Irish economy, which is booming like it has never boomed before. They have rapidly falling unemployment for the first time probably in history, net immigration into the country because they cannot produce the labour they require locally to maintain the level of growth they are achieving. Every new job we create here as part of our new tax strategy is largely going to depend on having to bring people in from outside to fill those positions, and I believe there is a very difficult task ahead for the Island to be able to attract the right calibre of people in here to be able to fuel the growth in economic expectations of the Island. We have been very lucky up to date because I think the Island has had a fair amount of slack which we have been able to draw upon. I believe we have reached the day, though, particularly with the consequences of this budget, where that slack has all been taken up and we are going to be under increasing pressure in the

next two or three years, if the strategy outlined by the minister is successful, in acquiring and accommodating that extra workforce that we are talking about.

If we fail to do that and if we cannot achieve the expectation in growth which this budget predicts, then it could, four or five years down the road, lead to some considerable budgetary problems, because we will not be able to fulfil those expectations, because there is a cost, as the minister has explained today, to the tax strategy which we have agreed. Therefore I think we need to be very, very conscious of this and, perhaps internally, start to look a bit more creatively at what we can do to reduce our dependence on people coming in from outside. For example, the United Kingdom now are looking at the possibility of removing the compulsory retirement age. I think we need to do an awful lot more through the tax system, perhaps, or through any other channels we can find, to encourage some of our more senior employees not to take early retirement or indeed to come back into the labour market again if they have retired. I think that is one way which we can start to make best use of the workforce we already have within the Island and reduce our dependence on people coming in from outside. I think we should be looking more closely at stronger support morally and financially for preschool facilities, for encouraging greater support for child minders, to encourage again mothers to come back into the labour market to help out at that level. Both these can produce extra skilled experienced employees back into the labour market without any extra pressures being put on the local infrastructure.

The other issue which has been touched on again, which we must not lose sight of, is of course the housing problem, but I certainly know in my own experience now that there is a trickle of young people leaving the Island because they cannot get adequate housing on the Island. They have work here, their families are here, but they simply cannot any longer compete in the local housing market, either to buy a house or to rent a house, and we need to make absolutely sure that we are doing all we possibly can in that particular area to stem any haemorrhaging from the Island because of the housing situation. I think a combination of all these three issues will not entirely, but certainly may well give us a healthier local employment situation, because I do believe, as one or two other members have said, that government has failed in one fundamental area over the last few years, and that is in its need to explain more clearly and perhaps more regularly to the people of the Island, the people we represent, precisely now, in the current new climate that we have arrived at, what the implications of economic growth will physically mean for every person on this Island. Yes, it means more money in their pockets; yes, it means more money to spend in the shops et cetera; yes, it means full employment, but there will, if we do not manage this properly, be a commensurate downside on the environment and the quality of life which we have come to enjoy.

If the growth continues there will undoubtedly be a continuation and perhaps an acceleration of the cultural change which has been taking place on the Island (**Mr Delaney:** Hear, hear.) over the last few years. There will, like it or not, be a change away from our traditional Manx way of life, which may or may not be a good thing, but it is something we need to be conscious of, I think, and be clear that these changes are taking place and we do recognise it and we will as a government be doing our best to ensure that these changes are mitigated.

I think this is a fundamental issue which we need to grasp over the next two or three years. Certainly after the new government comes into being it needs to have this as its top priority, because if we cannot take the people with us and we are seeing increasingly single issue groups around the Island now opposing any form of development which comes along, all of this is consequential on economic growth. Whether it is a housing development, new business, marinas, whatever it might be, every new proposal now which comes along is being increasingly fought in a more bitter way and we need to ensure that whatever development does take place in relation to economic growth does not lead to long-term serious division within Manx society, because I think if that happens, all the good which is coming out of this growth will be lost and the benefits which we are hoping to generate fundamentally and primarily for our own Manx people will be lost, and the worst thing we can possibly leave to our future generations is a bitter and divided society. The loss of harmony I think will lead to the Isle of Man being a less attractive place to invest in and ultimately that will lead to a downturn in all our fortunes.

I do just want to touch on one or two other areas of concern. In a general sense the budget is beneficial probably for almost every section of the community this time. I think the Treasury team have done an excellent job in trying to identify areas which have been identified to them by members of this hon. Court and the Council of Ministers, and they have done their best to ensure that this is an inclusive budget and I think by and large they have succeeded, but I would just reiterate again a point I have made on several occasions now: that I still believe strongly that our Achilles' heel could be the way we deal with the various rates issues which are coming along. The impact of the water rate is mitigated for one year, but what are we going to do after that? Equally, the possible impact of the sewerage rate and the refuse rate in years to come. Now, I know these are all issues under discussion and will need to be addressed at some point, but I do believe that if we get our treatment of these particular rates problems wrong they are going to hit the poorer end of our community disproportionately and this area will not be benefiting from tax benefits, but they will be disadvantaged by rates increases, and I think we need to look very, very carefully at the way we handle these issues to ensure that all the good, all the benefits which are coming out of the budget today are not counter balanced by these unexpected bills a year or three down the road. (**A Member:** Hear, hear.)

On a happier note I am grateful to the hon. minister for at last recognising that Ramsey in particular needs some economic stimulus and I think the proposals that he has put in the budget today for the capital allowance treatment for development, new development and major refurbishment within the commercial section of town will be very welcome to the business community in Ramsey. It is something they have been calling for for a number of years and I, like my colleague, have raised this issue with the minister on a number of occasions and I am very pleased now to see not only that this proposal is coming in today, but also it is coinciding with the first positive signs of positive stirring in the Ramsey economy. We are now being presented with a planning application which will unlock a large part of land in the town for development, for first-time buyer houses, for second-time buyer houses and indeed for office and industrial development. This is something we have been grappling with for 10 or 15 years, and it is heartening to see at last that the opportunity for economic growth in Ramsey is possibly about to become a reality.

The hon. member of Council, Mr Delaney, has called for an improvement in resources for policing on the Island. I can assure him that the police resources will be increased yet again this year. We are now approaching something like a 14 or 15 per cent increase in police officers on the Island over the last four years. We have seen the biggest increase the police service has ever achieved. We are equally seeing very substantial financial increases in the wider support for the police. The budget has improved dramatically really in the last four years and I would hope that that will increase. Later on in this agenda the hon. member will see we are hoping to get Tynwald support for the establishment of a new police station in Lower Douglas, something I am sure, (**Mr Delaney:** Hear, hear.) as it was his former constituency, he will be very pleased with and I hope the people of Douglas will be very pleased with.

We have done our best to listen to the concerns and suggestions of all hon. members in relation to policing. I recognise how important law and order is on the political agenda and we have done our best to respond to all the issues which have been raised with us. I suppose there is always more that we can do and, certainly whilst I am minister there, we will be doing our very best to achieve that, but I think the police have done extremely well over the last four years in terms of the level of resources, and I look forward to that continuing.

I would simply like to reiterate that this budget has my 100 per cent support. I think we have got the balance absolutely right, but I would just urge one of two areas of caution and to be aware, as I said earlier, that the problems of success are often every bit as bad and difficult to grapple with as the problems of recession, but that point aside, Mr President, I will be supporting the budget.

**The President:** Now, the hon. member for Douglas West, Mr Shimmin. Can I suggest, sir - I appreciate the time on the clock - that I would be happy to continue to, say, ten or a quarter past one.

**Mr Shimmin:** Thank you, Mr President. I have no intention of staying even that long with your permission, sir. (**Members:** Hear, hear.)

Four and a half years ago, when I decided to stand for office, I came in on a platform which was very narrow, in my view now far too narrow. I came in on an issue of education and young people and the affairs affecting the community. It became fairly apparent on arrival in the House of Keys that there was far more requirement on my part to understand where the economy of the Isle of Man came from. I spent a considerable amount of time trying to understand the apparent affluence that the Island was experiencing even in those days and to understand the mechanism and the individuals and the businesses which generated the economy for which we are all grateful today.

Throughout that time it has been encouraging to talk with people in the private sector, the dialogue which is going on with the Treasury and with government, but I found, a year ago, the opportunity to move into the Department of Trade and Industry, where much of the support to these businesses emanates, was an opportunity too good to miss. But within that area it has identified new areas to me which I was not previously that aware of. We all talk about capital projects, yet the construction industry on this Island, which has served us well during recent years, is very stretched, and yet again today we hear people talking about

accelerating the capital programme for their own pet subjects. The construction industry will respond as quickly, as well as it can, but only with the support of government.

There are major attempts to do that. One of the previous speakers talked about the skill shortages, and indeed on the Island there is an ever-increasing need for reskilling and retraining the people of the Island. So I am pleased with the movement towards a new training centre facility which whilst outside of the department I did not see as a priority. It is one where, to me, the requirement in the years ahead to have a far more adaptable workforce and to have the facilities that are modern and suitable to benefit all sectors of construction and business and finance services are all important factors, and therefore I am pleased to see we are moving on that, although that, like the rest of the capital programme, will take time to be brought into operation.

But with regard to the budget this morning, I do not wish to reiterate all of the successes and the support which I and others will offer, merely to say that in my discussions since the tax strategy was announced, the universal support from the finance sector and the business sectors means that this is an area which should be congratulated, and I wish the Treasury well as they continue the implementation of that strategy.

Little has been mentioned, once again, about the new funds or the expansion of the funds, and again I believe that that is the priorities of the Council and the Treasury identifying the future. The Treasury minister began by saying, 'It is not a time to necessarily look back, it is indeed with this budget an opportunity being put in place to look to the future' - very much with the e-commerce fund, with the tourism and leisure fund, and also again the land acquisition; we are planning ahead. One of the previous speakers implied that that is not taking place. I dispute that. I think that this budget does identify those areas of growth across the board. The commercial building allowance has been referred to and I do share the concerns of my hon. friend from Peel. The expansion in that area would mean that there is a need for greater consideration of that area, and I am sure Mr Speaker's comments have not gone on deaf ears.

My concern, however, today will be limited to two areas. The young people that I came into this Court believing that I could help to represent are an area which gets even less support and reference within this chamber than pensioners, low paid or any other body within the Island. The young people of our Island are a very difficult group to provide solutions for. What we have done over recent years in the budget is introduce a major expansion through the Treasury of those areas that affect young people: education, social services. Areas where problems can arise the Council of Ministers have prioritised, but that does not solve the issue. The young people in our schools and on our streets are still presenting problems to this Island, which have not been resolved and, as much as large amounts of money have been put into education, the most difficult aspect of solution will be the complexity of social behaviour, and we can introduce lap-top computers for teachers, we can introduce a whole range of funding and capital programmes within schools, but what this government, I believe, is still failing to identify is a satisfaction and understanding of the needs of young people. They do not vote, they do not have a platform and yet they are the ones who cause the most level of complaint by our constituents regarding the nature and behaviour of their actions.

It is regrettable on this Island that once again this year the Department of Education in the Pink Book refers to having to consider establishing another area for pupils with emotional behavioural difficulties. In recent weeks we have seen the secure unit being progressed within the DHSS. (**A Member:** Hear, hear.) These are necessary. We must not turn a blind eye to the fact that these young people, if we do not adequately resource their needs and facilities, will be the problems of the future. When hon. members talk about the social exclusion or the two-tier system of population we might have, I would say that these young people, who have a need and an expectation very different from those that we experienced in our day - if we as a government do not grasp that nettle, then we are stockpiling problems for the future. These people are the ones who will not be able to afford to get onto the housing market under any circumstance. The issue of the employability of some of our young people is one which still requires a great deal of emphasis, but I am more concerned with the social upbringing of these young people, who are still in large numbers hanging around the promenade, hanging around the parks because we have failed to provide adequate levels of alternative provisions. Youth clubs are merely one small sector of this community. Many young people do not wish to be associated with youth clubs in a formal setting, so therefore we do need to be a little bit more imaginative in our attempts to come forward with new schemes, and that is to the benefit of all of our community and specifically the young people.

That takes me on to my second area, which I believe the next House, whoever they may be, will need to start taking serious issue with, and it is a body I have frequently praised in the past and that is our own civil servants. The whole structure of government departments now is well established and has become at times rigid. The structure of this budget once again allows a large expansion of money going into departments for those departments to work up initiatives for the people within their sector. I am delighted that there is, albeit embryonic, a move towards joint ventures within the civil service, but I believe as a government we have now got a need to see mechanisms of getting the funding across departments, not merely putting the money into one basket, but to actually encourage ministers to come forward with schemes, interreacting with other departments, and the funding can be found and made available to them. I believe that we have a serious problem regarding recruitment and retention within the civil service and, in an island which is doing well, I believe that this is the life blood of the parliament for those people who actually provide us with data information and recommendations. I am aware that there is a chief officer's report taking place at present which is to look at the salaries of the people within our key posts within government, but already we are seeing again a brain drain from civil service to the private sector, particularly in certain areas of financial skills, and if we do not take action now it is at our peril. I believe that there is the willingness, I believe that there is the expertise, but at times I feel we undervalue that key resource which I would hope, within our own departments, we see as being central. I think now it is beholden upon the Chief Minister, the Council of Ministers, to ensure the succession planning of our civil service. It is no good talking about the private sector's future in years to come and positioning ourselves if we do not have the adequate resources in-House to service those progressions.

The Treasury once again have been in a fortunate position, but within that they seem to have resolved many of the initiatives to the satisfaction of all members. They, like us, are

on a journey. They will never fully achieve their targets, because once targets are reached they have to be exceeded and new targets set, but I would say, as I have said in the past, we are travelling in the right direction. The priorities exercised once again in this budget I believe to be appropriate. I do believe there is one thing we still fail to do, which is to get the message across. I believe internationally over the last three years we have become far more proficient at getting the message about the success of this Island to a wider audience. That must continue and I think equally, with a budget of this quality, with an economy in this position, we have some way to go to actually explain to the people the actions which are being taken, the reasons for those actions, and I do hope that we try to communicate a positive message, not underestimating the risks, not being complacent, but to promote the Isle of Man domestically as being a place we want to live. Thank you, sir.

**The President:** Now, hon. members, I think it is an appropriate time at which to adjourn. On recommencing our debate at half past two the first member to speak will be the hon. member for Ayre, Mr Quine.

*The Court adjourned at 1.06 p.m.*

### **Budget — Debate Continued**

**The President:** Please be seated, hon. members. Hon. members, we can continue with our deliberations on item two on order paper number 2 and, as indicated before lunch, I call on the hon. member for Ayre, Mr Quine.

**Mr Quine:** Thank you, Mr President. I must apologise to the Minister for the Treasury, for not being present when he delivered his speech. I would hasten to assure him that my absence was unavoidable and I promise that I shall read his speech before I go to bed tonight (*Laughter*) and it has nothing at all to do with my insomnia. (*Laughter*) It is a good budget and I do not think it is to be detracted from by the wish list of individual members, although we fully understand and appreciate on occasions such as this, members of course, do indulge to a certain extent in wish lists. After all we should recognise that this is the last year of this Tynwald and so little can influence matters in the short term. I think this administration has run its course and perhaps it is for us to recognise that in making our contributions here today. It does, I believe, represent an opportunity to sow a few seeds in the hope that the next administration will note them and perhaps nurture them. Exceptional economic growth almost inevitably, sir, produces pressure on the Island's infrastructures. I am talking about roads, drainage, housing, schools and what have you. In responding to these pressures there is a need to influence change. I am talking here about the the change that has to take place to the infrastructure. Without government seeking to influence that change, I am afraid the concentration will remain around Douglas and its outskirts or, to put it another way, around the honey pot. I can, of course, understand the preference shown by commerce and industry to locate in and around Douglas - the attractions of the Island's capital to the finance sector and supporting services to the finance sector. I think we can readily appreciate why they wish to be in and around Douglas. The fact that government itself is situated in Douglas is an obvious attraction and this is a matter which I feel we really should take on board and address. If we are going to expect a culture change in terms of the view taken by private enterprises in respect of their business opportunities, then I am afraid government has to lead the way in this respect. My regret is that too little is being done to influence this culture change, to get people to think beyond Douglas and the

outskirts. Industry in general and manufacturing in particular: again we can understand why they prefer to be near the principal port. That is perfectly logical and I suppose a poor second place in that respect, but must be in and around the airport for certain activities. If we are to influence change, I think we have to recognise two important considerations and we have to influence them through government policies. One is cost and the other, secondary matter in a way is the convenience, but mainly cost. If cost of operation dictates that they should remain in and around Douglas, that is where they will remain. Therefore we have to look at the influence that government can bring to bear to change that equation. To my mind there is an obvious need to exploit the present economic buoyancy, or the present period of economic buoyancy, to consciously divert new and existing business to the outlying areas. If businesses can be influenced to move away from Douglas, then the infrastructure pressures which are felt perhaps most greatly in and around Douglas - perhaps we can do something to alleviate those pressures and we can do something at the same time to ensure that the outlying areas have the means to sustain themselves economically to a far greater extent than is presently the case. Leaving aside for the moment the need for government to undergo a cultural change and decant elements of government from the capital, and I am convinced that this has to take place, the greatest impact that government can bring to bear in bringing about this change in terms of industry's business attitude towards being in and around the centre, is to look at the means by which government offers support for commerce and industry and see what changes can be effected in that direction to influence the change of views to which I have referred. The current financial support schemes operated by the DTI, if you look at them in the context of the matter that I have spoken of, offer no incentives for businesses to relocate and I would stress that in case that point has been missed: to relocate as distinct from new businesses coming in and trying to establish. I think there are two scenarios here. One is new businesses coming in and where they go and the second is taking the opportunity that is afforded by the present period of economic buoyancy to try and induce some businesses to relocate. I think there are two related but different matters here. The grant schemes that are currently operated by the DTI - and I have recently had myself briefed on these - I suppose to sum them up you could say that basically they come under two headings. The grant schemes firstly perform a uniform level of grant aid, irrespective of where the business is to be established. It is a uniform level. It is a percentage and it is applied irrespective of whether you are trying to establish a business north of Douglas or south. Secondly, the grant schemes that are currently there are restricted to the establishment of new businesses, not to the relocation of businesses. I have to ask myself - and I did when I read this budget with much interest - what does the budget offer by way of the commercial building allowance which will change that situation, accepting, of course, that it only relates to Ramsey and to Port St Mary? I feel that what is on offer through this new vision, while relevant in terms of the underlying principle - that is to get businesses out to at least these two areas - it does not materially change the situation and it certainly does not change the position in relation to the relocation of businesses. As I see it this fiscal concession appears to be limited to new businesses and only insofar as new buildings are concerned, although I suppose. . . I think the minister did intimate to us at the briefing a major refurbishment would probably come within the ambit of this scheme. Yes, it is, of course, no more and perhaps no less than what was on offer to Douglas under the economic development zone scheme that was in place a number of years ago, but I believe there is

one important and fundamental difference between what was on offer within the Douglas scheme and what is on offer under this scheme. That is, firstly, we are in a substantially different economic climate. We are talking about very severe constraints on manpower availability and the high associated costs which will come from any importation of labour if a new business is to establish in our present climate. So in the present economic climate, with due respect to the Minister for the Treasury, I cannot see - and I hope he can persuade me otherwise - how this new commercial building allowance will make much difference and how it will be materially beneficial in terms of its economic impact on Ramsey, or Port St Mary for that matter, given the time at which this is going to take place. I do not think it has that in prospect. I do not think it has that potential or it has that potential but it cannot come into its own because of the constraints that are currently applied. It does, of course - and I can understand this from a political point of view - create the impression of government having a policy for regional economic development, but I cannot see how much can be achieved through this scheme at this time. I really cannot. I believe that for this new commercial building allowance to have any prospect of success, there is a need to restructure, that is probably the right word, the DTI's financial support scheme and to restructure them in a way that they can compliment what is now on offer. But they will have to be restructured to provide a heavy bias in favour of the outlying areas - Ramsey and Port St Mary being the two that are under the spotlight here today. If we are offering a new business 40 or 50 per cent by way of a whole list of activities - support grants, capital grants, building machinery, setting-up grants, training, marketing, energy conservation, quality assurance, loans for capital works, tax holidays - we get all these schemes, but they are all uniform throughout. I am afraid all other things being even, unless we can change those schemes to put a heavy bias in favour of the outlying areas and couple that to what is on offer in the budget here today - I do not think we will get very far - but if we can - and this was at one time suggested by the then Chief Minister - if we can in fact change these schemes to put a heavy bias in favour of the outlying areas, then together with what is now on offer, I think something may be achieved. If those additional benefits are coupled with what is on offer, then I think something could be done in the outlying areas, but if what is proposed in this budget is to stand alone - that is the new commercial building allowance scheme - if that is just to stand alone I am afraid it will not achieve its objective. It will not achieve its objective. I think it is going to be influenced by our economic circumstances. In responding to the strengthening and the replacement of infrastructure, if we are going to bring that about in a meaningful way, then I think we need to address the second point that I identified earlier and that is the relocation of business. Only a short while ago, I was in discussions with a large construction orientated firm in Douglas with a view to them relocating out to what we would call an outlying area. The initial discussions we had were very good. It had the prospect of mutual benefit. I was interested in the land that they were on for housing and I was endeavouring to persuade them to go to an outlying area. It came to a halt when, of course, the point was made that relocation of an existing business within the Island cannot benefit from the existing scheme. So I think this is another matter that we need to focus on. We need to look afresh at these very good schemes that are in place within the DTI to support industry in the various forms and, I am afraid, change them to encompass not just the establishment of new businesses, but also the relocation of businesses. Then I think perhaps we will be getting somewhere. So, minister, I welcome the new commercial building allowance in that it signals something positive and some

commitment to do something to get business out to what as I refer to as the outlying areas. Regrettably, as it stands, I am afraid it will achieve little on its own. It must be accompanied by the full force of the schemes that are in place within the DTI, suitably amended, not just to cover simply new business, but to cover relocation of business.

The second matter that I would like to touch upon, which really does not have the same sort of national impact as the matter on which I have just spoken, is, I suppose, best described as a matter of trying to achieve fairness and equity. So my second point relates to private health insurance. I have had a chance to speak very briefly with the minister on this matter, but I am sure this is the right place to underline the change that I believe is necessary. It is private health insurance in the context of the benefits being paid under such a policy, that those benefits should be treated as income. At the moment the benefits paid under a private health insurance policy are treated as income and are taxable. Now the UK government determined in 1995/1996 that such benefits should not be treated as income. Ordinarily ill health is something over which we have little say. When it arrives it can, of course, be devastating and have implications well beyond the individual who is unfortunate enough to suffer the ill health. I think this is particularly so when ill-health strikes a person or a family at a point where the breadwinner is economically active - perhaps in his late 30s, early 40s - in mid life, if you wish. Now for most of us our circumstances are such that we have to fall back on state support, ordinarily I suppose by way of incapacity benefit. As we get older, perhaps it comes under the retirement heading. Rarely, of course, will such benefits fully compensate for the earlier income which has been lost, but to some extent it compensates. Any contribution towards the state benefits that we receive will have been through a national insurance contribution and general taxation. Incapacity benefit is, of course, not taxable. Some people, a relatively small, but increasing number, insure themselves against long-term illness. I would suggest they are to be commended for having the foresight and the prudence to do so. They are not exempt from national insurance contributions, they pay them just the same, or indeed from general taxation. In fact, they are more likely to be paying more in terms of taxation, but they do assume an increased burden by way of their premium payments for their private health insurance. Should the holders of a private health insurance policy become long-term ill, they will receive a benefit payment, which rarely exceeds, of course, about 50 per cent of what their earlier income was. This level of payment will preclude them from state benefits, at least not until the policy holder reaches what is referred to as the termination age within the policy. That would ordinarily be 60 or 65. It does not seem unreasonable to me that private health insurance benefits should be disregarded as income for taxation purposes. The existence of such insurance cover can represent, of course, a saving to the Exchequer in that it obviates the need for the payment of state benefits and the premiums paid have been at the expense of the policy holder himself, additional to any other obligations that he has had by way of payment of his national insurance contributions et cetera. Therefore, it just seems to me that this is a matter which should be addressed and where we should make a change in our law in relation to taxation or make an administrative arrangement in the short-term, transferred into the law later on, to provide that payments under a private health insurance policy shall not be regarded as income. I would suggest that the issue is substantially one of principle. Should the foresight, the self-reliance and the prudence of people who have provided for themselves by way of private health insurance policies be

recognised? I believe it should. Surely they should not be expected to pay twice for the provision of the public health insurance and again tax on any benefits which they may accrue. The loss of taxation in respect of this income would, of course, be inconsequential. So it is really a matter of equity, a matter of fairness, a matter of recognising the foresight, the reliance and the prudence of these individuals and I believe if we do that we will be led to a logical conclusion that the income from private health policies should not be taxable.

The final matter that I would like to touch upon is several members have referred to problems of managing success. I know this is trotted out all too readily perhaps, but I can and I do recognise that that is something that we have to seek to achieve, although it is not easy to achieve. However, at least in a corporate sense, I feel that we are falling short at the moment in trying to manage success. At times I am unsure - and if I am unsure then I am sure that there are many other people outside who are unaware of what the position is - exactly what we are trying to achieve. What is our policy in trying to steer us through the management of our success? Is the objective to let economic development have its head and flow unfettered? That certainly at times appears to be the policy, but I am not aware of it having been stated to be a policy. Taking a second scenario: are we talking of managing success by seeking to equate provision and demand? That is a second scenario, but I am not sure whether that is our policy or strategy to manage success. A third possibility, the third scenario, is it the policy of the government to do their honest best or to leave departments to do their honest best, often without any corporate direction, hoping that government and its component parts can ride the storm? I have mentioned but three possible scenarios, but the point I am making - and this point was touched upon this morning by another hon. member - is I do believe that we need to make a clear categorical statement as to the policy and strategies that we are applying to manage success. We, of course, have put through a Residency Bill, but with no commitment to follow through within any time frame to the secondary legislation. So that in itself creates uncertainty. What I was hoping was that perhaps we could get either by way of contribution from the Chief Minister or perhaps the Minister for the Treasury when he finally responds is a hopefully, clear and reasonably concise statement as to what is our policy. What are our strategies in seeking to manage success? Are we just letting economic activity flow, let it have its head, come what may or are we seeking to manage it by equating the provision with the demand? I am afraid if so we have failed in that respect and we are deemed to fail. Or thirdly is it the other scenario that I have mentioned which is, of course, keeping our heads low and hoping that departments will cope with it to their best ability. We do need - and this is a starting point in getting the message across to the public outside if we are going to explain the difficulties that we have, this is the starting point - we need a clear statement as to what is our policy, what are our strategies in seeking to manage success. If we have not got an understanding ourselves as to what we are seeking to achieve, then we certainly cannot expect the public to understand it and if they do not have that information and that understanding to hand, we are going to have real difficulties in trying to live with our success. Thank you, Mr President.

**The President:** Hon. member for Council, Mr Crowe.

**Mr Crowe:** Thank you, Mr President. I will try to be brief because a lot of what has been said I share with and share in, but I would like to say three things. First of all I would share in the congratulations to Mr Corkill and his colleagues and staff and, in particular, Mr

Cashen for delivering what we have all agreed is an excellent budget which includes lower taxes, increased benefits, a substantial capital programme and further transfers to reserves. These are all items of good news and we are all pleased to hear them and it is a reflection of a very buoyant economy, but what I really feel needs to be said is that we have a tendency to have the danger of complacency and I think we must not think that we have achieved our goal and we can now rest on our laurels. I think, as Mr Shimmin said this morning, politics is a journey and reaching targets along the way is fine, but we have to keep on the unending journey of improvement for the people of the Island. So we must not lose sight of the fact that there are further goals and further targets that we have to achieve. I think one of the most difficult objects that we have is maintaining our prosperity whilst protecting the quality of our unique way of life. This should really be on the forefront of our agenda. The other point that I want to make is really about competition and I know that it has been touched upon by others and the Treasury minister has mentioned the problems we are having with other governments and groups of nations. We do not want to fall into the trap of seeking to satisfy our big brothers in the form of the OECD or the EU or whatever without considering the effects on our ability to compete in world markets. We have heard of the level playing field, we have heard of the OECD and others moving the goal posts, so we have always got to be vigilant as to what we are up against, what we are facing. I do compliment the Chief Minister on his speech to the OECD in Paris. I think it is very important that, whilst we are fighting off the crocodiles, we are trying to empty the swamp, that we must make sure that we are not bending over backwards, that our competitiveness does not become such that legalisation, regulation becomes a strait-jacket in which we cannot work. I believe the Island's legislation and regulation must be a fair framework to work within and I would caution against over regulation as over regulation will stifle growth. The Island does face massive competition from other jurisdictions and we must continue to remain competitive in world markets. I am supportive of the budget. Thank you, Mr President.

**The President:** Hon. member for Rushen, Mrs Crowe.

**Mrs Crowe:** Thank you, Mr President. I do not wish to reiterate the speeches of previous speakers, but I do wish to congratulate the Treasury minister and his excellent team for what has been variously described as a vibrant, imaginative and I think twice according to my hon. friend for Council, Mr Lowey, a prudent budget. Speaking parochially, with the interests of Port St Mary in my heart, I feel the initiative for commercial building allowances will indeed be prudent expenditure. We have a draft local plan, with a very small area designated for mixed use improvement, mainly around the harbour location. And what does it say in the draft written statement from the Planning Department, a department that has adversely affected the south of the Island on many occasions? It says 'No new retail development will be permitted outside the designated mixed use area, with the exception of retail within the designated harbour area where this is ancillary to a future yacht have marina.' And who opposes any development around the harbour area? The Department of Transport who administer the harbour area. This is sensibly, of course, in case they have future use for that as a leisure facility for the Isle of Man. The draft 1997 statement: 'The town centre survey has identified three key areas which could be improved in order to positively develop Port St Mary. The nature of the attractions available, the type of accommodation available and public awareness of what the village has to offer. The

existing strengths within the village are the stunning coastline, the water sports availability, which may be developed to establish speciality outdoor activities which may include a yacht haven.' Port St Mary is a delightful village and I will encourage all to take advantage of the commercial building allowances, but I must agree with the hon. member for Ayre, it cannot stand alone. We must kick-start the reinvestment in these areas. There must be either a joint tourist and transport initiative . . . We have heard mention this morning of a £4 million tourist development fund. Maybe that should be used. (*Interjection*) Well, indeed, written to four years ago, nothing done! I will be looking towards that development fund to see in just what way it is used for the economic and social development of the Isle of Man. I do congratulate the minister for the rest of the budget. I felt I had to comment on the allowances that were so generously given for Port St Mary, but I feel that it is a very prudent step. As I say I will encourage all to take advantage of it, but like the hon. member for Ayre, I fear that few will. Thank you, Mr President.

**The President:** Hon. member for Council, Mr Waft.

**Mr Waft:** Thank you, Mr President. Just a few small points. Mention was made earlier with regard to the Civil Service and the shifting of staff to the private sector. That of course, does take place but it is a two way scenario as well. We also get people from the private sector and we are thankful for them and we appreciate their broader concept of the labour situation. We are reviewing at the moment the reward strategy and that is taking place as I speak. As members will know, we have a lot of senior executives retiring within the next two or three years and we are looking hard at the situation and we are going to address that. The senior staff that we are losing are excellent people and they are not so easy to replace. We will have to take very great care into assessing people for such senior posts and the rewards will have to be in place likewise.

With regard to the mention that was made from the member from Peel with regard to health promotion, I would like to point out to members with regard, for instance, to the money that we get from tobacco related goods amounting to £13 million. To actually think of that in place of the tragedies that take place within families with regard to lung cancer is absolutely unbelievable and I am very grateful to the Clatterbridge Hospital, the specialist in the North-West, who do operate on our behalf - an excellent service, The nursing staff, consultant radiologists and oncologist specialists do take particular care of people from the Isle of Man, but the cost to us with regard to plane fares, taxi fares and the tragic loss of life is unbelievable and it surely cannot go on without a lot more money and a lot more attention being given to health promotion on the Island and making youngsters, especially young girls and teenagers, aware of what they face when they start smoking.

With regard to Overseas Aid, I would like to thank the minister sincerely for the amount he has allowed us this year. It is a much needed addition to our funds. I would have liked to have seen it addressed as a percentage of the GDP, so allowing us not to go with the begging bowl every year for an increase. If the Treasury would like to give more consideration to this in the future, I would be very much obliged. The tragedies that happen around the world are quite unbelievable really and the loss of life and the necessary requirements for hygiene, health promotion - water, food - in the third world countries has to be seen to be believed. I do not think because we are in a relatively good situation here on the Island we can overlook the situation that happens around the rest of the world and

we must be seen to be helping others as other nationalities do. We are a nation in our own right and we have to take on our burden as well with regard to overseas aid. If we are not here to help others around the world, what are we here for?

With regard to pensions: somebody mentioned pensions earlier on and somebody mentioned private health care insurance. With regard to private health care insurance, I would respectfully request that anybody thinking of undertaking private health care insurance is to read the small print. They have not got a very good press lately and I would certainly advocate that, really, some guidelines should be issued by the Treasury and the Insurance and Pensions Authority should get together and get some basic guidelines for the people who are thinking of taking it out. The same with ordinary pensions as well. People need some guidelines. To take on the first one that comes along is just not good enough these days. Even the larger companies that have had respect from the rest of the community for many, many years are now seen as to be not producing what they should be producing. It is not as easy as many people think so I would respectfully suggest that Treasury and the Insurance and Pensions Authority do give some consideration to health insurance and retirement pensions for the future.

**The President:** Hon. member for Rushen, Mr Rimington.

**Mr Rimington:** Thank you, Mr President. There are just a few issues that I would like to address. First of all, I would be pleased to say that the hon. Treasury minister will catch my vote this time round. No intention of voting against what is a very well crafted budget. If I may just play the role of devil's advocate in one respect, which is the overall rate of growth of expenditure and the size of public expenditure, I am very much in favour of social expenditure and if we had been pursuing Thatcherite policies I would have been up on my feet arguing for much greater social expenditure, but it does concern me looking at it from the other point of view which is, can we sustain this level of expenditure and this rate of growth and public services into the indefinite future? The answer to that, to my mind, is obviously 'No, we cannot.' However the economy goes, this rate of growth cannot continue for ever and ever and what worries me that within our budget deliberations and our policies across the departments, that possibly little emphasis is on trying to find areas where we can restrict growth or where we can put in efficiencies and look for areas where the head count is not essential. By that I do not mean a mechanistic process of saying 'Well, we'll take out a cleaner here and privatise it, so that can reduce our head count so that we can employ a consultant or whatever,' because that actually does not change the real economic state of affairs - it is just playing with the numbers, - but to actually try and look at services and whether they are fully efficient, fully necessary. It is easy to avoid that exercise when we are in a buoyant economy and when there is a great deal of prosperity, but perhaps that is the time when we ought to be doing it because when the economy starts getting smaller and deteriorating, possibly nothing to do with our own affairs, but from circumstances outside, it may then be too late or then we try just to catch up.

Again in terms of the overall picture of managing success, as we say, and looking and seeing that our policies as we have them at the moment are attracting population growth, are attracting new business - and this is where the current consensus within the Court of how we are going forward - then I do think we do need to look much more closely at how we are going to cater for those extra people. I would argue that we do need to look a lot

more closely at the provision of a new town and give that a lot more urgent consideration, whether that is in the north or in the South or wherever. That is a possible way retaining a certain amount of authority of life and encompassing the rate of growth which we have been experiencing. Just to allow that rate of growth to carry on and that development just taking place in a higgledy-piggledy basis adding on to existing communities, is likely to create those divisions and the feeling amongst the population, especially the Manx population, that Tynwald is not really acting in its interests. So we do need to look much more closely at that.

There are a few points in terms of detail that I would be interested if the Treasury minister would be able to reply on. The first one is, under the Manx Electricity Authority, we now pay £7 and continue to pay £7 - the government pays £10 standing charge. I accept that when that was brought in, which was the changes in VAT a few years ago, but I really think that is an inappropriate subsidy. It is £42 a year and it is across the board, so we are paying £42 a year to the vast majority of the population who do not need it. We are subsidising their electricity usage and in environmental terms I think that it is regressive. In social terms, I do not think that is very well targeted, a very good use of expenditure, and I would much prefer that £7 to be taken away, if necessary that we had to counter the effects on people on low incomes then in future that would be tied in - presumably it would be within the benefits system. An across the board standing charge like that, being subsidised as a general taxation, I cannot see any rational argument for it any more and especially with falling prices in electricity. I would like to see, Treasury minister, whether some of that money could be ring-fenced for environmental and energy conservation issues. That in itself would help reduce the overall energy bills for the population and have a wide benefit in that respect.

The second area, which I have quite not come to terms with yet, is the £12 million that is headlined for e-commerce initiatives. It seems, in the documentation, that £4.5 million of that is put down as far as the ICT programme within education and obviously that is quite a clear expenditure there. I do hope that that would be balanced by a certain amount of expenditure to encourage sport within the schools because we do not want all our children sitting at computers during their lunchtimes and break times, but I can see where that money is going. Whether that £4.5 million in education on ICT actually gives us that educational benefit that that money equates to or if it could be spent in other ways, I am not sure. I realise that that is an area that I would like to see discussed in the future. Then we have £150,000 which is for helping with connection charges. That is clearly identified and that should continue. So there is a remaining £7,350,000 which is not clearly itemised in that £12 million and most of it, as far as I can see in terms of the wordage that is put in front of me, relates to the MAGIC programme, to the development of electronic communications within government and the government interface with the population. I do not honestly see how that in itself justifies that amount of money and is actually going to help e-commerce in that respect. Yes, there is a need to develop e-commerce but I am not quite sure how the money that is being allocated towards it is actually going to achieve that affect. Maybe the hon. minister could expand on that when he replies at the end.

The other area which I notice we are continuing to spend large amounts of money on is in terms of our agricultural support. I do not want to waken up the hon. member for West Douglas too quickly on that, but we are now paying, including the BSE payments, close to

£9 million in agricultural support. I do not begrudge one penny of that. I think it was necessary and I think it is important to keep what I would call a core industry, a foundation industry and an essential part of our community on its feet through these difficult times. What does worry me again is, is that sustainable or appropriate in the long-term? If central government is going to be paying that amount of money then should we perhaps not, obviously with the full consultation and wishes of the industry themselves, try to see whether there is some other means where that £9 million can be spent in a way to bring the industry forward and into a new and healthier position. I do feel that the industry, not through its own fault at all, is tied in with the European Community, is tied in with the adjacent island and the subsidies that are available there. That position, I think, is pretty unsustainable on a European wide basis. We seem to have lost track of the basics of our food production system and maybe this is an area where the Isle of Man could possibly look and say 'Well, hold on, if we are going to spend this amount of public money, then let us then make sure that it is spent in a slightly different way to develop an industry which can genuinely stand on its own two feet.'

The last point I would like to mention there, Mr President, is in terms of how the direction of the economy is going to go in the future and this aspect of diversity of employment. I am still worried that we are looking too much at office based activity, especially with development of e-commerce which I know will complement and possibly take up any slack that might occur in the financial services industry if that was to arise. I do remember from many years ago, on my first teaching practice, entering into my first classroom with a wonderful list of things I was going to do with these children in terms of their mathematical knowledge and coming to a very rude awakening that what I was going to tell them was in fact nowhere near what they were ready to listen to. The majority of children, or a great number of children who come out of our schools, whether they have GCSE results or not, are actually not suited to the office environment and not suited to anything which is remotely academic and so we do need to try and get the diversity of employment and build on that and not find that diversity which we are looking for - and there are obviously genuine attempts to try and do that - is being hampered by our over success in other directions. I think that is also part of our general social issue, that we do have that range of employment opportunities within our community.

Mr President, I think that will do for me today. I would like to congratulate the hon. Treasury minister and hope he will accept my vote on this one occasion.

**The President:** Hon. member for Onchan, Mr Karran.

**Mr Karran:** Mr President, I think, like the previous speaker, I support the budget in most of its aims. There are things that I am concerned about.

I think that we have heard, like the previous speaker talked about, one of our traditional industries, the likes of agriculture. I think the big problem you have when you look at the likes of agriculture in this country and one of the diseases we have had and which we have to break out of if we are to survive long-term, is this idea of blindly following the United Kingdom or what some in this hon. Court would say their mainland is. We have a big meat plant that costs millions and a little office for marketing. The issue we have to deal with, if the hon. member for Rushen is going to have an industry in agriculture, is we have got to start looking for new markets. Maybe that is something that is lacking within this

debate today as far as the budget is concerned. Maybe we need more of an aggressive policy on green issues, on environmental issues, as far as the Island is concerned. Maybe that is something that could be lacking from this budget today, but I think it is too easy to criticise. Success can be as hard as failure.

What I would say . . . I think one of the things that has saddened me today or saddened me in recent times, is that one of our ministers can come and tell us that one in eight of our people are working for under £5 an hour. What is in this budget if that is the case? We have seen figures in the paper that there are 4,000 plus people out there working for less than £5 per hour. I hope that that is not the case. I think that if that is the case, then maybe we should be moving some of these grants that we have been giving to finding positive ways of helping those people in our society. At the present time I did not think that we had such a problem as far as that is concerned, as far as low pay was on the Island, but obviously we have if our ministers are saying so and obviously this is something that maybe the Minister for the Treasury should be looking into as a way of hitting that element of the market in order to help them.

We had Mr Speaker as one of the first speakers on his feet talking about the economy and how it is doing well and how we have done well, we have done well with the OECD, but that has not gone off the scene, hon. members and I believe that this budget, is a package of measures that we have got to sort out, one of a number of measures. The fiscal policy has to be part of the environment that we provide the security so that the economy can grow. We must be the first generation for more than likely the last 140 years, where we are not sending our people as economic refugees to the four corners of the globe. We must make sure that we do not delude ourselves into a false sense of security as far as this is concerned and the budget in front of us in our present economic growth at the present time. It frightens me when I see this government, which has to create the atmosphere to make the economy blossom, allow itself to be devalued into some sort of devolved government of the United Kingdom. We have never been part of the United Kingdom and long may we never be part of the United Kingdom. But if we do not look after the other issues that come along as far as the budget is concerned, the issues of sorting out the legislative competence of this hon. Court and of the branches of Tynwald, then the whole issue can be simply done away with overnight. It is no use being able to strut around and say that you are a minister if you have the mentality of county councillors of the adjacent island and if we have not got these sort of issues addressed as far as the budget is concerned and our legislative barriers up to protect the Isle of Man. What I do not want to see is a situation where when the Brits are in a corner over their City of London jobs, that they are able to come along and throw this country to the wolves. That is their history. It is all right people wrapping themselves up and wanting to change our history as far as that is concerned and that is as equally important today, in my opinion, as the fiscal policies that we see in front of us today as far as making sure that we have the different?? financial packages together. But that is important and that is something, I believe, that this House and this hon. Court has to address sooner rather than later. It is no use leaving that in a grey area, until there is a crisis, because then the problem will be how many will have the backbone to stand up and protect this nation from allowing us to go down the tubes and back to being a poor waged economy.

I believe that there are issues of need and I applaud the minister. He has put in £15 million in the public sector and he cannot be the bogeyman for all the ills and all the badness and all the problems within the Court. He has a part to play (**A Member:** Hear, hear.) just like everyone else in this Court has got a part to play, if they are allowed to do so, but at the end of the day when we look there, as far as public sector housing, we are looking back at a position that has been aggravated out of all proportion through years of neglect and rhetoric that has been followed from the United Kingdom of trying to get away from building local authority houses and trying to make out that houses that we have seen in newspaper reports and advertisements are new houses when they are building houses to replace existing houses. I believe that £15.1 million for public sector houses is not really enough, even though I am concerned when I look at the capital programme and I see that there is £100 million odd of virtually new schemes to add to the couple of hundred million pound schemes, that are overflowing. I do not think there has been the real audit, the real rationale, when we look at some of the capital projects. Is there really the need for the likes of £0.5 million for the likes of the Sound Café redevelopment at the present time? The question needs to be asked. I have to say that my priority on the capital scheme has to be public health, public safety and diversification away from the very closed economic base that we have got at the present time as far as our finance sector is concerned. I think that there is far too much political tokenism within some of the issues that are being addressed within the capital programme and these are the sort of issues that I am afraid have to be put back, in my opinion, until we are in a situation where we may have an unemployment situation again. I am concerned about that. I am concerned that we have really not addressed the fundamental problem that we have on housing, which we hide away. I am afraid that I do not agree with my colleague when he says that there is not a crisis. There is a crisis, there is horrendous crises. We have a situation now where we do not know where we are putting people. We have voluntary organisations that we try and palm them off onto, but at the end of the day in this budget, I would have liked to have seen something in here to break away from the cartel that have got us - and we have allowed it, through wanting a quiet life in this Court - to keep the property prices up at the present time. We heard the hon. member for Peel talk about 70 houses, but they will not be houses for ordinary working people, they will not be houses for our labourers and our tradesmen who work for us in the different departments. I get very annoyed in the budget debate, when I hear some of my colleagues on about 'rich council house tenants' as if they are the fault of the housing crisis at the present time. It is nonsense, it is absolute nonsense. I was at one yesterday and I had one of the commissioners rattling on about these rich council house tenants and I turned around and said 'You could not afford, with no equity today, to go and buy a house and I would not on the salary of being an MHK in this hon. Court. I would find it difficult to afford a decent family house today.' So let us get away from the shenanigans over the housing crisis. The housing crisis is here because this House has refused to deal with it and that is not the fault of the Treasury minister. He has to pay his part of the package as far as that is concerned. But I would have liked to have seen some sort of real fiscal policy for housing. I would like to see the part-equity/mortgage scheme which I have cried about, I have whinged about for years. I know it will come along, but so may of my ideas come along too little, too late. I do feel that maybe we can put a marker down for the next House to look at the likes of that as one of the ways that we have to deal with the housing crisis that has affected the economy of the Isle of Man because the housing problem is not just for us.

The housing problem is out there and will affect the viability of the finance sector and everything else out there and if we become totally unviable, we will end up with a situation where we could actually help the demise of our own economy without anything else. So it has to be seen and I think it needs to be pushed up the agenda a bit further.

We have heard in this debate today about the manhead count. Well, I hope that is not an excuse for trying to privatise the situation. At the end of the day it is no use having good doctors if you have got dirty wards in hospitals. You need the priority and it is about team work. I do think that the one thing that we do have outside when they look at us - at this budget, and at this government today - is team work. I believe that people feel that they are dispossessed, they are disowned as far as this is concerned.

I think that this budget is wonderful in many respects but I do think, especially since we have been told that one in eight of our people are on less than £5 an hour, we really need to prioritise those people in particular. I will move off the housing situation as far as the budget is concerned but I would just say that I hope that there is not a plea for a new big housing estate. I want to see more houses built around the hamlets and I believe that is the way forward, so we can break the cartel that have the housing market on its knees for their own interests.

We heard the talk about the issue of the £10 one-off payment for the Water Authority and the water rate. Obviously we will take what we are given, as far as that is concerned, but if I had a priority it would not be taken off here. I would have loved to have seen the government turning around to me and saying, 'We will pay for all the lead to be taken out the system of our water infrastructure over the next five or 10 years.' Mind you, that would be a lot more dear. I believe that the issue of rates is an important issue and may be the reason this House has not had to address the issue of rates on IRIS and on the incinerator is more the fact that I would not take IRIS to the Water Authority when it was suggested many years ago.

What I am concerned about in this budget is the fact that I believe that we must not delude ourselves as far as the economy is concerned. We must batten down the hatches as far as the economy is concerned, so that we protect it from external forces and I think there is a debate in this House with too much of a self praise situation. We are not out of troubled waters as far as the Island's economy is concerned. There are many external forces and internal forces that need to be addressed if we are to do so. I know that it more likely is pushing it to say that the population legislation is coming and I do hope that there will be financial resources inside the department that is responsible for this piece of legislation to get on with the job sooner rather than later because one of the things that does worry me is the fact that we have a situation at the present time within the Island that everything is rosy and it cannot turn sour. I think that, when we look at our capital programme and we are trying to get a reasonable amount of value for money for the tax payers, we need to be more pointed towards where we should be spending the money at the present time.

I am saddened to see that my issue, which would have maybe helped the low paid paying the national insurance stamp, could not have been increased, as another way of helping but that is something that can be done maybe at a later date, but the budget is very good. I am not denying that. It is very good if you are paying taxes. It is very good to the

degree of helping industry but I do feel on the fundamental issues of direction of where we are going, of sustainable growth, of realistic growth, I do not believe that we know where we are going and we are in danger of allowing a situation where the tail is wagging the dog. I believe that is the problem we have at the present time within this hon. House, that we are so wrapped up in our success that we are not looking at other ways of dealing with where we should be moving as far as it is concerned.

We have heard great talk about e-commerce but that I do know is that it will create an awful lot of back office jobs which can leave the Island tomorrow. We have to make sure that we have the right ideas, the right policies to make sure that the Island keeps the front office jobs well paid jobs in the Island. It will not do that, no matter how great the Treasury minister is, if this House has not got the self-determination to make sure that we have the power and the supremacy to look after our affairs - not as an afterthought of the Brits in the adjacent island, but as a sovereign nation and that has got to be a priority for the future because I believe that is going to be an issue in the very near future. If we are not careful and the finance sector is allowed to be lost for the UK, this place will resemble not the Celtic Tiger they brag of better than the Irish Republic, but something on the lines of Eritrea or somewhere in Africa. So, I think it is important that we do keep our feet firmly on the ground. The budget is very good but I do think we have got to stop wallowing in self-praise and we have got to start looking at ways of protection, so that this the first of many generations who can pick good paid jobs without leaving this nation.

**The President:** The hon. member for Council, Dr Mann.

**Dr Mann:** Thank you, Mr President. I am one of those persons who the minister referred to as being responsible for the finance department when we did not have any money and it is very refreshing to be sitting here this afternoon to actually hear of the millions that have been handled, the millions that are rolling in. It is a great time from the point of view of the economy of the Isle of Man. In those days a million pounds was very precious. A million pounds today seems to be tossed around as almost small change.

My interest in this budget is not in the nitty gritty, not in the small items that are the concern of individual members in their own individual constituencies, but in the overall policy decision. We are in the middle, or at the beginning of, implementing a complete change of financial policy. That has occurred very rapidly. This time last year, we were not talking in terms of the policy that we are now implementing nor was it, as I had said previously, in the policy document of last year. So what interests me is the timing of the introduction of this policy which is part of the budget that is being discussed today and it is the timing that gives me some apprehension. Previous speakers have referred to the stress that the Treasury has had during the last four or more years on the constant nagging, constant attack from outside, the constant visiting to see how we are functioning, the constant questioning of the legislation that we have to protect certain individual items of the economic front. This policy that we are discussing today really is the result of these stressful years. Are we right at this particular moment to actually change that policy as we are doing? I know it is a bit late, because there is no doubt Tynwald supports and has supported the introduction of this change of policy, but we are, of course, putting all our cards on the table. We are saying to the world, 'This is how we are going to respond' and that may well be the best way of doing it. By putting all the cards on the table, we are

assuring the companies that are here, that are successful, that we will ensure that they have the right environment, the right stimulus, the right costing structure to ensure that they stay and prosper. But it does have a terrible danger because by putting all the cards on the table before we have actually got a final agreement from the OECD for instance, before we have negotiated a new double taxation agreement, before we are largely putting our faith in indirect taxation, rather than direct taxation, with an agreement that can be altered at six months notice, we have to balance the dangers with the advantages. Now it is quite obvious that the Treasury in its wisdom has decided that this is the correct point. I think we have to realise that in spite of all our prosperity there are dangers.

Before I just deal with one or two of the dangers, I have to first of all look as somebody might look at it from outside. What a delightful budget to introduce just before a general election. If we had a party structure here, everybody would be saying, 'It's a giveaway budget for political reason.' For those who know the Isle of Man, it is committing the next government to a course of action that in any party political structure would be considered an act of arrogance in the extreme. So for one who is looking at it from outside, it must be very difficult to interpret this budget in its true relationship to Manx politics but the fact of the matter is that the next government has already been committed to a policy that will extend almost through its entire course before it has been appointed. It is just an observation. I cannot help also observing why we are putting forward a budget which is very strongly in favour of those who pay tax and in particular those who pay higher rates of tax that at least half of the Council of Ministers are wearing red ties. There must be -

**Mr Delaney:** He's got a blue tie.

**Dr Mann:** - yes, I had observed also that the hon. member for Onchan had suddenly turned to blue. There must be some very subtle reason why that is the case.

**A Member:** It'll be a grey one soon.

**Dr Mann:** Just coming back to the dangers. we are seeing a very large surplus of income and so from the point of view of the Treasury, this is in many ways an ideal point to take the risk of lowering taxation in the way in which we are setting out today. I do not think we can question that and that could well be one of the overriding issues why this change of policy has occurred at this particular time. We also announced this to the world as I said previously and the people of the Isle of Man fully expect, or should have fully expected, part of what was in the budget today anyway in advance. Certainly, I have been speaking to several people and getting their idea of what this sort of giveaway budget has in the public conscience. I have been very surprised to hear quite a few people who are taxpayers and who would benefit saying, 'Hold on a moment, have you really got your public services, your infrastructure, in such a position that you are now prepared to not allow it to expand too rapidly in the next few years because of tax cuts?' There are a proportion of people out there who are taking a more responsible view and saying in particular that by dramatically reducing taxation before you have actually fulfilled your infrastructure renewal to the extent that it has been and will be over the next few years, would not holding back just a little bit longer and allowing that infrastructure to improve before taking these dramatic steps? In particular, should we, at this point, say, 'Is the Health Service really as good as everybody wants it?' Now I know that we will never satisfy everybody's demands on the Health Service, but there are people out there who are saying, 'Before we cut tax dramatically,

should it actually ensure that a little more is spent on the Health Service and improving the Health Service still further before we actually limit, or certainly not limit but not allow, too greater an expansion over the next few years.' I am just saying this because we are all taxpayers. We are all going to feel comfortable but there are people out there who may take a slightly different view and in the next few months we may well hear more about that.

That does bring me to one technical question in the futures, about which I may be quite wrong. In the additional expenditure allocated to the Department of Health and Social Security, which is a thumping sum, I suspect it includes the sum that is allocated to the additional premium for pensions. If that is the case then about £10 million or £11 million of the so-called extra expenditure is actually coming straight out of the National Insurance Fund to fund it. Now I may be entirely wrong, but my reading of the figures would suggest that this sum that is part of the budget of the DHSS is in fact not coming directly from revenue. Perhaps the minister could advise.

Now one of the consequences of doing what we are doing this afternoon - and this is my last point but it is a point that worries me a lot - is that we are improving dramatically the corporate environment for both staying in the Isle of Man, prospering in the Isle of Man and expanding in the Isle of Man. But in so doing we are also creating a new resident policy, in theory, without naming it. In the same way as we are attracting or could be attracting more industry, more financial services which we want by dramatically improving our taxation structure for residents, we will, without naming it, actually create a new resident policy. Now this was tried back in the 1970s and dramatically ended when the Inland Revenue in the UK took action against the Isle of Man and this is one of the dangers of putting all the cards on the table. We have a Residents Bill. The moment that Residents Bill is used the international media will show the Isle of Man shutting down and these are parts of the dangers of putting all the cards on the table. How we are going to deal with an insurge of new residents to take advantage, to deliberately take advantage, of the new taxation structure when we have an infrastructure renewal, it is only just going to cope with the population that we have at the moment? Just a small matter is the matter of the new hospital which was structurally and functionally based upon a population several thousand less than we could well have ... The new hospital medical facilities probably do not account for as many beds as there are in Noble's at this moment and by the time it becomes functional, if we do attract a lot of new residents, we will have a problem before we have it open. These are just some thoughts on the overall policy rather than the bits and pieces that affect individual constituencies or members. I am sure the Treasury have thought of these. I think it is time that we actually made a public issue out of discussing them.

**The President:** Hon. member of Council, Mrs Christian.

**Mrs Christian:** Thank you, Mr President. I think, in listening to the debate today, it is clear that no regime, no government can ever start from a blank sheet and that when we come to a decision about a budget, we are trying to balance the various tensions, either internal in the Island or external from without the Isle of Man, in coming to a conclusion about how we should set our fiscal policy. My hon. colleague in the Council, Dr Mann, has raised some very interesting points, I believe. Certainly, there may be different views about whether this is the right time to embark upon the tax strategy which has been outlined during the course of the last year by the Treasury minister and certainly there had been

debate, I believe, about whether or not that strategy should apply to individuals as well as to corporate entities, but the decision has been taken and I presume will be endorsed today to some extent as to whether or not we wish to pursue it in the format that the Treasury see fit. This strategy is not without risk but one must assume it is considered risk and, bearing in mind that we have to take a look around us, we can see that pressures from outside are those competitive pressures which mean that at some point we would have to embark upon such a policy if we want to remain competitive in the financial sector. Now, as one who is responsible for a very large spending department and, therefore, is concerned about the generation of revenue so that we can continue to provide such services, I too have voiced concerns that we do want to sustain and the people of the Island so want to sustain those services and do not really want to put them at risk. We all, I think, would be agreed about that. We want to follow a policy which will increase our economic benefits and certainly not diminish them and whilst we recognise that there are some elements of risk in this strategy, I think many people would look back to the 1960s when a similar kind of approach was taken which reaped benefits. There are different ways in which that affected the Island ultimately but it was seen that a reduction in taxation brought about some benefits.

Mr President, there has been some comment today about we should not be too self-congratulatory. I think that we should recognise that over the last few years what the Island has produced - and it is not about us, it is what the people outside there have generated so that we, backing them up with fiscal policies, can distribute revenues to the people. It is not just about us and I think we do need to be congratulatory to the wider Isle of Man population for what has happened in recent years. Now that is not all of our making. We have to recognise that it is also a function of what is going on around about us and outwith the Island. I do think that we should have some satisfaction out of the fact that, notwithstanding we have anticipated a downturn, it has not as yet arrived. We should be very grateful for that fact, because without that certainly we would not be able to develop the services that we can currently provide.

I suppose most budgets as far as the individual is concerned, are matters of concern to them only the areas where they infringe upon them as individuals. Obviously there are much wider considerations in determination of wider policy and we have had today a demonstration of the fact that the tax allowances and the tax rates are going to be beneficial for all of those people who are in fact taxpayers. I think that the Treasury minister did allude to the fact that I might comment on other areas during the course of the debate and I should like to take that opportunity to do so, Mr President, in broad terms because we will be coming to the Court with detail at following sittings of the Court. In broad terms we need to recognise that, apart from the benefits being distributed through the tax structure, we are able through the DHSS benefits structure also to make provision for those people who are not in a position to pay tax. My hon. colleague in the department referred to National Insurance contributions. Now there is a change being made in National Insurance contributions. For low income and middle income people that contribution rate is going down and it is also going down for self-employed contributors in the low to medium income bracket. So that there is some change being made there as well as in fact to the level at which one starts to pay National Insurance contributions which is being increased to a higher level, so you keep more of your income before you contribute. In addition to that,

more and more credits are being given to low income people so that ultimately their pensions will be enhanced. That, I think, is good news as part of the budget.

We have heard about the pension supplement. Clearly the approach to be taken on the surpluses of the National Insurance Fund have been aired in this Court before and the approach has been endorsed by the Court and it is part of this budget package to indicate that those decisions will be taking effect from April in respect of those people who qualify for the Manx Pension Supplement. I would comment here to the hon. member, Dr Mann, that, yes, the budget figures do include those pension increases. As all budgets do they include the whole of the income of government whether it be from National Insurance contributions, whether it be from customs and excise, whether it be from direct taxations. So, yes indeed, the growth in our budget does embody that very substantial change in the Pension Supplement. It does indeed lead us to record spending on social security matters. In so far as other people are concerned who are on low incomes, particularly those who are not able to work, the department has considered the discrepancy between those who might receive the supplement and those who do not and has, for those people who are not in work for whatever reason, made increases which are much greater than in respect of income support. Particularly, we have applied this also to vulnerable groups, as members will see from the press releases which are on their desks - vulnerable groups who are on income support such as carers and those who are severely disabled. We have also abolished the capital limits in relation to income support which will mean that there is not a sharp cut off as to whether you receive benefit or not in relation to any capital you may have saved. This will be a tapering structure in future. So I think steps have been taken to try and balance up the benefits for those who have been able to make pension contributions in the Isle of Man or have been able to earn enough to pay tax and those people who are not in that position.

In turning to Health Service spending plans and the concern perhaps, as again outlined by my hon. colleague, Council member Dr Mann: indeed, whilst we have very generous increases - and I am very grateful that we are, as an Island, in a position to improve the budget provision for DHSS - a lot of this will go into sustaining the services which we currently provide for an increase in population. There are certain areas where there are particular pressures on the department but we do find that hospital services will have an increase this year of 9 per cent on its expenditure. Now that probably is more than most other departments have been able to obtain from the Treasury, so a 9 per cent increase in hospitals is good. The primary and community care services will have 12 per cent more and we have, of course, new services developing, such as the Centre for Nurse Education and the pre-registration nurse training, which has to be funded and that, of course, is provided for. Most of our budget, of course, goes on payment of salaries. That is the major component of our need and almost 8 per cent is allocated for the increase in payment of salaries for the current year overall. We have pressures on drugs and clinical supplies which are above the inflation level and the family practitioner services are, of course, demanding and needing further income to meet the services that they are providing. Our cost of transfers to the United Kingdom is also another growth area.

After we have dealt with all these growth areas, we have about £1 million more than was available this year for any developments in next year's budget. Now if you put that into context in the overall budget of the department, all I have to say is that we have voracious

appetite for the development of new services, a willingness to do it, but we all have to recognise that that has to be managed within the capabilities of our economy.

Of course, we do not only have health services to provide, but Social Services Division too. Hon. members are aware of the concerns about child care and residential care and so on and have in the last sitting increased the vote for child care in particular. We have talked about the general concerns about just looking at fiscal policy and balancing that against social structures and needs and comment has been made about whether we are doing enough for children and young people. I think that the group that the Chief Minister has recently put together to look at this area of children and young people and the provision in the Island will be beneficial in trying to balance social needs with the way in which we expend the resources at our disposal. Questions of childminding and encouraging mothers to go out to work, or fathers if they are the childminders, need to be balanced against whether or not that is in the best interests of society in the longer term. (**A Member:** Hear, hear.) I think these are issues that we do seriously need to look at in terms of what kind of society and structure we want to have. Are some of the things we are doing in relation to development of the economy going to come home to roost later on if we do not look after our structures in relation to family, young people and so on? They all have to be balanced.

The department has, I am pleased to say, with the Treasury's authority, a very full capital programme including the start on the southern community health development, further social services community houses for learning disability clients and so on, including accommodation for medical staff and developments on the Noble's site, so that is an ambitious and much needed programme that will be fulfilled along with the new hospital.

The hon. member, Dr Mann, has referred to whether or not the hospital's bed numbers will be adequate to the population. I have to say a great deal of work went on with the service planning group, the users in the hospital, to try and anticipate what sort of provision needed to be provided in terms of the needs in the year 2021, with an estimated population or an assumed population of 85,000 people. Whether or not that planning process will, at that time or as we draw near to that year, prove to be right or wrong remains to be seen. It is not an easy task to anticipate how any service will change and particularly one that changes as rapidly as health over a period of a decade or more.

I think that we must be pleased with the way the economy has developed, we must be pleased that we are able to provide the level of services that we are doing now. At the same time, as the hon. member, Mr Rimington, has indicated, the balance between head count and the way in which we deliver our services has put pressures on departments to increase efficiency and will continue to do so but there is a point at which efficiency can no longer be dragged out of a particular situation. We may well have to look at new ways of delivering services over different departments. We may well have to prioritise between departments in a more structured way than we have done hitherto in relation to head count. All in all I think this is a budget we should be pleased with. I hope that I have answered some of the questions in relation to health that have arisen. I would say that as far as health promotion is concerned, I do recognise that we need to do more in that particular area. I know hon. members will say I have said it before and I will say it again and it is a

slow process to get the resources with which to do it, but it certainly is something we recognise has to be developed further.

As far as the social security structures are concerned - and again I am concerned by the comments by the hon. member for Ramsey - the structures are designed to encourage people to be in work rather than be out of work so I might ask him for details of the particular case to which he has alluded. It is not our intention to provide a government structure which encourages people not to contribute to society: rather the opposite is true where it is appropriate. Certainly we would encourage most people to find work if we can do so, with the exception perhaps of not putting great pressure on mothers of young children where it may be felt to be beneficial that they should be at home with those children.

The broad thrust of the budget, I believe, deserves support. Comment has been made on the agricultural industry. That is a very difficult area. We know that it is a struggling area because it has not been practice in the past for us to find that people in that area are seeking benefits, but benefits are available to them and have been claimed in certain circumstances. That structure is there and it needs to be underpinned, I believe, for the benefit of the Island as a whole to maintain some sort of agricultural and fishing industry for our community.

I believe that the Court will support the budget. Notwithstanding that any budget brings with it difficult decisions. We will always be suffering from stresses and strains. No, although we are on a different plane from 10 or 15 years ago, every solution also brings with it its problems and we have still got to address many of those problems as we go ahead.

**The President:** The hon. member for Douglas West, Mr Downie.

**Mr Downie:** Thank you, Mr President. I will try and be brief. As far as I am concerned, I think it is an excellent budget. It is good news all round and I think that the Island is in a very enviable position. Envy, I understand, is one of the cardinal sins. There is also another one called greed and our competitors, I think, some of whom could be described as greedy, would be extremely envious of the way that our economy has developed and I am sure that if they could throw a spanner in the works, it would possibly be to their advantage. So I think that what we have got to do as the Treasury minister said, is to try not to be complacent, to have a squeaky clean top drawer economy which we can all be proud of and associated with. As far as I am concerned, I think government's present policy with regard to the reshaping and reforming of the finance sector is going very well and really needs to be applauded.

I am brought to my feet really because of comments that were made during the debate by the hon. member for Rushen, Mr Rimington, and the hon. member for Onchan, Mr Karran -

**Mr Delaney:** Pinky and Perky!

**Mr Downie:** - who commented that agriculture was suffering from some sort of a disease and we were blindly following the United Kingdom. Well, Mr Karran's claim to fame is that he has been a member of this hon. Court longer than I have, which is true, but like it

or not, we have been tied into the Common Agricultural Policy in this Island since 1973. Whereas I would definitely not agree that we are blindly following the UK, I think what we have done we have established a basis for agriculture which is entirely our own and come what may we have mixed and matched the various proposals which have come out of Europe and the UK, but we have very much had an identity of our own.

Mr Karran also made comment about the big Meat Plant! Well, big as it may be, we are having to expand it this year, because like it or we have risen to the challenge. In some areas we are producing far more lambs than we ever were and not only are we producing top quality livestock, but we are also developing a range of products which we did not require to provide six or seven years ago because we did not have supermarkets as our major customers. What we are having to do now is not only develop a meat industry, but also a whole range of other products which are saleable within the supermarket organisations. In the not too distant future, we will have more Manx lamb on its way to Paris and in other markets and I think that the meat industry, in particular in the Island, has risen to the challenge and has done its bit.

Just to take issue with my hon. colleague for Rushen, Mr Rimington, who said there was over £9 million of support going into agriculture, there may well be but £6.8 million of that support goes directly into the system as it were. You should also remember that over £2 million is tied up in the problems relating to BSE of which we had no alternative but to pursue and to remove the animals and the cohorts from our herds. This is the same dilemma which is not only apparent in the UK but in the continent as now coming home to roost in a much bigger and broader way than we have envisaged. All I can say is that our industry have risen to the challenges. They have bit the bullet as it were and we are in a very good position with our traceability and farm assurance to be able to get out there and perhaps win again some of our share of the market. Just as a bye, we, as I say, put about £6.8 million in support, but the export potential this year for agricultural products will be in excess of around £24 million. We do get a very good return and the money that is spent in agriculture goes directly into the rural economy and you have only got to drive around the isle of Man to see the benefits. If you want to see an agricultural economy which is on its knees you only to have to look across to Cumbria where they have set aside for years, fields are overgrown and farmers are having a hard time. Now I am not going to get up here and say that this budget is going to be all things to all people, because there are people in agriculture who, sadly, will not benefit from the packages that are available in the budget. However, come tomorrow when I move the dairy industry support I sincerely hope that they will be able to benefit in another way and that is the way I think we try to balance our economy. If some areas are down and other areas are up, we have to balance the books. Is not that what the budget is all about, hon. members?

Mr Rimington touched on, I think, environmental issues, as did Mr Karran. The Island, I am hoping in my time of office, will see two additional national parks created and I think that will bring tremendous potential to the countryside. We will be paying our first agri-environmental money and the benefits that should bring will be absolutely tremendous. Some members may not know, but we are virtually self-sufficient in cereal production. Money that the Department of Trade and Industry invested in the mill at Laxey produces excellent milling wheat. I am pleased to say that the majority of bread that is bought and

sold in the Isle of Man is produced entirely from our own milling wheat, milled at Laxey and baked in Ramsey Bakery.

The hon. member for Onchan, Mr Karran, continues to press the department for packages for farmers, a farm purchase scheme. These are all ongoing. These are all with the Treasury at the moment. We are trying to react to the changing situation in agriculture and in fact the department is, at the present time, considering a new scheme to provide for part-time workers in agriculture, so that if they do go and do another job, perhaps construction industry based, they will be able to spend half of their time in farming and still qualify for some of the grants for the various schemes that are available. So we are continuing to break new ground. We are not following the UK blindly, as the hon. member for Onchan said.

Now that is enough about agriculture. I just want to talk for a short time about housing. I think that this Court's commitment to local authority housing is admirable. I do not think there is a local authority or government in the western world who are investing as much in local authority housing as this Tynwald Court are. In Douglas alone in the next nine years we will be investing somewhere in the region of £30 million. Tremendous! You could argue that we are not putting enough in but I think that our system is flexible enough and if opportunities arise, and we have got this additional money in the vote for land purchase, who knows? I think that we have got to wait and see how our economy develops over the next few years and I am sure that, if the system is flexible enough, if an opportunity does come along the Treasury will be forthcoming and supportive as they always have been in the past. The big concern I have is that really no person in their right mind should be building houses at the moment because, with all of the labour force involved on big schemes like the hospital, we are actually paying twice the going rate for a house. If you look at the adjacent isle - if you look at the North-West of England - the cost of building a house over there is roughly half of what it is to construct a similar property in the Isle of Man. Unfortunately, that is the price you pay when an element of your construction industry does overheat. I am not saying that we should not build houses but what I am saying is that you need to understand fully the economics behind it. In my opinion we should be progressing our schemes, we should be getting them on to the drawing board and when the opportunity arrives, when there is a little bit of a trough in the economy, that is when we should be going out and spending our money - not when we are competing with everybody else and paying through the nose. I accept the criticism that there is a shortage of houses. I think the whole court would agree with that but we are not at such a crisis level that we need to be paying twice as much for them and at the same time lumbering young people with massive mortgages which if there is a downturn in the economy we could finish up with a situation where there was not enough money coming in.

**Mr Karran:** A roof is not a luxury over your head.

**Mr Downie:** I am sorry, hon. member, I had to struggle to buy my property as did a number of other people in this Court. It is never easy getting your foot on that ladder but I would suggest that, at the present time, it has never been easier, if you look at the way the Island has developed. I think the present policy as far as housing goes is very good and I think that the additional sheltered accommodation units will help to ease the pressure. I think that one area that we do fall short, on housing, is this inability to get land at the right

sort of money and to have a planning process which is quick enough to enable us to react when these troughs occur.

In conclusion, Mr President, I would just like to once again congratulate the Treasury minister and his team. An excellent budget and one which we can feel justly proud of having some input into in this Court.

**The President:** The hon. member, Mr Rodan.

**Mr Rodan:** Thank you, Mr President. I think what has been interesting about this budget debate is the response to the very good news contained in the Treasury minister's announcements. Contributions have been thoughtful. They have been polite and respectful, which is only appropriate I think to a minister announcing such good news, which reflects well on the management of the economy that has taken place. The responses have also been cautious and certainly do not reflect perhaps the wild acclaim or the passion that one might imagine would greet a budget which for the second year in a row has delivered three things - tax cuts, massive increase in public spending and significant increases into reserves - all features of a very successful economy - and perhaps the reaction has been reflective, as others have said, of the nature of our political system. Perhaps the caution is because we can hardly believe our good fortune and perhaps think that surely we will have to pay for it sooner or later. The first thing I want to refer to is the management of the economy that in fact has to take place. First of all, the international background which directs to a large degree the course of the Isle of Man economy. I believe that events have shown that over the last three years, the government's reaction to international pressure, the way it has very astutely embarked on a strategy of constructive engagement with agencies like OECD and with the EU and with Whitehall, I think all demonstrate a mature approach that contrasts with what would have been very easy to do which would have been a shaking of the fist and stamping of the feet endlessly from the sidelines. But constructive engagement has at least ensured that the Isle of Man can hope to influence international events which to a large degree will be responsible for the future direction of the economy.

Closer to home of course, the Treasury minister has at his disposal certain levers over the economy that he can pull to stimulate the economy or to draw back the economy. It is, I think, noteworthy that as I have remarked on previous occasions the revenues available to the Isle of Man Government, or the source of those revenues, to a large degree determine how much the Treasury minister can direct our economy in our own interest. It is notable that once again, sources of government income that come from indirect sources of taxation over which we have no direct control but whose rates are set for us in London or Europe this year represent a bigger than ever proportion of government revenues and, according to this pink book, next year are set to represent an even larger proportion. Now I am not making any particular complaint about this situation but only to use it as an illustration of how more limited is becoming the Treasury minister's levers to direct the economy in our interests, directly at budget time because, of course, while he can do nothing about customs duties or excise duties or rate of VAT, what, of course, he can do is influence rates of direct tax. This is, of course, what he has well and truly done in terms of business direct taxation in the tax strategy announced last year, which has been followed through at this budget time and to very good effect. We can believe that the economy and the business confidence which underpins our economy will respond very well to the tax

strategy. What is of course less clear is the ability of the Treasury minister to affect rates of personal taxation because it is an actual consequence of a successful economy that personal tax rates are low, the headline rates are lower than they have ever been, the personal allowances are huge, bigger than they have ever been and the consequence is that fewer and fewer people, as a percentage of the population, are actually in an income tax paying situation. Many people are not in the system and do not have a stake in the system as a consequence. Of course, that means that any Treasury minister hoping to target the national wealth towards the less well off members of our community does not have at his disposal adjustment of personal income tax as a means of doing it, because perhaps a third of our population of earning age are not in tax. What they are in, which is common to each and every one of us, we are all in rate paying situations and that brings me to a feature of the budget which is relatively small, but nonetheless it is important and that is the £10 relief on water rates. One could say it is an insignificant drop in the bucket, but certainly I, and I am pretty sure others would feel that the £400,000 cost of doing that is far better applied where it will have some effect in low income households by a direct subsidy to the water rate, than adjusting rates of direct tax through increasing allowances or whatever which might have been the other way of giving back to the public £400,000 of their own money. I think it was the hon. member for Ramsey, Mr Bell, who made reference to the fact that, in the future, - and the Treasury minister also referred to it and called for a debate on the subject - government services increasingly to be paid through rating systems, pay as you go or the polluter pays principle, certainly for sewerage and waste disposal. These have become, while not entrenched government policy, within government thinking of being ways of financing the running costs of these particular elements of government activity. Now to consumers and to householders, because it is not progressive taxation, but regressive taxation, the costs to households are going to bear most significantly on the low earners. Unless we construct a mechanism which relates to ability to pay, we are going to have a source of discontent in our society. I think it is important that the Treasury minister this year has recognised that there is, given the weapons at his disposal, at least another lever available which is to directly return money to the taxpayer through adjustments to the rates that are paid. I will say no more about that, but I welcome the fact that the minister is welcoming a debate on that particular subject.

If I could move forward on to the issue of forward planning, because obviously the key to successful management of the economy is to forward plan and match resources with spending. I mean that is what governments and governing is all about and, of course, it does require us to get the best data possible and to devise policies which look ahead not just to the next five years, but the next 10 years. As far as education is concerned, I have detected on the part of one or two members, some unhappiness with the Department of Education's capital programme and the extent to which it delivers results in particular areas as soon as members would wish. Well, I will let them into a secret, I am not particularly happy either inasmuch as I am impatient to be able to get on and deliver the 18 new projects that are in the Department of Education's capital programme - these are new schools or extensions to schools - and to do this as soon as those requirements are needed. I would love to do everything far quicker but have to live in the real world and acknowledge that, as much as one would wish to do these things, the construction industry's ability to deliver projects in the short-term is limited and also one has to

acknowledge the financial discipline that is inherent within the overall capital programme of government and the prioritising that is required across government departments. Certainly the school buildings programme is the most extensive capital programme that government has in terms of new schemes and buildings, other than possibly the public housing programme which is very extensive. Certainly after the hospital and after IRIS, it is the most expensive of government's capital schemes, the delivery of school buildings. I would certainly give an assurance to those members who have spoken about their own areas that we are well aware of what needs to be done in terms of additional classrooms, additional assembly halls, sports halls and all the rest of it if we are to deliver the education required to cater for the numbers of people that are going to need it over the next 10 years. We have worked out very accurately - and I will not go into unnecessary detail - suffice to say that if the rate of population growth which has been obtained since 1997, is repeated, sustained, over the next 10 years, the Department of Education will have to find 3,060 new school places - new school places! Now we have worked out how this equates into classrooms. That is 122 new classrooms, 12 new assembly halls, six dining rooms, 10 sports halls. We have got that worked out. We have worked out what is actually planned by 2006, which you can see in the capital programme and we have identified that there is a shortfall that will have to be met. Meeting that shortfall is part of what government does, but I emphasise this is only talking about catering for the new demands in the service. It is nothing about extending the quality of what we have already to those who are already in the system. That is a separate exercise. The Department of Education is not unique in doing this exercise, so is the DHSS, so are all the departments that deliver public services. I am not shrouding in any of this, it is just how it is and what has to occupy government's attention in terms of forward planning and the Treasury's attention in ensuring that the economy is sufficiently managed to match these aspirations. I well recognise that they are and can only be aspirations and whether they will be met depends on unknown years ahead where the circumstances might be unknown and there might be all sorts of unforeseen economic problems. So the Treasury minister is right as ever to be cautious.

My final point is that it was the hon. member for Douglas West who was right to say that it is not just a question of physical resources and in terms of the Department of Education, he made reference to the buildings and to the laptop scheme - perfectly worthy schemes I am sure we would all agree - it is not just a question of putting those resources in, but actually addressing the wider picture in terms. We talk about young people, social behaviour, the changes in society, the changes in home situations that result in behaviours that have to be considered by government, which has the job of putting in place remedial measures for inappropriate or challenging behaviour, or bad behaviour as it should be called. He is absolutely right and what you do not see, of course, spelled out in detail are the things that are going on because just as if one only looked at the five-year capital programme for buildings, you do not really get a picture of the moneys that have been spent and are being spent from revenues on minor capital schemes and on maintenance schemes and many of the things the hon. member for Peel was saying are perceived not to be happening in the two schools in her town - actually, we have had £0.5 million spent over the last two years, another £0.5 million to be spent over the next two years from revenue, from upgradings and refurbishments - but just as that is the case for buildings so one can be forgiven for not seeing the ongoing picture in, for example, youth and community

services - where, yes, it is not just the youth club setting and it is right to say that there are many young people for whom going to a youth club is a complete turn-off - what you do not see are the moneys that are spent increasingly successfully on outreach youth workers who are actually going on to the promenades at night and meeting the young people on their own territory in a non-formal setting, a setting that is outside the system if you like and that is the sort of area where we need to work up policies of this sort, actually to make a real difference to some of the problems that the member is talking about and I believe, albeit belatedly, government is corporately addressing this at the moment, departments are talking together and trying to focus on these broader issues which in time will become policies requiring resources. I am conscious this is not a policy debate, but a budget debate, but suffice to say that those policies may well have a fiscal implication. An example was given of how because of the full employment situation we should be looking to young mothers to re-enter the workforce as a means of not drawing in labour from outside the Island. This is well and good, but I think it was the health minister that rightly referred to the consequences of doing this because there can be no greater job in society than bringing young people up correctly and properly and it may well be fiscally more attractive to give incentives to parents to stay at home and do the important job of bringing up children. Educational research demonstrates - I mean it is common sense, but there is actually research in place that shows surprise, surprise that children who actually spend the first three years in a productive home environment learning do far better in the school system later on. These are policy issues that will have resource implications, I hope, in years to come. Thank you, Mr President.

**The President:** Hon. members, I had hoped that we would complete this debate before we broke, but two further members have now indicated that they wish to speak, so I think it is an appropriate time in which to take a break. I propose to have a recess until 5.10 p.m. by the Court clock and the next person to speak will be the hon. member for Douglas East, Mr Braidwood.

### **Budget — Debate Concluded — Motion Carried**

**The President:** Hon. members, as indicated before our break, the next member to speak is the hon. member for Douglas East, Mr Braidwood.

**Mr Braidwood:** Thank you, Mr President. This is probably the most radical and innovative budget for probably 40 years. It is based on the new tax strategy and I believe the Treasury officers have to be congratulated for their initiative (**Members:** Hear, hear.) in proposing. . .

**Mr Karran:** Self-praise is no recommendation.

**Mr Braidwood:** Treasury officers, not Treasury members, Mr President. I will try to keep my contribution to the wider issues and not the more parochial issues (**Members:** Hear, hear) and I feel that the health, education, DTI, tax fundings for e-commerce reserve fund have been already widely debated. But I would like to mention the contribution from the hon. member for Council, Dr Mann, when he said he would rather see, or the views of some people, to have the infrastructure now in place and the only reason we were introducing this tax initiative is because we had quite an excess of £61 million over income and expenditure. I think the Treasury Minister touched on this in his budget speech when

he said a large percentage of that was quite volatile and could not be relied on in future years. So I do not think that was the point. Now, my own view is that if we stopped and put the infrastructure in place, as other members have said, complacency might enter into the system. We have only to look over our shoulder. We have to look to the future. It is a big world out there, a competitive world, and across the Irish Sea one of our main competitors is the Irish Republic and they are going to reduce their business tax and their individual taxation. They have even been told by the EU to curb some of their inflationary new processes, which they are ignoring. So we have to look to the future and this is one reason the tax strategy was brought in with the reduction of the two per cent on businesses, even non-trading businesses from 20 per cent to 18 per cent and also the decrease from 14 per cent to 12 per cent and on trading businesses on up to half a million on turnover.

Now it has already been mentioned - and I think it was by the hon. member again for Council, Mr Lowey, who said the new tax strategy which the Treasury were trying to implement was hopefully for high value companies, low employees, but he felt that there would be an influx of companies with more employees and also of individuals taking advantage of our new tax strategy which would then put additional strain on the housing market and so we have the roundabout, how do we get off? I think one point, which was mentioned by the hon. member for Ramsey, Mr Bell, and I think we have to be more flexible in our approach to people. You can say with civil servants, who might have only been in the civil service for 15 years have to retire at 60, and there has to be a change. I think we have to more flexible where they can continue working and this will allow for more employees without bringing people into the Island - making more use of the people on the Island, particularly those who have the gap between retiring at 60 and, of males, receiving their state pension at 65. There also has been the OECD: I think the tax strategy as the minister mentioned has gone along way in our commitment to the OECD, in that now we are off the list of states to be mentioned in July of this year. We also have to look that there are other pressures. We have had the Financial Action Taskforce looking at our regulatory regime, we have the code of conduct on business taxation, we also have the proposed savings directive - all pressures which may come on to the Island which the UK have made, have intervened in promoting this, even without prior consultation with the Isle of Man. I have to mention that the code of conduct on business taxation is only a voluntary code for EU members and not globally acceptable. Therefore, the Isle of Man could reject that quite easily.

I think the tax strategy will enable us to have sustainability, to look forward, to keep our income coming in.

I want to touch slightly on our constitutional development because I feel this adds something else as well to the code of conduct on the business taxation and the directive on savings because we want to develop our autonomy in relation to fiscal and other domestic matters and we hope to progress this over the next few years.

Mr President, I have not got much else to speak, and I think it has been covered by other members but I know that from the comments already in this Court, everybody is going to support the budget.

**The President:** Hon. member for Middle, Mr North.

**Mr North:** Mr President, last evening I was at an Institute of Management dinner and Bryan Walden, the ex-television presenter, was the speaker. As one would expect, he was a very good speaker and he made some interesting points, but the one thing he did say was that you should let your money fructify in your pocket and if you look at where we have come from in the last few years with the income and this budget, this is really a culmination of 10 to 15 years of work that has gone into this. There are a lot of people in this hon. Court that have put a lot of work to make this budget possible, not only in this House but also within government and I will not go into that because many people have already congratulated those officers who have enabled this to happen. If we look at the past that is one thing, but now, and I think more now than certainly for the last few years, we have to look at where the income is going to come from in the future. The Treasury have taken positive steps with our new taxation strategy, but where is the income going to come from? In the last 10 or 15 years for the first time in many, many decades we have had the money to actually put into the infrastructure and that work is still ongoing and unless you get the infrastructure right, then you cannot build firmly for the future. You need that firm infrastructure - sewage, drainage, everything else that goes with it, schools - you have to get the infrastructure right. If we get the infrastructure right, then we will be able to control and manage our economy and grow very, very well in the future. But the one thing we have got to do - and this really comes down to a lot of debates we have had in this hon. Court - is make sure that we become more productive with the money that we have and the number of people we have. We have to somehow add value to the products we have and I was delighted to hear the hon. member for West Douglas, the Minister for Agriculture, talking about the meat that is being exported to France. It is a tremendous job that they have started to do that, down at the Meat Plant. After all the criticism they had and all the nonsense that went on, they are starting to add value and that is what we should be doing and that is a good example. For years we have been trying to get added value in the Creamery: they are starting to look at that. Long overdue but they have got a good business plan.

Now this does not only apply to some of the basic industries on the Island. It also applies to the finance sector and unless I am very much mistaken there. . . we had the hon. member for Onchan, I think it was Mr Karran, talking about back offices but in my opinion, the back office and the front office are going to combine in the next few years. They will become one and if you start to look and see what that implies within the finance sector, it is going to make some dramatic changes, dramatic changes. The way the technology is going in the next three to five years, a lot of the branches that exist in the Isle of Man, Jersey and Guernsey, for instance, I personally think there will only be one branch for a lot of those businesses. They will not be in all three jurisdictions. There might be a presence and a lot of the back offices will be thinned down and they will merge into the front office. So we need to be very, very careful as to where our income is going to come from because those fewer people within the finance industry hopefully will make the industry grow - and I believe it can grow even more than it already has, if we get the right formula. Then the Treasury minister will have to be able to balance - and it is going to be very difficult on the timing as to that change of the reduction in the number of people and growing the market at the same time from the new markets that are going to open up and we are going to have to be very, very careful in the next few years. We have got lots of new businesses that are going to bring

some revenue in. I personally again think that we have done the right thing with the legislation on pensions, and pensions within Europe and worldwide could be in my opinion, one of our future major businesses, if we get it right. But we need to make sure that we work on it and the income will come in. It could be a wonderful business for the Isle of Man. It is perfectly situated, as far as offshore for a lot of people working worldwide, and will not come under the scrutiny or the problems that we have had in some other areas in the finance sector. I know the hon. member for Council, Norman Radcliffe, has been working hard to produce legislation that will - again we are back to this infrastructure - give us the infrastructure that we need to form a whole new industry. I know we have pensions now but there is a whole new industry out there that is going to provide the income for the future. So we have to really look at the future and where the growth and the income is going to come.

The next thing we have to be absolutely certain - and this again, I suppose is back to the infrastructure and providing the right workforce for that future economy. We are down to, I am afraid, e-business and I hope that within the next one to two years we will be able to what is termed e-enable the Isle of Man population. But we have to make absolutely certain that we do not form an elite section of the population and leave the rest of the population behind (**A Member:** Hear, hear.) We have to make absolutely certain. It is going to need, I suspect, quite a lot of money injecting in. That is why I like the ICT fund because that is what it is there for and some people questioned where it was coming from. Well some of it is going to have to go into enabling the population as a whole to become e-enabled. I will not go into all the technical details of what is going to happen, but that is going to be needed. We are going to need several million pounds and we are going to need some positive, bold steps and some decisions taken to make sure that we actually do it, because at the moment we have done the right thing, but we are being left behind again, because things are moving fast. I would just say one thing within this hon. Court - and this is no reflection on members, because I would just ask the question - how many of the 33 members of Tynwald have actually had their training on MAGIC and are actually using it? Last week it was eight out of 33 and that was announced almost a year ago. That is not a lot of the members' fault because they have not got the facilities to actually use it (**A Member:** Hear, hear.) so why go for the training when you cannot use it. It is a nonsense.

**Mr Cannell:** You cannot log on to it either.

**Mr North:** Exactly. It is putting the horse before the cart, or the cart before the horse. (*Laughter*) I know it is late, Mr President, and I am not a farmer. Sorry. But this is the point: we have to be aware of what is going on because if we are going to e-enable the population - and many countries are doing that now very rapidly - then everybody in this Court, whether you like it or not, is going to have to make an effort to just understand a little bit of where everything is going.

We have got a major event this year coming to the Isle of Man, which could bring in a massive amount of revenue for the hon. Treasury minister. We are going to have the first operating, commercial 3G or UMTS as it is called mobile phones on the Isle of Man. Now that might not mean a lot to many of you, but I can tell you that within the next 5 years, that is going to be something that the whole world is going to grow with and the Isle of Man is hopefully going to be the first in the world. We will be just, almost simultaneously, but

hopefully one or two weeks ahead of Japan. That is major for the Isle of Man. It is really going to put the Isle of Man on the map. That may be so, and Manx Telecom are doing a lot of work on this but as far as the income goes and as far as Manx Telecom I was delighted that we have had the ISDN and the ADSL connection charge brought in again for government. But I have to say that I am extremely disappointed at the take up of ISDN and particularly ADSL on the Island and one of the reasons is that it is too expensive. I have talked to Manx Telecom about this, the officers in great detail. We have to grow the market on the Isle of Man otherwise we will not get the revenue that the Treasury minister is looking for. You have to grow the market. It is low margins and high volume. Not low volume and high margins and we have to get that right for the future.

It was mentioned about competition and we are in a highly competitive market with other jurisdictions and we cannot afford to stand still. So on the macro scene we have a wonderful future, provided we make decisions and move ahead and manage our economy as we have done in the past 10 to 15 years, and if we do that, then we will have another budget in 10 to 15 years time and let us see no tax on the Isle of Man. That is what we should be aiming for, no tax.

One thing I think that has not been mentioned, getting a little bit parochial, is the rents in the public sector. They are only rising by three per cent. That is less than, I think the figure was 3.2 per cent for inflation, so it slightly less than three per cent and I think the Council of Ministers altered that figure. It was intended, I believe to be five per cent (**A Member:** Hear, hear.) and we decided at Council that it should be three per cent. Just think of the outcry there would have been in here today if that figure had been at five per cent and I am delighted that it is at three per cent and so it should be.

One other thing that I would like considered for the low paid, and I keep plugging away at this, that Mr Speaker mentioned and others - we want to target somebody and people who it would really affect. A lot of working people travel to work on the bus. That is a major percentage of their wage that goes on the buses and I was delighted last week when the hon. member, the Minister for Tourism, David Cretney, acted very, very quickly and reduced the multi-tickets for Glen Vine and Crosby which had obviously been mispriced. The way he altered that was a credit to him. Immediately a political decision, it was done. I would like to see the zoning for the whole Island done as an economic fare that can be used so that it is not a disadvantage to live in Port St Mary or Ramsey and travel on the bus. It should be the same fare from Ramsey to Douglas as it is from Glen Vine to Douglas on a multi-ticket. I think you could introduce that or that should be looked at and I hope that the Department of Tourism will perhaps have a look at that in the next few years. Sorry in the next few months, my apologies. (*Laughter*)

Mr President, just finally we talked about the two tier society, the two tier society on the pension supplement. It is not quite as easy as it was made out because people who have paid into that, fine, deserve it and those who have not paid anything into it do not deserve it and that is quite right. But there are people who have paid five, six, seven, eight, nine years, nine years eight months, nine months into that fund, they do not get anything and I think we should be looking at a graduated pension supplement within the next few years. Thank you, Mr President.

**The President:** Hon. member for Douglas North, Mr Houghton.

**Mr Houghton:** Thank you, Mr President. I also rise to wholeheartedly support the provisions as outlined by the hon. Minister for the Treasury today. How fortunate this Island really is to witness such a strong financial position which can support the capital expenditure programmes in place together with the further enhancement of government services which will assist the public in many areas. However, not to cover the same ground as previous speakers who have made many valuable contributions today, I should like to focus on an area of care which is still unresolved. That is the disgraceful lack of nursing support for those who attend the hyperbaric chamber for treatment. Hon. members will recall my motion in this Court which asked for support for this very worthwhile and important asset and the motion was amended by the Minister for Health who promised to resolve the matter at that time. However, the Kevin Gray Memorial Charity, who own and operate the hyperbaric chamber, are still unable to provide the services of a nurse, whether that be a state registered nurse or otherwise. Since this Court has been let down by the DHSS once again -

**Mrs Crowe:** Rubbish!

**Mr Houghton:** I would call upon the Minister for the Treasury to make arrangements to ring-fence a sum of money this year (**A Member:** Hear, hear.) and in future years for the dedicated purpose of providing a nurse to the hyperbaric chamber. In view of the excellent financial position we find ourselves in today, together with the pledges from departments to increase services to our people, I do not think that the provision of a nurse for the hyperbaric chamber is too much to ask. I commend the Treasury minister for his efforts today and would be grateful if he could refer to this matter during his summing up, as he also has constituents who attend the chamber for treatment and are also looking to him for the provision of a nurse. Thank you, sir.

**The President:** Hon. member for Council Mr Radcliffe.

**Mr Radcliffe:** Thank you, Mr President. It is always good to stand up in this Court and say what an excellent budget we have had. I had the honour of being in Treasury for a number of years now and I must say that I saw there the hard times as well as the good ones we have got now. It is quite a revelation really. It is a good lesson to look back some years and say, 'Well how on earth did we manage with the income we had at that time?' Now we can support service after service after new service. Speakers, I think all without exception, have said what a good budget this is that we have before us today and then they have proceeded to crank the parish pump at the end of it. . .

**Mr Delaney:** It is election year, Norman.

**Mr Radcliffe:** Yes, I am well aware of that too, but I think we should be in this forum today concentrating on national issues, rather than local issues, and just getting on with the job for the Isle of Man Limited. The budget is bold and innovative. We cannot afford to be left behind by our competitors. In fact, the hon. member for East Douglas has mentioned Dublin, one of our harder competitors. There are others and we just cannot be complacent and say, 'Well, we're all right at the moment. We're okay. We'll just not bother.' We have got to be bold. We should, as a by the bye, bear at the back of our mind that the financial sector is very, very important to the Isle of Man and some would say there is a

danger creeping up of it being over-regulated. It is all right being squeaky clean but we must take care not to overdo the whole thing and spoil the cake at the end of it.

I would mention the financial incentive zones for Port St Mary and Ramsey and I think that these initiatives will make quite a difference to the north and south of the Island. Everyone I think is well aware about the lemming-like stream of people who set off to Douglas in the morning, return from Douglas at night. In fact from where I live between five and six there is a continuous stream of vehicles. You see them in the distance like one long train, all heading down the hill for Ramsey and heading as hard as they can ever go, I can tell you too, when you are on the road at the same time. There are some dreadful driving practices. But when you talk to these people who commute back and forward every day, quite a lot of them say that they would much prefer to have their work nearer home. These zones will encourage development to take place and if and when, and I am sure it will take place with the incentives that are there, this will certainly enliven the town of Ramsey. There is no doubt about that. Some would say that the main street in Ramsey should be renamed Charity Street, there are so many charity shops on it. New and innovative activities there would liven that street up no end and in fact would enliven the whole town. Some members have expressed a certain disappointment about the areas selected for the financial incentives but I think the Treasury minister would probably confirm that other areas can be brought in, as and when Treasury thinks fit.

This budget is good for the Island and it is good for most, if not all, of the Island's residents. The stage is now set, I would say, for further development. We have to be innovative with legislation. We have to put legislation in place which will enable private enterprise to take advantage of what is going to be there. I would say that complacency certainly has no place in my programme for the future. This budget certainly shows no sign of complacency and in fact I would say that there is a little bit of aggression there as well and that is no bad thing. I hope at the end of the day, and it cannot be far off now, that there will be 100 per cent support from this hon. Court for the budget we have had before us today.

**The President:** I call upon the Treasury minister to reply to the debate.

**Members:** Hear, hear.

**Mr Corkill:** Thank you, Mr President. It is some hours now since I was on my feet presenting this year's budget. It has been a privilege to do so and I would wish to thank all hon. members for their contributions and their points of view in today's debate - and not only today but also in the lead up during the preparations for the budget. The members and officers of Treasury do take notes and, along with the Council of Ministers, the issues are examined in the light of what is said in Tynwald Court and, to my opinion, quite rightly so that the Manx parliament, which is the voice of the people, does instruct the executive on the way forward. A number of members, particularly early on thanked the Treasury officers for their efforts and I too would like to put on record my thanks, not only to Mr Cashen, Chief Financial Officer in his last year with the Isle of Man Government because he will retire towards the end of the summer, but also to Mr Briarcliffe who retired some months ago and to his efforts. (**Members:** hear, hear.) I would also wish to put on record that there are good people following on behind them and they also have been very much a part of the

preparation of this budget. So fear not, there will be a budget debate a year hence, whether we are here or not.

I do not expect, I guess, to cover all the ground with such a long debate but there are some important issues and I do wish to try to stick with the unanswered questions in the winding up. I do thank all those members who have indicated their approval of this budget and in this winding up I hope that those who are not convinced may become convinced to support what I believe, and what Treasury believes, is a balanced budget for the times that we live in.

I think first of all I would like to thank Mr Speaker for getting us off to an upbeat start with his contribution at the beginning of the debate. Of course he used a few phrases - 'A general sense of security,' 'a reward for business,' 'the public accounts in good order' - and I thank him for those comments. I think other members have also made complimentary remarks, a number of them, but it has been balanced by members contributions and certainly this is how I feel, that although we have this good news, we must not now turn that into complacency. (**Mr Gilbey:** Hear, hear.) That must not occur politically. If it does it will occur commercially and we cannot afford to allow that to happen at this stage. The hon. Mr Speaker mentioned Jurby, as expected. The hon. member for Rushen, Mr Rimington, who is not in his seat at the moment also mentioned the subject of a new town. Perhaps the two hon. members should speak together more often and who knows what may happen. I am aware of course that the Department of Local Government are always looking at the options that are available to Jurby. I also know that the Department of Trade and Industry are always able to help prospective new industry, as they have done in the past, to try and sew the seed corn of economic growth in Jurby. I would be the first to acknowledge that Jurby's reputation is its handicap and, in terms of trying to encourage economic development there, there is a stigma attached. I think that is very unfortunate and we must try to move away from that type of debate so that we actually think of the Island as a whole. So there was praise for the Treasury from Mr Speaker, and also praise for the workforce of the Island whose efforts of course have made the revenues so buoyant.

The next speaker on his feet was my colleague from Onchan, Mr Cannell, and he made comment about minimum wage, but I would also follow the guidance of Mr President in the fact that that is in debate in another place and so I am restricted in what I can say about minimum wage legislation. But can I say that whatever that may be, along with a number of other costs for business, whether that is regulation - the fear that Mr Radcliffe, the member for Council, has just raised, the fear of over-regulation. The fact is we do have more regulation and more compliance cost as a result of that. There are wage inflations because of the full employment economy in a number of areas. Maybe not showing in the average figures but certainly there are hot spots of wage inflation. All those costs are just that to business and so by reducing taxation for that business we are levelling up the playing field somewhat and acknowledging that the business that they do on the Island, that companies small, medium and large contribute, is very important to us and that we acknowledge that that has to be borne in mind. Business competitiveness is what this budget led on and it is the message I want to get across.

Of course there is the issue too of tax reductions for individuals and it seemed in Treasury that it would be wrong just to look at business and reduce their corporate taxes, bearing in mind that corporate taxes are falling all around us as my colleague in Treasury, Mr Braidwood, has mentioned. The Irish rate has fallen, UK rates and generally European rates will be coming down in years to come and we have to be aware of corporate competitiveness, but we did not want to set up a whole new raft of tax planning opportunities by not treating individuals in the same manner. Simplification of tax is one of the elements of the tax strategy and we would have done no one a favour by having variable rates and we would have created complication when seeking to do the opposite.

My hon. colleague, Mr Cannell, also raised the issues of a number of things really. He felt that there are people within our society who feel that the rich are taking over. They are working hard for a living but there is a feeling of injustice and there are certain quality of life issues. I think in my speech that I acknowledged that, that in a fast growing economy these things can start to happen and we have to be aware (**Mr Delaney:** Hear, hear.), as I think every member in this hon. Court is aware, that we have to make sure that everybody moves at the same speed. But when you have got a vibrant economy, which we have all been talking about, and the entrepreneurs at the top are driving and making business and making money for this Island (**A Member:** Hear, hear.) then we must not also stop that and it is that balance between looking after our community as a whole and making sure that we do not stifle growth and it is a difficult balance to strike but this budget is our best effort and I hope it is taken as that. Not cast in stone, but our best effort for this year.

I would take issue with the hon. member, my colleague, because when he says that things were difficult in the 1950s I know they were. I think it is difficult really for someone who perhaps was not there at that time to accept that, but there is this perception put abroad sometimes that if you are Manx you are poor and if you are a comeover you are well-off. I do not accept that (**Members:** No.) and I think that the social problems that we have of low incomes are across the board. I do not believe it is peculiar to Manx people, Manx born and bred. There is a number but it is also true of people who have perhaps come here to live in years gone by or maybe second generation Manx, so I do not accept that there is this big divide. That is not to say that there is not an issue there to be addressed but I am not so sure that that split is the right way to feel about it. That is a personal view and certainly my view is that a buoyant economy with lots of jobs is the best way to make sure that incomes are delivered to the table. Fair wages for fair work, absolutely, and I must remember not to start talking about the minimum wage because that would be contravening standing orders at this point.

There was another point that the hon. member raised to do with personnel issues and a number of members have raised personnel and I knew obviously in the lead up to this debate that we would be talking about personnel and the manpower cap that the government operates. It is a policy which constrains government growth so that we do not exceed what is going on in the private sector. We have made much play about the private sector delivering this wealth for government to spend on behalf of the community but of course we have to give them a fair chance to do that, so there again we have got this balance between competing resources, government wants the resources, the private sector wants resources. In an area of full employment that is a difficult balance and, as other members have said, when you have got surpluses, when things are going well, it

actually makes some of the decisions a lot harder because you have to prioritise in different areas. When times are bad everybody has their shoulder to the wheel, we all push in the same direction. When things are good but resources are spread thinly, there is a lot of debate as to who gets what. I have to say in preparing this budget along with my colleagues and along with the discussions with departments of government, this has been the most difficult of the five budgets that I have had the privilege to bring to Tynwald Court. Some facts: in 1991 there were 33,189 people in the economically active population. Today that figure is 36,807. In 1991 17.41 per cent of that active population worked for government. By the mid 1990s that had reduced to 16.79 per cent at its lowest, because that was the personnel policy biting, but certainly at the beginning of this administration it was realised that perhaps that had been applied too tightly and relaxations have occurred to an extent. The figure now, today, is 17.43 per cent of the economically active population works for government and so I just present these figures to hon. members so that they may have solace, I suppose, in realising that - although we have these big demands from the DHSS, from Education, very genuine demands for more resources, particularly people - we are not doing that badly really with the personnel control mechanism on an overall global basis. I just raise that issue because I think it is an important monitoring tool that the policy needs and I am sure that, for the next policy round and for the next Tynwald or for the next House of Keys, there needs to be further debate on the policy of manpower control because it is so significant and such an important part of how our government operates and that is not to say that we need to privatise. The hon. member, Mr Karran, said he does not want to see privatisation, but I think we have to keep that balance between what is out there in the private sector and what is here within government.

My hon. Ramsey colleague, Mr Singer, mentioned a number of issues. He thought the budget was good for the taxpayer - I think that is generally agreed - and that the down turn had been postponed. Well, certainly, our economic projections were some years ago that we would have a down turn and it has been put off, but that is not the Isle of man, that is the global economy, that is the UK economy, that is the American economy that has gone on and on and on. Will that continue? There are some doubts in the media at the moment and that is another reason perhaps why we should not get used to spending our volatile income from tax receipts.

A hobby-horse of the hon. member is the water rate and I guess he just does not agree with the way the water rate is applied in total. It is a tax on property. It is based on rateable value. There is a difference between town and country and the hon. member does not like that. But if you look at the alternatives, if you were to add up the Water Authority bill and divide it by the number of properties on the Island and just have an equal amount per property, big houses in the country would pay less and that is a fact. Is that what the hon. member wants, because he is concerned that town dwellers are paying more for their water? The issue in the budget is that by deducting £10 off everybody's water rate bill, it is a direct recognition of rising costs of living. And it is only a small thing, but I think it is meaningful and in terms of lower income people in general, not exclusively, perhaps more of them live in smaller properties than larger properties and so £10 off a smaller bill is a bigger percentage than £10 of a bigger bill. So there is some logic in what is being done, but it is a crude intervention. The hon. member for Council, Mr Lowey, said, 'Do not be

looking for perfection.' Well, I think that is a classic of an intervention which is not perfect but will have an impact.

The hon. member also mentioned the Global Challenge yacht so I will take the opportunity of updating hon. members on what has been happening.

**Mr Delaney:** How is the *Spirit of Hong Kong* getting on? (*Laughter*)

**Mr Corkill:** The yacht continues to sail not fast enough, but they are all doing their best. My hon. colleague Sir Miles, member for Rushen, who is heading that delegation to New Zealand at the moment, was apologetic and sorry that he was missing the budget debate, because he was very, very supportive (*Laughter*) of the tax strategy. I spoke to him on the phone and told him that we really needed him here for the vote, but as things have turned out I am glad there is a large number who appear to be in support. He hosted 95 New Zealand Manx people at an afternoon reception. He spoke to members of the New Zealand Parliament, the House of Representatives, and delivered a speech about the Isle of Man. He has met and visited the British Consulate. As a result of the visit there is going to be a Wellington Manx Association formed and so indeed I believe it has been a hands across the sea exercise and very well worthwhile. So I thank the hon. member, Mr Singer for raising the issue. Otherwise I would not have been able to actually bring the information to this Court.

Obviously he has been pressing along with his colleague, Mr Bell, for initiatives in Ramsey and we have heard quite a lot about the 100 per cent capital allowance for that area of Ramsey. I hope that is well received but we in Treasury know it is not the whole story. We also do not want to get involved in Port St Mary planning issues. Despite the temptation and perhaps the invitation that the hon. member, Mrs Crowe, from Rushen has offered to get involved in the planning process of Port St Mary, we do not want to be involved. With regard to Port St Mary perhaps I can say that the incentive applies to the whole of the district village, but only to commercial buildings and so whatever the planning process determines, which is a matter for planning and not for Treasury, those areas are more likely, at the end of that process, to be developed than they are now I would suggest -

**Mrs Crowe:** If we have any.

**Mr Corkill:** Well, that is a matter for the planners. Now, the hon. member for Ramsey, Mr Singer, also mentioned a case history of a constituent. He did send me all the details and I do not wish this to sound as though I am point scoring, because in another place the hon. member has been opposing the taxation of child benefit. When I looked at the breakdown of this individual's figures it was quite clear to me that the proposals in last year's budget, which had substantially increased child benefit but made it taxable, had improved his situation as a single parent with two children. That is another example of something not being perfect, but it was a blunt instrument to redistribute wealth to low income families. Of course this year with the uprating that will be announced, which will come forward, there is that policy which will carry on redistributing each time it goes up. Of course it is up to hon. members in this Court to monitor that situation and make sure that the increases are meaningful. If they do not, then the position will slip back. But then as politicians we are all birds of passage and the next people along may have different views, but certainly I think child support is an important element within our society and it is direct

payment to where it counts. That was not an answer for the hon. member's constituency problem but I think it was an example of how far Treasury has gone to help, using the tax system. At the end of the day it is the benefit system that comes in at a particular point. There is an interface between benefits and tax and when we talked of tax credits and I asked hon. members to be patient we have no option but to be patient because to unravel and to put together a new interface between benefits and income tax whereby unused allowances can actually be turned into cash for people who are on low incomes, who do not pay tax, is a very complicated process, but it is being pursued, along with a number of issues in the taxation strategy, one being current year assessment, simplification of the tax system. So I do hope that hon. members will believe that this work is being done, because it will happen. It would have been nice to have it before election wouldn't it? But I cannot pull rabbits out the hat and, as much as the hon. member for Douglas North, Mr Houghton, may think 'Here is some extra money and an extra nurse for the hyperbaric chamber', (**A Member:** Hear, hear.) it would be lovely to sort problems out one at a time like that -

**Mr Houghton:** Well, I am afraid -

**Mr Corkill:** - but the DHSS has its priorities and I understand that the situation is that the money has been raised from £40,000 to £50,000 for the hyperbaric chamber and that was based on the charity employing two people. Now, I know there is an ongoing debate there. All I can say is that I will further discuss with the Minister for the DHSS the issue of the hyperbaric chamber -

**Mr Houghton:** Thank you.

**Mr Corkill:** - but I cannot in a budget process ring fence a parcel of money and perhaps an extra personnel during a debate on this floor. The point is well made and I understand the hon. member's frustration with that -

**Mr Houghton:** Thank you.

**Mr Corkill:** - but at the end of the day hard priorities and decisions are made and we live within the resources that each department have.

The hon. member for Peel, Mrs Hannan, raised the issue, really, that the budget is not just about tax, it is about a number of things. Perhaps this budget has majored more on tax than other things because there is highlight obviously on rate reductions. I am quite sympathetic to what is happening in Peel, as the hon. member has described. There is pressure for growth. What I would suggest is that along with that growth will come enhanced viability for Peel, in my view, but the infrastructure of course will have to go along with it. I think it is a very valid point the hon. member makes about planning gain because I do not think we make enough of planning gain to actually provide facilities in tandem or in parallel with growth. It is a shock to the system when, after years of tranquillity, all of a sudden a lot of houses are going to be built. It has happened in other parts of the Island. It has happened in Douglas North, it has happened in Onchan. There is well over 200 units of accommodation actually being built in Onchan at the moment, but the feeling abroad is that Onchan is full, there is no more development going on, the people up there do not want development, but the reality is very different. Admittedly they are different types of units of accommodation, a number of them are flats and I would have hoped that the hon. members saying that they are going to be built at 10 per acre, I would hope with such

density of housing that first-time buyers can afford them. Why on earth are they being built if they are not for first-time buyers is the question I would put forward.

There are a number of issues that the hon. member raised about health promotion and alcohol abuse and I would wholeheartedly sympathise and say that we should do more and more on these issues, but I do know that my colleague the Minister for Health and Social Security has noted that and a lot of these issues are being 'beefed up', for want of a better expression anyway, in the normal run of things. There is already attention being put to these issues.

But I think the most important point the hon. member raised was about the burden of indirect taxes because the hon. member said that it is all right reducing income tax but if VAT stays the same everybody has to pay VAT including low income people. That is a point but I would make the point also that food, children's clothing and a number of issues are zero rated -

**Mr Downie:** Absolutely.

**Mr Corkill:** - for the purposes of VAT and I would certainly not endorse applying sales taxes to things such as food. One can then argue well this decision is not in our hands because we have our customs and excise union with the UK and if they decide to do that. . . but there are no signs that the United Kingdom Government will apply VAT to food sales for instance. If they did I would suggest that that would trigger a very, very strong debate within this House as to whether the customs and excise union was still in our best interests (**A Member:** Hear, hear.) and so we would have a chance to debate that at that time. But as things stand the VAT and Duties Agreement, which we have with the United Kingdom underpins this tax strategy. We made that quite clear in October and in June when we raised the issue of the taxation strategy as to how we were going to proceed. So this year, because VAT revenues are extra buoyant, that is the main reason as to why we have these surpluses.

I also thank the hon. member, Mr Henderson, the member for North Douglas. He used expressions such as 'a clear and powerful message' and 'supportive of business' and I think that the budget is meant to be that and I thank him for those comments. He also, like a number of members, has obviously mentioned housing. I do not wish to end the budget debate on a housing debate but I made it clear I think that there are millions of pounds, £15 million I think is the figure, included for public sector housing and there is a buoyant programme there to be delivered and it has to be delivered.

The hon. member for Council, Mr Lowey, talked of two constituencies. Certainly when we write our budget speech we have a number of audiences in mind and what we say to one may not quite spin out the same for another. This year above all we think the external audience is very important. That is not to say that the hon. members in this Court are not important. Obviously their support is paramount but there is a strong message to the outside world and I can tell hon. members that this budget strategy, this tax strategy, has not gone unnoticed within the United Kingdom Treasury and has not gone unnoticed in the OECD in Paris. It really is, I think, having an impact perhaps in the Channel Islands as well. There are niggles, of course, and the hon. member for Council talks about public meetings

and niggles, well it is good to see democracy is abroad because without these niggles being broadcast then, as hon. members in here, we are not going to pick up on them.

The hon. member also mentioned industry and the way added value is done and of course, with his time at Industry there, he will be aware that support for industry is done on that very basis. In fact when support is calculated the payback is also calculated. The figures make pleasant reading sometimes, particularly when you look at some of our successful industrial enterprises on the Island.

He also raised the issue about chasing people over to the Island. It would increase the Island as a destination for retirement and work, the place to be. Now I think that has to be put into context because it may well give that message on the one hand but certainly on the corporate side - which is quite important and I tried to put this across at the tax strategy debate in October - when you reduce tax burden to multi-national companies it makes them think about where their cost base is, because if you have all your employees working where the taxes are high those costs of employment are eligible against that profit. So you are actually making the most of a situation in a high tax scenario. What you do to a low tax jurisdiction is to put the high profit low cost end of the operation and that is certainly where e-commerce comes in but not just e-commerce but business in general. But we must remember that e-commerce is all business. All business that we do today is going to have an element of electronic communication in the future if it does not have already. And so I just reiterate the point that, perhaps contrary to what the hon. member thinks about chasing people over to the Island, it may actually chase over the high value added end of development and that is what the tax strategy is chasing. There is the risk of what the hon. member has said and I think we have to bear in mind that we have a residence control Bill which is hovering around. It is not being applied perhaps to the strength and the intent the hon. member for Ayre wants where he wants it applied. Government policy is to have it on the shelf ready in the event that we need to act and I would agree with that.

The hon. member of Council, Mr Delaney, also, apart from some of the issues I have already raised, made a big point about the police and strong factor needing support. I think there are measures in here that do that. Particularly in moving some of the orders you will see that there is a housing allowance scenario to actually encourage police officers to live in police houses. So although perhaps we have majored in health, social services, social security and education in terms of the headlines, the Department of Home Affairs has not been forgotten and I thank my hon. colleague, the minister, Mr Bell who actually stated later on in the debate the increase in the personnel of police numbers which I think has been addressed over a number of years now. I think he said 14 or 15 per cent increase in police numbers. He also mentioned that the OECD was a little known thing some years ago and that it did not

matter -

**Mr Delaney:** That is what I have just asked, what was said.

**Mr Corkill:** Well, it does matter -

**Mr Delaney:** It does matter, I know it did.

**Mr Corkill:** I thank hon. colleague Mr Bell for his contribution. Obviously he is very supportive of the Ramsey incentive and has written to me on a regular basis on that. He is obviously concerned about the social and physical infrastructure and I think the common thread through all of this debate has been renewal of infrastructure. It is government policy to do that. This budget delivers more of it and I have to say, and I have said it before and I will continue to say it until the job is done, that this generation has very little to worry about. We have had no world wars, we have not got the 1950s, we have got economic growth. If we do not renew the infrastructure that the Victorians put in, then what on earth are we doing? We have no other real task to do as politicians of our generation. I feel very strongly that we should press on and that is why IRIS has been brought forward. It has inflated the capital programme and we are digging the roads up all over the place and I am sure the Chief Minister gets really frustrated out at the White Hoe when there are big holes in the ground but I am sure he is also conscious of the fact that we are renewing that infrastructure -

**Mrs Crowe:** Marvellous.

**Mr Corkill:** - to the greater good of everybody. I thank the hon. member, Mr Shimmin, for his contribution which I think was on a very broad basis, an all-Island basis, Obviously he came at it from his DTI interest and he talked about the stretched construction industry, training and a number of issues but obviously, young people, he is very concerned that perhaps we need to do more.

If I scoot over people's contributions, please forgive me but there is not the time really to go over everyone's complete detail. (**Mr Cannell:** Hear, hear.) But there are some specific comments. The hon. member, Mr Quine, in his contribution - and I wish him well in re-reading the budget debate when he goes to sleep this evening, I shall ring him up about midnight when I get in and check whether he is -

**Mr Delaney:** Ask him questions on it.

**Mr Corkill:** - and ask him questions. He obviously went on about infrastructure pressure and we should be exploiting the buoyancy to divert business away from Douglas. Now I can understand his desire to spread development around the Island rather than being it focused but as we know the hon. member has interventionist ideas in his genes. I would suggest that what we should be looking at is new business being diverted to other parts of the Island. To actually relocate and up sticks will, I think, cause a number of problems for existing business which I think they do not need. I think if you interfere, over regulate and dabble too much in private enterprise, they will make decisions that perhaps we will not be comfortable with and I would just ask the hon. member to consider that - that perhaps direct intervention is too heavy handed.

**Mr Quine:** That's not me.

**Mr Corkill:** He also said that the DTI schemes need to be restructured in order to help that but I think I have already said that the DTI do come up with a number of schemes and they have a very big budget for starting up new enterprise.

**Mr Quine:** But no relocation.

**Mr Corkill:** A point was made by Mr Quine about permanent health insurance and his constituent is writing to me and the hon. member about this issue and it is one that is not resolved. What I will say is it is one that Treasury and Income Tax are considering because people, particularly professional people on high incomes, have taken out permanent health insurance. Unfortunately some of them have fallen ill. They are used to big incomes, maybe six figures. I am not saying this individual is but I have had other people who have written to me and they have been in the almost £100,000 a year bracket. They took out these policies on the basis that if they became ill they would have a severe drop in their standard of living. They were very prudent to do so and it is government policy to help people to help themselves. It has to be admired when someone does take this precaution but the decision that has to be taken is that, now they receive the benefit of what they have taken out, it is really a substitute for the income that they have lost. Should it be treated as income or should it have a special tax treatment? Because at the end of the day these people are above the tax threshold. Their total income is way above the threshold so they are in the tax bracket and it is a matter of whether this type of income should be treated as income or as something else. In the United Kingdom, as the hon. member referred, the decision was taken - I think it was Kenneth Clarke who was the Chancellor at the time during the Conservative Government - a policy decision to bring in an extra statutory concession to allow these income payments against tax. The Isle of Man has never done that and the question has to be asked, will we follow suit? It is consultation, it is at that discussion stage at the moment.

Just going back a minute to the hon. member Mr Lowey, he questioned about the increases in company moneys. Now they seem to be out of kilter. Well, the real issue is that non-resident duty companies, the number of them has actually fallen from about 10,000 to about 6,000. There is a moratorium as we know and it is a figure that really is considered appropriate rather than any special formula. I think it would be wrong to draw any comparison between the two.

The hon. member for Rushen, Mr Rimington, wanted to know what Treasury was doing with the £7.5 million that he had dug out of the pink pages which -

**Mrs Crowe:** He's a troublemaker.

**Mr Corkill:** - I guess he was looking for our back pocket which is usually what Treasury does to other departments. Can I say that included in that ICT fund - you mentioned the education element which is very important and other members have raised that - there is the DTI fibre optic cable that is within the electricity cable that goes to Bispham. If that has to be lighted and utilised as an active cable to bring data to and fro the Island, there is a cost of £1.2 million to that. That is one of the options I referred to in my opening statement about the resilience that we now have with the cabling of what Manx Telecom has done and what government has done. Also the connected citizen programme, which is obviously going to develop - one can already download passport forms from the government website. Unfortunately you cannot get all the paperwork back through the system that way but I am sure things are going to change with digital signatures. There is a further £5 million required by 2003/2004 towards the connected citizen. I think it is only right that government is up to the minute with its electronic

communications with the citizens of the Island because other jurisdictions will be doing that.

I would like to thank the hon. member of Council, Mr Crowe, for three fairly succinct points; danger of complacency, which I have also raised, and he is quite right we could get into this area of complacency. We have seen it happen in other jurisdictions. We must watch what they have done and not do the same. He also mentioned competitiveness and cautioned over over-regulation which hon. member, chairman of the IPA, Mr Radcliffe, also mentioned.

I would like to thank the hon. member Mrs Crowe for her support and I hope I have allayed the suspicions on the ineffectiveness that she has of the tax strategy in Port St Mary. We are doing our bit.

The hon. member, Mr Waft, before I came into this chamber this morning, managed to nobble me on the percentage of GDP debate about overseas aid. Obviously when one turns the news media on and we see such terrible catastrophes, particularly in India just recently, I suppose the budget that we have just looks like a drop in the bucket as somebody mentioned -

**Mrs Crowe:** It all helps.

**Mr Corkill:** - and I suppose we really need to look at that issue because other countries do do this. They connect a percentage of their GDP formula to this overseas aid equation. I guess in the Isle of Man - and we have sensed it in this hon. Court today - we have not got used to having the resources that we do have at the moment and I think we are still learning how to use them. I do not think we are mature enough in some areas and, unlike other jurisdictions who have had reserves like we have had for many years and have made this commitment. . . perhaps it will come in due course, I think, is perhaps what I am saying.

He also said that there was a lot of advice required for private health care and pensions on the private basis to members of the public. I think we are making strides in this area because the Fair Trading Bill, of course, will have a financial services ombudsman included. It is not a job for the IPA or the FSC who regulate industry rather than help individuals but nevertheless people obviously do need to know what products they are signing up to.

I have already perhaps mentioned most of the issues that the hon. member Mr Rimington came up with but he also mentioned the standing charge issue, the £42 which my predecessor, now Chief Minister, brought in on the basis that we had a bit of a windfall when VAT went up to 17.5 per cent. It was the same again, how do you distribute, fairly, this windfall and it was decided that by using a utility bill you could reach everybody. That may or may not be time limited. At the end of the day a certain amount of debt was written off in comparison with this so I think it is a very valid point that perhaps government needs to re-examine, perhaps at policy time, as to whether we still wish to continue that. What I would say is that, bearing in mind energy costs, I think any minister who stood up and said, 'We're going to take £42 away from you on an electricity bill' -

**Mrs Crowe:** Not popular.

**Mr Corkill:** - may get a certain amount of comment from the public. I understand from his environmental concerns he is obviously trying to put tax incentives in the right places to create improvements in that area.

I think the agricultural comments were well covered by my colleague the Minister for Agriculture, Mr Downie, who answered the points raised by Mr Karran and Mr Rimington. I mean, at the end of the day, we are not tied to the UK with agriculture, we are tied to the EU. That is the reality.

My colleague from Onchan, Mr Karran, raised a number of things really - and I am going to keep away from the minimum wage and agriculture - public sector housing is not enough. I think we have all said we need to deliver quicker and faster housing but the will is there and I would say that the resources and money are there to do it but we are in a very busy economy and of course we only have a certain amount of construction capability.

He also mentioned issues such as devolved government and the risk of a UK contraction in their economy, that if the UK economy contracts we will be the first to suffer. Well, if the American economy contracts the UK suffers. Economies these days are all connected and so I cannot guarantee that we will not catch a cold at some point - all the more reason why we add money to reserves. We can afford sensible tax reductions, we have got good increases in public spending but we just have to be careful that we do not get used to that type of budget.

I am just trying to make sure I have got all the issues covered. The hon. member of Council, Dr Mann, raised the issue on the presentation of the figures and in fact, the pension supplement cost, the increase that is already known about is £19.2 million and it does all come from the NI fund and so I will speak with him later - the hon. member is not in his seat at the moment - just to clarify that. I have to disagree with his comment that the timing is wrong. I have to disagree with his comments to say that there are members of the public saying, 'We're happy paying tax because it is going to produce more government services.' I think we have presented a budget today which shows that we are adding meaningful increases to public services to a point where they cannot grow any quicker anyway because of other constraining factors but revenues are so good that we can afford a taxation cut as well. I would not be coming here to this hon. Court advocating reductions in tax if that was at the cost of public services. It just would not wash and so I think that that may well have been an argument true a couple of years ago but certainly my feedback is that reductions in personal tax are going to be well received.

He also was concerned about announcing the tax strategy to the world. I do not have a problem with that I think it has probably been to our benefit - particularly with the OECD it has - but certainly there is this feeling perhaps in the hon. member, Dr Mann, that the whole tax strategy has come about as a result of OECD intervention. Well, it is a combination of two things. Most certainly it has had an impact but I would point out to hon. members that three years ago we had a taxation strategy group working and some of these harmful tax debates have been around for many years and so at the end of the day we wish to have markets to trade in and if the OECD controls those markets then we would be silly not to take account of the things that they are saying.

I thank the hon. member of Council, Minister for DHSS, for her clarification of a number of issues particularly to do with benefits and the difficulties in balancing the tensions between departments when we are in fact all after the same honey pot as it were. It is difficult to make sure that we come with a balanced budget and in fact I think she herself said that the DHSS has a voracious appetite for providing services and isn't that good to hear?

**Mrs Crowe:** Wonderful.

**Mr Corkill:** Isn't that wonderful that in fact we have that desire to improve things.

The hon. member for Garff, Mr Rodan, Minister for Education, I think covered all the issues to do with education and the investment that is going on into education. I know the hon. member for Peel feels perhaps that Peel has been left out on that issue but I would point out that the Queen Elizabeth II School has had a sixth form extension, there has been land purchased around the school to ease its expansion and access into the future and Treasury and Education have worked together to make sure that that land purchase has gone through. Obviously with the rising number of houses the hon. member is concerned about there being enough school places and this sort of thing but in fact I am assured by the Department of Education that they have done their sums in this respect and that the Clothworkers School does have capacity, at least in the short to medium-term.

The hon. member, Mr Rodan, also said that the Treasury Minister has less levers to lever on the economy. The customs and excise is cast in stone. Well, it is in terms of our tax strategy but of course there are other bigger, mightier economies around our shores who are grappling with less and less levers in order to control their economy and I look to the west and perhaps soon to the east where monetary union will remove the weapon or tool of interest rates away from chancellors in those particular jurisdictions but that is something that the Isle of Man has always managed to deal with. We have never had control on our interest rates in a direct fashion, being a sterling area.

I would like to thank my colleague, Mr Braidwood, for his support. I would like to make the point really that this is a Treasury budget, it is a Treasury effort which has been supported and endorsed by the Council of Ministers.

I would like to thank the hon. member, Mr North, Minister for DTI, with his quote of the day which is, 'Let your money fruitify in your pocket', which I think he has pinched from this -

**Mr Delaney:** Plagiarism!

**Mr Corkill:** - well-known visitor, Mr Waldron, but perhaps it is one worth repeating. There is a bit more to it than that, of course, but his main concern was future income and how we have to be careful and back to this point of the infrastructure comes first. One can always tell a good marketeer and I think he has sold his argument well. He never fails to sell the Isle of Man successfully wherever he is and I thank him for his helpful comments. With regard to the MAGIC training programme - of course, this is not really for members although the Council of Ministers made a determination that it would probably be a good idea if members had the benefit of the MAGIC training - but can I just say that civil servants continue to be processed through the MAGIC training course - That sounds a bit painful but they are. . . I mean this is an executive government project that members are being tagged

into, so I just want to make that point really that the MAGIC programme is not just for members it is really for government. Now I think I have concluded most of the review of what members have raised -

**Mr Cannell:** Vote.

**Mr Corkill:** I do hope that, if there are issues that I have skimmed over that members are still wanting answers to, that they come back to me after the debate at some point and I will clarify things. I would thank Mr Houghton for being supportive of the budget and I would like to thank my hon. colleague the deputy chairman of Treasury, Mr Radcliffe, who no doubt will carry on the stability of Treasury whence we in the House of Keys are involved in House of Keys electioneering as the year goes on but I would thank him for seconding the motion in my name.

It has been said to me before coming into this Court that perhaps we will never see a budget like this again. Certainly I do not believe we have seen a budget like this in the past and that is a tribute to all those on the Island who have contributed and I thank them all on behalf of the Isle of Man Government. I thank my colleagues for supporting Treasury in presenting it but what I sincerely hope is that it is the first of many similar budgets because that will serve the Island the best way. I beg to move.

**Members:** Hear, hear.

**The President:** Hon. members, the motion is printed at item 2 on order paper no. 2. 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, Quine, Rodan, North, Mrs Crowe, Messrs Rimington, Brown, Houghton, Henderson, Braidwood, Shimmin, Downie, Singer, Bell, Karran, Corkill, Cannell, Gelling and the Speaker - 19*

*Against: Mrs Hannan - 1*

**The Speaker:** Mr President, the motion carries in the House of Keys, 19 votes in favour and 1 vote against.

*In the Council -*

*For: The Lord Bishop, Messrs Lowey, Waft, Kniveton, Radcliffe, Mrs Christian, Messrs Delaney and Crowe - 8*

*Against: None*

**The President:** Hon. members, with unanimity in the Council the motion therefore carries.

Hon. members, conscious of the clock I had hoped earlier today that we might have been able to have carried on and completed the question paper this evening. That now seems totally impractical but I do think that in fact we ought to complete order paper number 2.

**Members:** Agreed.

**The President:** Then, hon. members, you may consider whether you wish to continue with other items on the order paper number 1 or not.

**Members:** Agreed.

**General Revenue and Capital Payments 2001-2002 — Income Tax Act 1970 —  
New Rates and Allowances — Motion Carried**

**The President:** Therefore can I call upon the Treasury minister to move item 3 on order paper number 2, please.

**Mr Corkill:** With permission, Mr President, can I move items 3 and 4 together?

**Members:** Agreed.

**Mr Corkill:** Mr President, I formally move item 3:

*(1) That the Treasury be authorised to expend during the year ending 31st March 2002 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 £538,937,700 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 Regulation FD15 - Virements, issued by the Treasury in January 1999.*

*(2) (a) That the Treasury be authorised to expend during the year ending 31st March 2002, 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 £65,175,670 (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 2002, from capital transactions account, sums not exceeding those set out in column 2, totalling £14,610,730.*

*(c) That, upon Tynwald approval to such projects being obtained, the Treasury be authorised to expend during the year ending 31st March 2002, 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 £33,197,450.*

*(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 £76,949,000, 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 £46,957,000 and the transfers to general revenue account and other expenses' expenditure set out in columns 5 and 6 totalling £14,529,000 and £17,866,000 respectively of the investments and reserves, probable 2000-01, 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 £24,950,000 and the transfers to general revenue account and other expenses' expenditure set out in columns 5 and 6 totalling £19,300,000 and £15,284,000 respectively of the investments and reserves, estimate 2001-02, on page 14 of the Isle of Man Budget.

And I move item 4:

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

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(1) That in accordance with section 1(2A) of the Income Tax Act 1970 -

(a) the standard rate of income tax shall be 12 per cent on every pound of taxable income;

(b) the higher rate of income tax shall be 18 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 18 per cent.

(3) That the personal allowance -

(a) in respect of married men under subsection (1) of section 35 of that Act shall be £15,400;

(b) in respect of individuals under each of paragraphs (a), (b), (c) and (d) of subsection (3) of that section shall be £7,700.

(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 in respect of the lower tax rates for companies under section 1A of that Act -
- (a) the lower tax rates for companies in subsection 1(a) of that section shall be in respect of every pound of taxable income up to and including £500,000, at a rate of 12%;
- (b) in subsections (2) and (4) of that section for £125,000 there shall be substituted £500,000.
- (6) That the allowance in respect of registered blind persons under subsection (1) of section 35A of that Act shall be £2,120 and the further deduction under subsection (2) of that section shall be £2,120.
- (7) That the allowance for disabled persons under subsection (1) of section 35B of that Act shall be £2,120 and the further deduction under subsection (2) of that section shall be £2,120.
- (8) That in respect of the additional relief in respect of children under section 39A of that Act, the deduction under subsection (2) of that section shall be £5,270.
- (9) That in respect of the additional relief in respect of children under section 39B of that Act, the additional deduction under subsection (3) shall not in any case exceed £5,270.
- (10) That in respect of the additional relief in respect of children under section 39C of that Act, in the formula in subsection (3) for £5,160 there shall be substituted £5,270.
- (11) That this resolution shall apply in respect of the income tax year commencing 6th April 2001 and subsequent years.

**Mr Radcliffe:** I beg to second, Mr President.

**The President:** Seconded by Mr Radcliffe. The motion, hon. members, is that item 3 and item 4 both printed on order paper no. 2 be approved. Those in favour please say aye; against, no. The ayes have it. The ayes have it.

### **Income Tax (Nursing Expenses) (Amendment) Order 2001 — Approved**

**The President:** Treasury minister, item 5.

**Mr Corkill:** Mr President, section 39B of the Income Tax Act 1970 grants tax relief in respect of the qualifying expenditure on nursing attendance and nursing home fees. It is Treasury policy to keep this limit in line with the amount of the personal allowance. The

effect of this order to therefore to increase the maximum permitted deduction from £7,535 to £7,700 per annum with effect from 6th April 2001. I beg to move

*That the Income Tax (Nursing Expenses) (Amendment) Order 2001 [SD No 30/01] be approved.*

**Mr Radcliffe:** I second, Mr President.

**The President:** The motion, hon. members, is printed at item 5 on the order paper. Those in favour please say aye; against, no. The ayes have it. The ayes have it.

#### **Income Tax (Care Fuel Benefits) Order 2001 — Approved**

**The President:** Item 6, Treasury minister to move.

**Mr Corkill:** Mr President, 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. I beg to move:

*That the Income Tax (Car Fuel Benefits) Order 2001 [SD No 31/01] be approved.*

**Mr Radcliffe:** I beg to second again, sir.

**The President:** The motion, hon. members, is printed at 6 on the order paper. Those in favour please say aye; against, no. The ayes have it. The ayes have it.

#### **Income Tax (Benefits in Kind) (Exemptions) (Amendment) Order 2001 — Approved**

**The President:** We turn then to number 7, again the Minister for the Treasury to move.

**Mr Corkill:** Mr President, I beg to move:

*That the Income Tax (Benefits in Kind) (Exemptions) (Amendment) Order 2001 [SD No 35/01] be approved.*

Section 2G of the Income Tax Act 1970 imposes an income tax charge on the cash equivalent of any benefit in kind provided for an employee by reason of that person's employment. The section also enables the Treasury by order to provide for exemptions from that charge. This order will add two further exemptions to the existing eight. In both cases the exemptions have been operating for some years by way of extra-statutory concession. The first relates to living accommodation which is provided by the Department of Home Affairs for uniformed police officers who occupy houses attached to an operational police station in their capacity as the community officer for that local area. This is part of an overall policy of seeking to encourage police back into the community and is fully supported by the Department of Home Affairs. The original concession, which was of a more general nature, was announced in July 1986. The second exemption is designed to cater for employees who have an element of private use arising out of the use of a van, lorry or similar commercial vehicle. Provided the vehicle's main purpose is to transport tools goods and materials or make deliveries associated with the employer's business the benefit in kind charge will be exempted. This was first announced in February 1994. As previously stated, the two exemptions are not totally new and simply reflect the general

tidying up of our tax system which is gradually taking place. I beg to move that the Income Tax (Benefits in Kind) (Exemptions) (Amendment) Order 2001 be approved, sir.

**Mr Radcliffe:** I beg to second, Mr President.

**The President:** The motion, hon. members, is printed at 7 on the order paper. Those in favour please say aye; against, no. The ayes have it. The ayes have it.

### **Non-Resident Company Duty (Amendment) Regulations 2001 — Approved**

**The President:** Item 8, Non-resident Company Duty Act, Minister for the Treasury.

**Mr Corkill:** I formally move:

*That the Non-Resident Company Duty (Amendment) Regulations 2001 [SD No 34/01] be approved.*

**Mr Radcliffe:** I second again, sir.

**The President:** The motion, hon. members, is printed at 8 on the order paper. Those in favour please say aye; against, no. The ayes have it. The ayes have it.

### **National Lottery (Designation) (Amendment) Order 2001 — Approved**

**The President:** Finally, item 9, Treasury minister.

**Mr Corkill:** Mr President, I beg to move:

*That the National Lottery (Designation) (Amendment) Order 2001 [SD No 38/01] 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 2002 be paid to the Public Lottery Trust if the duty is less than £250,000. If the duty is more than £250,000 then the lottery trust will receive £250,000 and the balance up to £400,000 will be apportioned equally out of general revenue to the Arts Council, the Sports Council and the Manx Heritage Foundation. If the duty is more than £400,000 in total, then the balance over £400,000 will be equally split four ways between the Public Lottery Trust, the Arts Council, the Sports Council and the Manx Heritage Foundation. In the United Kingdom the duty of 12 pence on every ticket sold is, of course, retained by the United Kingdom 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, the Sports Council and the Manx Heritage Foundation retaining nothing for general revenue. This approach follows that approved by Tynwald at the last budget but widens the bodies receiving a proportion of the proceeds of the lottery duty to include the Manx Heritage Foundation. (**Members:** Hear, hear.) The lottery duty for 2001–2002 is estimated at £600,000 which would generate £300,000 for the Public Lottery Trust and £100,000 each for the other three bodies. I beg to move, Mr President.

**Mr Radcliffe:** I beg to second, Mr President.

**The President:** Hon. member for Douglas West, Mr Shimmin.

**Mr Shimmin:** Thank you, Mr President. Since my arrival in this Court I have had the privilege of being a trustee on the Public Lottery Trust and, as with this budget today, times have been difficult but we are now beginning to see daylight. Certainly as a trustee I am very appreciative of the Treasury. We have had some difficult times in years gone by. We had no expectation or knowledge as to how much the duty would actually produce in the National Lottery tickets and the figures that we are now receiving this year and also guaranteed for next year mean that we are back at a level which can do major benefits for all of the Isle of Man, sir.

**The President:** Hon. member of Council, Mr Delaney.

**Mr Delaney:** I welcome this, Mr President, but I have to ask this question, as other members would have to ask it. We are now a full partner and player in the Lottery and we are aware as members that the reason that we cannot call directly into lottery funds is because we were not included in the original Bill in Britain. Could the minister, through his knowledge as a member of the Council of Ministers, tell us what are the possibilities of seeing that legislation changed certainly in the next legislative term of the House of Keys because that is where the real money is and that is where our charities should be able to dip straight into?

**The President:** I call on the minister to reply.

**Mr Corkill:** I thank hon. members for their contribution. I too, like the hon. member for Douglas West, Mr Shimmin, spent a term on the Public Lottery Trust and I think it is one of the more satisfying things that I have been involved in over the years, so I am pleased he feels likewise. There were times when the previous lottery was running so thin that it was debatable as to whether we were actually complying with the law but in order to keep the Trust going Treasury allocated £50,000, just to keep the structure in place. Of course, eventually, this hon. Court approved of the UK National Lottery being applied within the Island and that has released these duties. So I thank him for that comment. I understand the hon. member, Mr Cannell, was going to make the same point as Mr Delaney, member of the Council, and that is to be an equal partner. I would say certainly that is where I would hope we would be but the issue is that the Isle of Man Treasury did accept initially during negotiations with the UK 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. I think we are perhaps getting past the short-term area now and it certainly is a matter of taking the right opportunity, perhaps when UK legislation is on the table for amendment, to make sure that our cause is put forward. I mean it is a fact that many UK distribution bodies which receive a proportion of the funds raised by ticket sales are also prevented by their constitutions from making grants to charitable bodies outside of the UK. So there are a couple of issues there but it is a point that has not been forgotten by the Treasury, perhaps not coming along as quickly as hon. members would like but I would hope we would get there in due course and I think it is a point quite well made, sir.

**Mr Delaney:** Thank you.

**The President:** Hon. members, the motion before you is printed at 9 on order paper number 2. Those in favour please say aye; against, no. The ayes have it. The ayes have. Now, hon. members, that concludes our order paper number 2.

## **Announcement of Royal Assent**

**The President:** Hon. members, I have to announce, that having been signed by a quorum of each branch as a Bill in accordance with standing order 10(6), the Contracts (Rights of Third Parties) Act 2001 received Royal Assent this day.

### **Procedural**

**The President:** Now, hon. members, I am completely at this stage in your hands. We can either draw a line under proceedings and start with a clean sheet on order paper number 1 in the morning (**Members:** Hear, hear.) or we can continue with a few items with say a cut off point at 8 o'clock to see how far we could get.

**The Speaker:** Mr President, I think that we should adjourn. We have had a long hard day with the budget and I put the motion that we start again fresh in the morning with order paper number 1.

**A Member:** I beg to second.

**The President:** Are we happy, hon. members?

**Members:** Agreed.

**The President:** In that case the Court will adjourn till 10.30 in the morning and we will start with the question paper. Thank you, hon. members.

*The Court adjourned at 6.53 p.m.*