

**Sewerage (Amendment) Bill 2014 –
Second Reading approved**

The Speaker: We therefore move to the Second Reading of the Sewerage (Amendment) Bill. I call on the mover.

Mr Cannan: Mr Speaker, I am grateful to Hon. Members for agreeing to suspend Standing Orders to allow the Second Reading of this Bill today.

I explained the challenges facing the Manx Utilities Authority and the reasons for this Bill in the Court of Tynwald last month. I propose to reiterate the background to the issue and the need for changes to the sewerage charging regime and then outline their proposed amendments to the law.

In summary, the Authority needs to raise additional income to offset a year-on-year withdrawal of its sewerage grant, to fund the additional operational costs of the Regional Sewerage Treatment Strategy, and meet historical capital loan repayments and the interest on capital loan debt.

In order to avoid going into deficit, Tynwald approved the introduction of sewerage charges from 1st April 2014. As Hon. Members voted for last year, this has been set at £50 per property for the current financial year and it was made clear that that would be increased to £100 per property for 2015-16, in order to meet the increasing shortfall in Treasury contributions.

The Authority recognises that the sewerage charge has been controversial and is perceived by many to be inequitable and unfair. On that basis, the Manx Utilities Authority Board has been working with Treasury to identify a more reasonable charging mechanism to take effect from 1st April 2015. It is the board's opinion that the most practical option is to introduce a sewerage rate.

The aim of this Bill is therefore to enable the Authority to levy rate on properties served by the public sewerage system, replacing the sewerage charge with a more equitable and fairer charging regime. Currently there is no statutory provision within the Sewerage Act 1999 for a sewerage rate to be levied.

The Bill amends the law by replacing the existing sewerage charge provisions in section 11 of the Sewerage Act 1999 with six new sections enabling the Manx Utilities Authority to impose a sewerage rate based on the rateable value of properties served by the public sewerage system. The Bill prescribes the sewerage rate for 2015-16 as 61.29 pence in the pound, which on the current basis of computing the rate raises income equivalent to a sewerage charge of £100 being applied.

Mr Speaker, the impact of this will be that some 70% of residential properties will be paying under £100 – on average £65 per property. Some 23% of properties will be £100 and £150 at an average of £120 per property, and the rest, Mr Speaker, will be paying above the £150 mark.

Mr Speaker, having outlined the principles of the Bill and explained the reasons why it is necessary, I hope that Hon. Members are now able to give it their full support. I beg to move, Mr Speaker, that the Second Reading of the Sewerage (Amendment) Bill be approved.

The Speaker: Chief Minister.

The Chief Minister (Mr Bell): I beg to second.

The Speaker: Mr Cregeen.

Mr Cregeen: Thank you, Mr Speaker.

I will clarify for the Chairman of the MUA. In October's Tynwald, when we were debating the rating system, I quoted from the debate on the introduction of the sewerage charge. A condition of the introduction of the sewerage charge was a re-rating exercise because it was deemed that the sewerage charge was unfair. That was the whole reason why I think Members supported it, because they understood that there would be a re-rating exercise (**Mr Cretney:** Hear, hear.) which would make the sewerage charge or rate, whatever it was going to be, fair.

I was looking through the impact assessment and my comment was that I think the MUA have sat on their hands since early in the year. The impact assessment is dated 24th October. There has been no consultation with businesses until you have actually come forward with your proposals.

In discussions, what I have found out is that many of the Government Departments are going to be hit with multi-tens of thousands of pounds' worth of charges for the sewerage rate. There is nothing in your impact assessment or your calculations to take into account that Government is just transferring money from one hand to the other. So the chances are that the Department of Health will not have the funding to pay its share of the sewerage rate, so they will probably exempt themselves from it.

So your calculations are based upon inaccurate figures because the amount of money that Government would be transferring from the Departments to the MUA will probably not happen. So the charges that you are quoting that 70% of people will be paying less than £100 – where is that shortfall going to be picked up from, from the Government finances? It is totally pointless to charge Government, because the Health Department will not be able to find £50,000... I stand to be corrected: I think the Department of Infrastructure, which is struggling with its budgets, are now going to have to pick up –

Mr Gawne: Loads of money.

Mr Quirk: Millions!

Mr Cregeen: – *all* the sewerage rate for all of Government property! (*Interjection by Mr Gawne*) So if you think that the parking charges... You are going to have more charges coming from the Department of Infrastructure to cover for all the rates that are going to go over.

I am waiting for an explanation of why you did not consult with business. I understand there is one business on Prospect Hill – £1,300, it is going to have to pay. You are jeopardising the businesses which regeneration is trying to help. There has been no consultation on it.

I would like you to explain what you have done since you were appointed as Chairman to look at this rate, (**A Member:** Tut-tut!) because quite frankly, if this is it – this or nothing – I think your officers need to be looking at –

Sorry, Mr Speaker.

The Speaker: Hon. Member, as you well know, all remarks should be addressed through the Chair.

Mrs Cannell: Yes.

Mr Cregeen: Sorry, Mr Speaker.

I am concerned, and I think everybody was concerned, that the sewerage charge was not fair. But we are just replacing one unfair system (**Mr Quirk:** With another.) with another unfair system.

The Chairman will say, 'Yes, but 70% of the public are going to be better off.' But 30% of the public are going to have to pick up an unfair amount until the re-rating exercise is done. The shops through Strand Street, which they have spent *millions* on regeneration – what impact will it have on their businesses?

I think going off and talking to the Chamber, when this is virtually a *fait accompli* that he is coming to this House with this Bill... and then when I look through the e-mail, not only is it clauses in two weeks' time, but Third Reading as well! So this *is* rushed.

Council of Ministers have not provided any further information about why they have changed their mind from a sewerage charge to a sewerage rate. Where is the Treasury paper in the impact assessment to say why they changed their mind from supporting a sewerage charge to a sewerage rate?

These are all questions that need to be answered. It is no use just coming here with legislation, saying, 'Well, I've fought against the £100, but I've come forward with this, and it is Keys and Legislative Council that have made their decision.' You have given us a not-so-unfair piece of legislation compared to the charge. It is not what it should be. I would have hoped that you would have come through here with something that would be fair, rather than just a little tweak to what it was. It is going back to what it was originally.

Mrs Cannell: No, because there was no charge on rates before.

Mr Cregeen: The original legislation, as the Member for Douglas East would have known, being an ex-Chairman – or Vice-Chairman – of the Water Authority –

Mrs Cannell: Chair, not Vice-Chair. (*Interjection*)

Mr Cregeen: Chair. There was in the legislation, the provision to introduce a rate, (**A Member:** Zero.) and that was taken out and replaced with a charge.

So I would hope that the Chairman of the Utilities would put on a full presentation to Members of actually what they have carried since February, about looking at a fairer system, because you have got to try and convince people.

We all agree that it seemed rushed last time, and the information did not go out for why it was happening, but you are falling into the same trap as previously, that we need to be informed why you want to do this. There may be a very good explanation, but I am afraid it is not in the Bill and what we have heard so far.

The Speaker: Hon. Member, Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker.

Just to correct the previous speaker, there has been an ability in legislation for quite a considerable amount of years for the introduction of a sewerage *rate*. However, when the House – and I was in the House at the time – passed that piece of legislation, we all hoped and prayed that we would never need to draw on that rate, and that in fact all of the sewerage infrastructure, the operation and everything else, would be covered by Income Tax. (**Mr Thomas:** Hear, hear.) That was always the case. So there has always been an ability to set a sewerage rate.

Thereby, as it is with all new legislation, all new legislation and Bills are subject to public consultation, and therefore the public were fully aware, as was the business sector, that at some point in time, in the future, there may well be a sewerage rate imposed on to the rates system. So the principle had already been accepted and approved in legislation. That is the first point of correction.

We are in a situation – and the Chief Minister said it before – where we are having some financial difficulties and some very unpalatable decisions need to be taken. This one is pretty unpalatable, but it is one that is going to affect everybody and therefore it has to be taken. Other unpalatable decisions taken without reference to Members or decisions in this place or another have been taken by a Department just last week, to charge just a small percentage of people who live in Douglas a charge. That is unfair because it is targeting a small minority of people who happen to live in the busy centre of Douglas. That is unfair.

This can be made fairer, if the Council of Ministers, and particularly the Treasury, re-shift their focus of priority onto revaluing the rating system. That will address any concerns that the business sector have.

When the previous speaker said it was linked, I recall what the Chair said when he got up and made his statement – and it was merely a statement, one on which we could ask questions – he did say that later on, there was going to be a debate on a Select Committee Report that was making and

suggesting various options for making the rating system fairer. That was said in a hopeful manner, and it was one that I shared with him. I was hopeful that subject to that Report being approved, which it was, with a small amendment from the Treasury Minister, that in fact, that would help to rebalance the situation. That is a job now for the Government, to rebalance that situation.

I would suggest it is not going to be fruitless. Yes, it will cost money, but it will also bring in additional coffers into the Crown. That is surely what we have got to focus on. It will address an imbalance in the system between the domestic ratepayer and the business sector, and it will also bring in additional coffers. So if I was putting a business case together for doing it sooner rather than later, I would say that medium-to-long term, it is actually going to pay for itself.

So that should be the priority of the Government now, and the Council of Ministers, Mr Speaker, to make this happen with the re-rating, the revaluation of properties and to do it swiftly.

This Bill has to be approved by the House, because if we do not, then the way everything has been said by the Chair's predecessor, was that the £50 charge will rise to £100 charge. Now, Mr Speaker, if Hon. Members recall what the previous Chair said – and it is in *Hansard* – he said it would start at £50, rising to £100, rising to £200, eventually reaching a target of £300 a year to be paid by everybody. (**Mr Watterson:** Every household.) Yes, that might be better for the business sector, but it is crippling for the domestic ratepayer – *absolutely crippling!* And we are supposed to be protecting the vulnerable.

It has to be approved. We have got no other choice. The only other choice is to fall-back, as the Chief Minister said, on what came in last year, which yes, is unfair. This might not be ideal, but I would not say we are swapping one system of unfairness for another one that is equally unfair. I would disagree. The rating system is in place, people are used to having to finance that once a year and there is an opportunity to bring in a fairer system. That now is hopefully on its way and I would suggest that Treasury, with the support of the Chief Minister, really focus on that now and make it happen. That is far more important than other utopian ideas that have been floated over the last 48 hours.

I am particularly pleased that in the wording of this Bill, on page 8, under section 10A(3):

'A decision by the Sewerage Authority to levy a sewerage rate is of no effect unless, before the beginning of the financial year to which the rate relates, it is approved by a resolution of Tynwald.'

Later in the Bill, it says that the rate for the financial year 2015-16, commencing on 1st April 2015, that is next year, is 61.29 pence in the pound. What this Bill is saying is that is going to be the rate set for the next financial year, beginning 1st April next year and it will run till the same month the following year in 2016.

Now, the resolution that was passed by another place in terms of the Select Committee Report, there was a caveat in there, that Treasury would bring in the new system, the rating revaluation by February. Now that, if you look at the timing of all of this – this is what the Chairman and his Board have been working towards – he is suggesting that in this Bill, we approve it shifting onto rates – so we bring in effect, a provision already laid down in law for many years – we bring that in and we set it at 61.29 pence for the next year. After that, it is down to Tynwald.

Hopefully we will have the rating valuation commenced, which will bring in a fairer system across the board for both domestic ratepayers and for the private sector, for the business sector – *and* it has to come to Tynwald. You look back, that is your caveat, that is your safety net if you like: section 10A(3), it has to be approved by Tynwald before the beginning of the financial year to which the rate relates. So if this is going to be set until April 2016, then in February 2016 – or January – the matter would have to be approved by Tynwald Court, about what the rate was going to be for that year. It could well come down. It might stay the same. We do not know. We cannot speculate, but it does give control. (*Interjections*) This Bill provides control in another place and an input, for Members to have input into it.

I particularly liked – just to end my contribution, Mr Speaker – for the very first time, in over 18 years in this place, it is very pleasing to see written on page 9 under section 10C(5), and it reads – and I will read it out:

‘For the purposes of this section a person defaults in payment of the sewerage rate if he or she fails to pay it...’

That is the first time the word ‘she’ has been mentioned in legislation, so I congratulate the Hon. Member for so including it. (**Several Members:** Hear, hear.) (*Interjections*)

I will be supporting Second Reading and I would suggest the House do also.

The Speaker: I call on the Chief Minister.

The Chief Minister: Thank you, Mr Speaker.

I really just want to comment on one issue, which seems to be taking centre stage in this debate, and that is that somehow the rate revaluation is going to be the answer to all our prayers and everything is going to be fine after that.

We need just to focus on what we are talking about with a rate revaluation. A rate revaluation is not bringing in a whole new rating system. Neither does it mean that everybody automatically is somehow going to have a lower rate of rate to pay. The rate revaluation is simply to review the valuation on existing properties. It is not to bring any new system in at all.

Now, a pilot scheme was run – I have said that to Hon. Members before – in 2006, both in Onchan and in Michael as a test-run to see how many anomalies they could identify in the rate revaluation. Quite right, there were a number, and some were identical houses next to each other with different valuations, which clearly is unfair and is untenable.

But a rate revaluation is going to mean there will be winners and losers. Many people will have to pay more under a rate revaluation than they do at the moment. So do not think that a simple rate revaluation is going to solve all our problems. It is not. The only way long-term is a whole new approach to how we deal with rates in the first place. Whilst it is still based on property, then we have to live with the system we are talking about.

It alarms me somewhat that so much faith is being placed in a possible revaluation, as being the answer to all our prayers. That most definitely is not the case. It will affect a number of households undoubtedly, but it is not going to affect a wide range of properties across the Island.

I think it was said this morning already that there are something like 42,000 properties on the Island that we will have to revalue. That is going to take a long time to get round to do that. The costs estimated at this stage is at least £2 million to do this exercise. We have to take that £2 million from other areas of Government expenditure. This is why there has been some delay in going ahead with the revaluation in the first place, because we believed there had to be higher priorities in things like health and education and other areas. We are – I as Chief Minister remain, and I had it in my initial manifesto – committed to a rate revaluation as soon as we can afford it. I do believe we should still pursue that, and I know that Treasury are looking at that now. But I would urge Hon. Members, just to listen to the statistics that the Chairman of the MUA has raised. If we do not go down this route, and there will not be a revaluation in time for this to come in. It physically cannot be done.

Seventy percent of ratepayers will in fact be paying more than they would do under this, because the existing system will stay in place, we will have £100 for everyone; whereas under this rate proposal, 70% will actually get a reduction. So by rejecting this, you are actually, to 70% of the population, increasing unnecessarily the cost of the sewerage rate that they will have to pay in January.

Mr Karran: Prove it.

The Chief Minister: You disprove it!

Mr Quirk: We're on our way!

The Chief Minister: Madam President – (*Interjections*)

The Speaker: The Chief Minister has the floor.

The Chief Minister: Sorry – Mr Speaker! For those who actually seriously consider this issue and analyse the statistics, the answer are there very clearly for Members to see. The MUA have brought forward their own statistics. We know in Treasury, from my time in Treasury and existing in Treasury, a revaluation is not going to make a major difference to the outcome. Indeed, it was estimated, back in 2006, that the whole exercise would be revenue neutral. Those who benefit from this will be offset by those who are disbenefited from it. There will be no real substantial increase in revenue to local authorities as a result of the revaluation.

So I am not trying to put a wet blanket on this, but what I am saying is we have got to be very careful in looking at the rate revaluation as the saviour of the day. It will not be in the context that some people are saying. But I do remain absolutely committed to it.

But I do also think that we need to listen to what the Chairman is saying, in terms of those who will lose if we do not go down this route, and that will be 70% of the population. So I would just urge Hon. Members, please, I think Council understand the concerns of Members, but we believe this is, while perhaps not perfect, a fairer system than we have got at the moment.

The Speaker: Hon. Member for Onchan.

Mr Karran: Vainstyr Loayreyder, I support the Second Reading because of the fact that it will pull teeth as far as this issue is concerned.

I have to say that I *totally* disagree with the Chief Minister, even though I am still in shock, as far as the suspension of Standing Orders is concerned! The reality is the reason why we have never done the revaluation is the fact that there will be a situation where there would be a lot of privileged people who would be very much at a disadvantage and the reality –

The Chief Minister: Mr Speaker, if I could –

The Speaker: Chief Minister, an intervention.

The Chief Minister: I was involved with the initial revaluation on the two pilot schemes and this is not the case.

Mr Karran: I am afraid, Vainstyr Loayreyder, that it *is* the case. The fact is, what really highlighted it to me was when I purchased a house for the Manx Language movement to use rent-free, back in the early 1990s, I was mortified to see the discounts as far as rateable values are concerned. We need to get the reality right. (**Mr Quirk:** Hear, hear.)

There was a difference between the rates, or the rateable value of a property and the rates charged in the different local authorities. We know for *fact*, because I remember talking to Mr Moore, many years ago, who was one of the leaders in the valuation of Upper Begoade, as far as the issue of the valuation and the discounts that came about. What amazed me, when I purchased the house for the Manx Language to use, in the revival, was the fact that I happened to get the neighbour's valuation for their properties. Their properties were like mansions, and we had council houses that were actually paying three or four times (**Mr Quirk:** Hear, hear.) as much as far as the rateable value is concerned.

I hope Hon. Members have seen the amendment that I have put forward, as far as what I would be proposing, and I would actually be wanting to strengthen this proposal, and I do not mind who

gets the credit, as far as the issue, like moving the initial amendment in another place in October about the rateable value.

But let's stop the spin. The reality is we need to bite the bullet, as far as the revaluation is concerned. The revaluation has not happened. It is like the perverse tax system that we have, where we have the Zero-10, and the only people now that are left paying taxes are the working people.

The Chief Minister: What has Zero-10 got to do with it?

Mr Karran: We need to address this issue – that is the reality, Chief Minister, as far as that is concerned.

The Chief Minister: You don't understand the tax system!

Mr Karran: The reality is that as part of this package, I will not be supporting this Bill, unless there is that revaluation.

As a former Chairman of the Water Authority who brought in the financial package, who threw out the old guard, who was prepared to stand up and tell people at an election that their rates would be going up as far as the Water Authority, on the basis it was not done by the cosy way the Treasury did things at the time – and still unfortunately has not improved an awful lot now – I believe that we *should* support the Second Reading of this Bill. I believe that the fact is that we should be supporting amendments as far as the revaluation is concerned.

We lost staff, Vainstyr Loayreyder. What the Chief Minister forgets is, I have sat in this place for 30 years, and I know where the bodies are. The issue as far as the revaluation was not done, because it was going to absolutely change the whole basis of those that were in the ruling elite from having to take their value as far as the valuation is concerned.

We have dingy flats, we have council houses... who are paying a disproportionate amount. The present rating system as far as the water rate is concerned is perverse, on a lot of ordinary working class families, because they have not got the 50%, 40%, 30% discount. They have not got the agricultural discount, from when this House was full of farmers, as far as that situation. So I do hope that they will consider that, because we need to bring in that revaluation as part of this.

And it *can* be done. (**A Member:** Yes.) It can be done. It should have been done, and it would have been done, if we had been allowed to do it when I started on the process of sorting out the water infrastructure, which was a complete and utter mess and on the verge of collapse at the time.

So I think that this House should support this proposal. I think the points that the Hon. Member for East Douglas has brought out mean it has got to come back to Tynwald, as far as any rating proposal is concerned. And I think we are concerned.

I am afraid, Vainstyr Loayreyder, that yes, it will put awful strain on Departments of Government as well – the likes of the Department of infrastructure, as far as this is concerned. We tried, Vainstyr Loayreyder, and we were as usual ignored. We did actually want to put an exemption in as far as domestic rates in local authorities for public buildings, because that should be part of their contribution of having those buildings as far as having them in their parishes. I think it is ridiculous that schools have to pay rates to local authorities, in my opinion. They should be seeing that as part of their role as far as their local authority is concerned.

Vainstyr Loayreyder, the fact is that if there is a political will... I have watched in this House how we have thrown suspension of Standing Orders to throw things through three Readings in this House and three Readings in the Upper House, and Royal Assent.... The reality is, the reason we are not getting the revaluation, and maybe the Chief Minister would like me to give way to him, when he lost good staff who were absolutely disgusted over what was happening over valuations, in the Treasury...

We must support the Second Reading of this Bill. I would be very happy to see that the Hon. Member may be gives an extra week or so in order to give, instead of the two weeks, maybe three

weeks, before bringing this about because the next Tynwald Paper is going to be horrendous. There are a number of issues on that Tynwald Paper which need a lot of thought, and a lot of studying by Members.

So I hope he does, but we must support the Member, and I think Members need to reflect on some of the issues that need to be addressed, as far as this sewerage rate is concerned. We need to start getting strategic policy as far as taxation done on this Island. There are a number of things that we keep on bringing up, year in, year out, that no-one wants to address. And I find it saddening for the new Members who have come in at the last election, to be having to pick up such a mess, when some of us have been absolutely isolated in the past on many of these issues that need to be addressed to bring in a proper funding mechanism.

So Hon. Members, I think we need to support this proposal in front of us, because if we do not support this proposal in front of us, what we have got is wrong. But if we support the amendment, we can bring about the legislative safeguards to make sure that those abuses do not happen.

The Speaker: Hon. Member for Douglas West, Mr Shimmin.

Mr Shimmin: Thank you, Mr Speaker.

The relatively new Members of the House will have become more familiar with the comments of the previous speaker for Onchan, Mr Karran, who takes the credit for all the good ideas. (**A Member:** Yes. Hear, hear.) He had the opportunity when he was in the Council of Ministers, which did not last for long, and the skill and art within politics is the art of persuasion.

The Hon. Member for Michael has got a significant challenge ahead to try and win over the persuasion of something which we all accept is of public significance, but is not going to be easy or popular. I will support the Second Reading, but am unlikely to support the Bill. The reality is that the Chief Minister and the Chairman of the Utilities Authority can talk about the 70%, and I am delighted that the Chief Minister raised the issue of the rating revaluation exercise that was done, which did indicate Kirk Michael and Onchan would have significant issues and there would be winners and losers.

But that is not the marginal area between the difference between £50 and £100, or maybe £70 and £100, it is the difference we are now under this proposal going to see in the business community (**A Member:** Hear, hear.) which is from £50 to thousands of pounds. (**A Member:** Hear, hear.) And the reason in which case the rating revaluation has never been done when times were good, is down to the disproportion of the number of persons within Keys, within Tynwald, within Council of Ministers who have been outside of the Douglas area and the Onchan area, (**A Member:** Hear, hear.) and have actually lived with a level of inequality because it was always going to be politically contentious.

When we did not have the financial challenges, it was one that we pushed on the backburner. The Chief Minister has been consistently wanting to try and revalue because it has been a flawed system that we all know and accepted for years, now, at the worst possible time, comes the pressure to actually try and do something. But often there is need for a crisis before people take action.

The crisis *has* come upon us, but that does not mean we make it worse by some of the proposals in this draft Bill. As much as I can understand the reasons for it, you are damned if you do, damned if you do not. Welcome to the real world of politics, Mr Chairman. The reality is that under this proposal there will be losers, and those losers from my point of view I am more concerned about the failure of those who employ people, (**A Member:** Hear, hear.) of those who actually have real issues that are being ignored by many people under this proposal without the consultation, without the discussion, and they will be the invisible unintended consequence of attempting to try and paper over a flawed system.

And when I saw those actions in Michael, and I saw the reaction to many of the people in that area, it is easy to hide behind statistics but the reality is that those out of town, the majority would

have been losers; the majority of beneficiaries of revaluation will be those in the larger conurbations.

Therefore, as somebody who has a passion about employment and business, (**A Member:** Hear, hear.) which is fundamental to our future success, this is wrong; and to a Member for Douglas who has seen for years an unfair system perpetuated, this is wrong. So I am unlikely to vote for the Bill; however, I will give it Second Reading to get to the stage where we can discuss clauses.

The Speaker: Hon. Member for Douglas West, Mr Thomas.

Mr Thomas: Thank you very much Mr Speaker.

I have got some questions, some observations on some other people's statements, and some argument of my own. Questions first.

The first question is: looking back at the press release, the news release 'Sewerage charge to be reviewed 23rd May' it was quite clear that the MUA was going to go to Treasury with options. Can the Chair, in his response, identify what *options* were considered, and what the Treasury said in response to each of those options? In particular, did the Income Tax funding option get discussed? I note Treasury is a long way ahead of schedule, made £14 million last year that it did not expect to receive; or is it just that the tax regime is absolutely sacrosanct and there are not really options?

In that context, I think the Chief Minister was wrong to say that we will have to have the sewerage charge, because nine people voted against the sewerage charge this February; and many more would have voted against it but were persuaded to vote for it because of the promise of a rating revaluation. So I want a clear answer from the Chair, what options were presented and how they were considered by Treasury.

The second question is about to what extent the clauses that are presented to us now in this draft Bill are the same as the ones that were removed in January, when we had the Appointed Day Order to amend the Sewerage Act that had been there since 1999? The Treasury Minister can make some slight that the Select Committee looked at rates for seven months, but the reality is that this place has been looking at rates for 35 years. (**Two Members:** Hear, hear.) The reality is that between 1999 and 2014 we had a chance to introduce a rates based sewerage one, and we did not; and then you are getting criticised unfairly for having coming up with something in a similar time that we did in the Select Committee. So I want to ask whether or not we are just going back to where we were previously, precisely.

My third question is that the rateable value database for this, like water rates, is different from the local authority rates database, like we see in the Bill. And you lose something as well, by not having the 1953 Act that Mr Quirk refers us to regularly, (**Mr Quirk:** Hear, hear.) because you do not have a tribunal, and you do not have the data to compare with other people under the system for water rates and proposed for sewerage rates, that you would have quite clearly under the local authority rates system. So I wanted to ask about what extent you thought it was fair not to have a tribunal to actually review your own individual ratings, firstly; and, secondly you will not actually even have the data as you would with the local authority rates database.

Some comments on what people said: I just could not quite believe what I heard from the Chief Minister because obviously in October we concluded that we *were* changing the rating system, we were moving from a rents-based system of 1972 to a capital values system. So it is profoundly wrong to say that we are not changing the rates system; we *are* changing the rates system.

Moreover, you said it would cost £2 million, but I have never seen any evidence and I sat in the Committee for seven months to see any evidence presented to us that it would cost £2 million. We came up with a perfectly reasonable proposal to actually go and review what Guernsey have done, what Northern Ireland have done – we can use mapping databases, we can use aerial photographs – and if there was a genuine attempt to actually be making this tax system fair, we would actually be exploring those issues 'expresso' to actually see how we can address the fundamental inequalities. Because they are, between the countryside and the town; we had evidence which we presented in

October that there was one house in Malew that had an asking price of £2.5 million that paid £500 per annum rates, which was less than a £170,000 valued house in the centre of Ballasalla – which is just blatantly unfair (**A Member:** Hear, hear.) – and that is being amplified by this whole system.

Mr Karran: It is endemic.

Mr Thomas: I also wanted to say, commenting to the criticism that the Chair of the MUA has received, that obviously he is just following in a tradition of not having a consultation and a proper review, because the sewerage charge that we are having to deal with now did not have either of those in any place; so he is an unfortunate situation through just having people got used to the fact that we do Government badly in that sense.

My last point is that I am not as confident as either the Member for Onchan or the Member for East Douglas, that we will actually have a revaluation in time for February 2016 (**A Member:** No. Hear, hear.) and I am minded to actually knock this on the head at this stage (**A Member:** Hear, hear.) because it is quite obvious when you talk outside this House to the Treasury that they have got no intention of actually having a revaluation before February 2016 – this more or less was confirmed today by the Chief Minister when he said we cannot afford the £2 million which they estimate, without any evidence, for doing it. So we might as well knock this on the head and start dealing with an unfair situation with a proper look at rateable values, a proper look at property tax in its widest context. This should be financed from Income Tax as was promised from 1999 to 2014; and that is where we are.

Thank you very much, Mr Speaker, I will be voting against.

The Speaker: Hon. Member, Mr Quirk.

Mr Quirk: Thank you, Mr Speaker. I may be repetitious, but that is the nature of the game. If I could say to Hon. Members in here tonight – this afternoon...!

Mr Watterson: It's been a long morning!

Mr Quirk: We really do not want... The 1953 Act – read it! It tells you about everything in there. Sixty-one years and we have done nothing! This Government and this parliament has done nothing to implement it fairly for its population. And that is the issue.

Under this particular document that was printed in 1953, 60-plus years ago, agricultural hereditaments – we have still got them today! Mr Karran is quite right. We had an enormous fight in Onchan – not between Kirk Michael and Onchan; it was regarding the differences between the rural area and the urban area. We had a former Chief Minister who was in this particular House: his rateable value on his property, who lived in a mansion was something like £70, off the top of my head, and we had a person who lived in a sheltered unit in Onchan, in a small room, £70 as well! That was the issue and it virtually... well, it did not, but it nearly ripped Onchan apart, which we had actually patched up together and we have only just come back together.

The Speaker: Hon. Member, I just caution you –

Mr Quirk: And this is the history, Mr Speaker.

The Speaker: Hon. Member, resume your seat for one moment.

Just a caution. I appreciate you did not use any names, but just be careful, the way you do express individuals (*Interjection by Mr Quirk*) and their potential to be identified. (**Mr Quirk:** Yes.)

Thank you.

Mr Quirk: That is so obvious, Mr Speaker. *(Laughter)*

It is history – and it is written history that actually happened.

Hon. Members, I would ask you here today, do we really want to exacerbate something which is wrong – which is wrong for the whole of the Island? If we are to be one nation, it is putting ourselves together (**A Member:** Hear, hear.) for the benefit of *all* of us. We need to work together on these particular issues.

I am not blaming the Treasury Minister. I may blame his officers, but under this particular Act, you could have done several different things to alleviate the situation for the last 61 years!

Could I say to Members here today, we have really got to put this to bed. We really have. We have got to get together as united Isle of Man Government and put this to bed as one issue. Never mind what businesses are telling us – and what Mr Cregeen is now telling us, which Government Departments... the poor old Minister for DoI has got to put his hand in his pocket even deeper now, to find more money! That is a nonsense in this day and age.

Should Government Departments, like Mr Thomas mentioned there about schools – or Mr Karran did – in a particular area, which give a benefit to that particular area... should they be paying rates? We are supposed to... The Agenda for Change for our new Minister for policy and resources, maybe this is something he should challenge himself!

This is one of the priorities that this Government should have, instead of the other issues – and he is not even listening, with the Member for East Douglas there – and I for one am putting on record here today, I will not be supporting the Bill in one iota, because I think it is unfair to the population of the Isle of Man which we are here to represent.

The Speaker: Hon. Member, Mr Cretney.

Mr Cretney: Thank you, Mr Speaker.

I will be very brief. I will not be supporting the Second Reading. I have made it quite clear my position, in terms of the unfairness as I see it of the current rating system.

My conscience is completely clear because whilst in another role for an extended period of time, I tried to pursue that and the figure which the Chief Minister has spoken about today, the £2 million, *is* the figure that was quoted back to me (**Mr Anderson:** Yes, yes.) time and again that would be the cost of the exercise and why it was not done. That was the figure, but my position was clearly at that time that we needed to eliminate that unfairness.

The second point I want to make – and I want to agree completely with the former Minister for Economic Development – we all talk, at election time and other times, about how we want to create the right conditions for business to flourish. (**Mr Quirk:** Hear, hear.) The proposals which we are following through here today, we are going to have exactly the opposite effect. There are a number of businesses at this present time which are having a difficult period. They create employment, they create jobs, which is exactly what we want to see, and by imposing this on them we will be causing real damage, and I am not going to be part of that.

Mr Karran: Will the Member give way?

Mr Watterson: Too late. *(Interjection)*

The Speaker: You are in order, sir, to ask the Member to give way.

Mr Karran: Will he give way?

What I would suggest, Mr Speaker, is that he puts amendments to the primary legislation, as far as businesses are concerned. Maybe now that he is a backbencher, and not a Minister, he has the parliamentary position to actually draft amendments to primary legislation, in order to exempt business, if that is the case.

The Speaker: Mr Cretney has the floor back.

Mr Cretney: Yes, thank you, Mr Speaker.

I thank the Hon. Member for the intervention but I hope the point I was making also is that the domestic rating system is completely unfair, (**A Member:** Hear, hear.) and as the Hon. Member for West Douglas, Mr Thomas said in his presentation, it is 30-odd years we have been talking about this! It is long overdue – let's get on with it!

Mr Quirk: Yes!

The Speaker: Hon. Member, Mr Teare.

Mr Watterson: Sorry, Mr Speaker. As a point of order –

The Speaker: Point of order.

Mr Watterson: I think it was stated in the House at the suspension of Standing Orders stage that we had more time for amendments than next Monday. I was just wondering if anyone has the ability to clarify that – that amendments to this Bill would actually have to be lodged by the Clerk by five o'clock next Monday.

Just while we are setting the parliamentary record straight with regard to the comments by Mrs Cannell, the word 'she' has been included in legislation since the Married Women's Property Act 1935, and I believe also in the Animal Health Act in 2009, when she was indeed a Member of the Department. (*Laughter and interjections*)

The Speaker: Thank you, Hon. Member.

Dealing with the first part first, the situation is that according to Standing Orders, any amendments have to be submitted by 5.00 p.m. no later than six days before the sitting. Therefore the sitting concerned is two weeks today; (**Mr Watterson:** Seven days.) amendments have to be submitted by 5.00 p.m. next Monday – 5.00 p.m. next Monday.

Mr Watterson: 5.00 p.m. on Monday, the 17th.

The Speaker: The 17th?

The Secretary: Mr Speaker, it is six working days, and it is counted in a funny sort of legal way inclusively. So it does in fact mean 17th November. I apologise if my earlier guidance was less than clear.

Do you want me to refer to Standing Orders?

Mr Watterson: I think that is quite clear, Mr Secretary – through you, Mr Speaker – that all amendments have to be in by next Monday, 17th, at five o'clock.

The Speaker: Five o'clock, next Monday, which is six working days before the sitting, so thank you for that point of order.

Mr Watterson: Not long – work quickly!

The Speaker: I call on the Member for Ayre, Mr Teare.

Mr Teare: Thank you, Mr Speaker, I will be brief.

I would just like to reassure Hon. Members that Treasury will work on rating reform – *is* working on rating reform – but it is not a magic bullet.

Certainly the figures I have seen, which are eight years old now, estimate that the cost will be in the region of £2 million, and we will certainly work towards meeting this deadline, but there are *many* issues that we currently face. Just to pick a few out of the air, there are: rebalancing; banking reform; VAT; the solvency ratio; insurance companies; Basle III for banking reform, again. And there are many others including debt collection, which was being pushed by the Hon. Member who is no longer with us today.

But any revaluation is not designed to increase revenue, but to redistribute the burden. It is not a magic bullet. There are substantial upfront implementation costs which will have to come from other budgets. Health, Education – they are the biggest budgets – plus Social Security, and Hon. Members, we have difficult decisions to make. Where do we prioritise our resources? Where does the money go? There is no magic money tree. We have to deal with the issues.

So I will support the Second Reading –

Mr Cregeen: Will the Minister give way?

The Treasury Minister is saying about his priorities, but he has not actually clarified – when he mentioned Departments and that it is going to come out of their budgets – where the Departments are going to get the additional money for this sewerage charge, (**A Member:** No.) and has that come into the Treasury's calculations?

The Speaker: Mr Teare.

Mr Teare: We are currently working on the Budget and we will take all anticipated costs into account at that time.

But what I would say is in conclusion, sir, there are no easy decisions and certainly we will have to find funding for the will of Tynwald; but there will be winners and losers through any revaluation, and as I have said on many occasions before, those who have won will say thank you very much, but keep very quiet about it, and those who are facing an increased charge will be very voluble.

The Speaker: Hon. Member, Mrs Beecroft.

Mrs Beecroft: Thank you, Mr Speaker.

I am going to be brief and not repeat stuff that other Members have said. (**Mrs Cannell:** Hear, hear.) But I just would like to put on record why I will be supporting the Second Reading, and why I think it is important to do so, because I think this is our opportunity then to put forward amendments to the clauses that will make it, in the end, a fair system for people.

My fear – and certainly listening to other Members speak today as well – is that if we do not do this, then this fails and we go back to what is obviously a very unfair system, and we have nothing, we have no leverage to try and encourage Government, to encourage this administration to actually get on with a rate revaluation, to conduct it properly, so that there is a fairer system going forward for everybody. I think if the correct amendments are tabled and supported it will put pressure where it is needed, and make sure that the Isle of Man as a whole has a fair system for this. That is the reason why I will be supporting it going forward, Mr Speaker.

Thank you.

The Speaker: I call on the mover to reply, Mr Cannan.

Mr Cannan: Thank you very much, Mr Speaker.

I would like to thank Hon. Members for their contributions here.

Can I just deal first of all with a couple of general points that will save time in dealing with some of the individual contributions that have been made.

First of all, in answer to some comments that have been made that we really need to knock this on the head and get our heads together and find a new way forward, many Members will know that I do share a sympathy with that point of view and that I have brought a motion – that is why I am bringing forward a motion in November to try and get that progressed.

Nevertheless, the will of this House, and the support that has been given to the rebalancing strategy so far, means that the Manx Utilities Authority will have to find £2 million from its budget next year to support the money that has been effectively withdrawn by Treasury, so also the other thing is that I would point out is that Hon. Members have fully supported a business plan that was laid before the Hon. Court of Tynwald that laid out clearly the fiscal strategy for the new Manx Utilities Authority, which included within that the raising of revenue from sewerage to help rebalance and to account for the loss of funds from Treasury.

The second point I want to talk about, in general terms, is the business issue. I accept that there is a heavy burden put on business as a result of this. But what we have done and what we have tried to do, by bringing through this sewerage rate, is to ensure that the distribution of charges is more fairly and equitably realised.

As I said, 70% of residential properties will be paying less than £100. In fact, the average cost to business is approximately £850 per annum. Some of the figures that are being sprouted around are just inaccurate and misleading. The average cost is £850 per annum. The two largest companies: there are two private companies paying a large amount, £13,000 – one is a poker company, and one is a supermarket, right? And the next lowest is £8,000 for a commercial property. These are *highly profitable businesses!* Certainly in one case, the amount of money that they are going to help contribute towards the economy and the rebalancing is minimal, and they could probably make that sort of money in a second. So therefore I do think that distribution is fair.

The one point, or the reassurance I would like to give to Members – because I do accept there is some validity in what they say – is that the legislation does allow some reflection and flexibility under this legislation to make allowance for business, and that the Manx Utilities Authority is currently considering how and if a discounted rate could be applied to business, following our discussions with the Chamber of Commerce last week. If that is feasible – and we are currently doing some work on that in terms of the numbers – it is my intention to make that announcement to Members within the next week. So we are actively taking into consideration the business issue.

But let us look at this: the average cost to business is £850, and I ask you when you look at the charges that are being imposed on the population, it is swings and roundabouts, because increasing the cost to the population which is what we do by bringing forward the sewerage charge will mean there is less money available to go and spend in the businesses anyway. So you have to make a decision here between what is best both for morale, for confidence amongst our ratepayers, our taxpayers, the people out in this Island, who are very hard pressed at the moment, and also the impact on business, and all sections and levels of the community at the moment are facing significant pressures.

But we are – and I will reassure Members this – actively looking to try and see whether there is a way for us to mitigate some of the impact on businesses, because like everybody else, we share a concern and support the local business community and want to make sure that we are not putting anybody into undue difficulties.

If I can just deal with some of the comments that have been made by individual Members, I just want to deal with Mr Cregeen's comment that the Council of Ministers have only promised the sewerage charge on the basis of a rates review. These are the comments last year from the Chief Minister when this matter was debated, when the sewerage charge was debated in Tynwald in February 2014, and the Chief Minister says:

'The best I can say to you, Hon. Members, is please believe me when I say I am absolutely committed to getting some form of mitigation in before we develop the next increase.'

He makes *no commitment at all*, on behalf of the Council of Ministers that that is subject to a rates review – that the sewerage charge is subject to a rates review – so I absolutely dispute what Mr Cregeen –

Mr Cregeen: Mr Speaker –

Mr Cannan: No, I am not giving way! (*Interjection by Mr Cregeen*) Mr Speaker, may I continue, please, with my speech?

The Speaker: Hon. Member, the Member has not given way.

Mr Cannan: Thank you very much.

So I absolutely dispute what has been said.

The Hon. Member for Malew and Santon also comes up with a number of magical figures but fails to actually put any specifics around them. He quotes, I think, that a business is paying £12,000 bar. Is this a business or is the holding company that you are talking about it? Is it a specific business? You have not got a clear grip on the facts.

Mr Cregeen: I do.

Mr Cannan: And the other thing that the Hon. Member has not got –

Mr Cregeen: I exposed it to you.

Mr Cannan: *And the other thing* that the Hon. Member has not got a clear grip on is the rating system itself, and there are disparities, but to a large extent, still you will find – and I think the Chief Minister has raised this point – that once the re-evaluation is done, yes, there will be some winners and losers, but actually, you will find that pretty much, that rating system as it stands at the moment is subject to a lot of false allegations in terms of its fairness, and there is actually quite a reasonable amount of fairness in that rating system.

Can I thank Mrs Cannell very much for seconding this motion and for highlighting a number of technical points around the legislation. Obviously it is good to hear someone with such a good grip on this legislation, and also to hear her support on this matter.

The Chief Minister talked about the rates revaluation, and winners and losers, and I think the Treasury Minister also gives a reassurance that this will be done, that Tynwald have instructed this to take place, and that they are going to make every effort to make sure that this is in place on time.

The Hon. Member for Onchan, Mr Karran naturally disagrees with the Chief Minister but he does show support for this, on the basis that the revaluation is going to take place. He has asked for an extra week. I will give him my reassurance that I will go back and look at that matter to see whether there is an extra week available. But I would point out to the Hon. Member that the reason why we have brought forward both the clauses and Third Reading into one, and these First and Second Readings, is that the timescales are extremely tight. But I will go back and see whether we can try and amend that. I will let him know whether there is any flexibility in that at all.

Mr Shimmin, the Hon. Member for West Douglas clearly has an interest in the business community. I accept that, obviously, naturally, given his clearly expressed interests, and he obviously feel that there is an unfair impact on his ratepayers in Douglas. It would be interesting for him to give me a list of some of the properties he wished to evaluate, because I think actually he would be surprised at some of the charges that were being applied, or some of the costs that some of those businesses would apply.

I accept his point, but again I say to him that we *do* accept from the Chamber of Commerce that there could be some issues. We *are* discussing this and if we can find any flexibility, then we will bring that in, and I will let him know.

Mr Thomas asked me three specific questions. He talked about the options and what we had actually discussed with Treasury and whether Income Tax was one of those options. I can say specifically no, it was not. Basically, we did discuss the sewerage charge and the sewerage rate as the only two options that we have discussed, given the time available to us, the pressures that needed to be dealt with in terms of both looking at the impact of this, evaluating how this would be brought forward, getting Council of Ministers' approval. So we have worked quite hard within the Manx Utilities Authority, in getting this to this stage. I am sorry that it is rushed, but that is life.

The Hon. Member also asked about the database and putting in place a tribunal to review or ratings. Well, I would say that from my perspective, we do not have the capacity in the Manx Utilities Authority to start setting up tribunals. I think that is a bigger part of the overall ratings assessment, and that may be something for the Treasury Minister to think about.

The database we have actually used is the one supplied by Treasury. That has been the database that we have used to work our calculations and our workings out on this matter. So I do think for the Manx Utilities Authority to set up tribunals and such like would be very bureaucratic and very costly.

The Hon. Member also pointed out that the sewerage charge did not have consultation. Well, correct. We similarly brought that in in a very rushed a manner. You can understand the pressures on the Utilities Authority – pressures that are brought about – and the Treasury Minister has explained this via a wide number of scenarios.

So whilst Tynwald is still supportive of the rebalancing strategy as it stands at present, then as Chairman of your Manx Utilities Authority, I feel it is incumbent on me and the board to continue to find the solution to the shortfalls that we are encountering at present.

I should also point out that we have not shirked responsibilities in terms of trying to find savings from within the business. This year alone with the merger, we are looking at finding £1 million worth of savings. So we are trying to balance the books as much as we can.

And I will give way to the Hon. Member.

Mr Thomas: Just a reminder that there was question about whether the clauses that we are considering now are identical to the clauses that were in the 1999 Act, and any differences – that was another question I had.

The Speaker: Mr Cannan.

Mr Cannan: And I have not got an answer for the Hon. Member! But I will get some clarification on that for him and I will gladly circulate that to this Chamber.

Mr Quirk is strongly against this. He think it is unfair on the population. Well, I am sorry to Mr Quirk, but I have to completely disagree with him. Actually I think this is *a more* equitable and fairer system than the straightforward charge. We clearly will probably seek to disagree, but the facts are that 70% of properties will be paying less than £100 – of our residents will be paying less than £100. That will give them more flexibility, will be of more benefit to their spending power. Also, only 23% of properties will be paying an average of £120 and 4% of the biggest and most expensive properties will be paying over that £150 mark, at an average £167 per property.

So I think we are being fair. I do think we are being much more equitable with the population, and with the board of the Manx Utilities Authority – and I hope subsequently with the support of this House – we are trying to find ways to lessen the impact on our hard-pressed people of this Island who are incurring charges and costs in all manner of ways.

Thank you very much to Mrs Beecroft for her support.

Clearly, Mr Cretney shares similar concerns about business. I understand that, being an MHK for Douglas. Obviously, business is going to be part of his remit. It is a part of all our remit, but

particularly obviously a concern because a number of his residents will also be business people and will have businesses. I understand his concerns. Again, I give him my reassurance that we will be looking to try and mitigate this, if we can, and I will make that announcement if it is feasible in the next week.

But again, I would say to the Hon. Member that he might be surprised to see some of the rate revaluations in terms of how it might impact on his constituents, but I will leave it at that, and accept there may be a difference of opinion.

Mr Speaker, I think that I have pretty much covered everybody's comments. I would like to thank the House this morning, for allowing me to have the Second Reading. I accept this is controversial. I accept that we may have to, in the future, continue to look at this, but with the rates revaluation coming up, with the balance of how this is being spread across the ratepayers, with the commitment that we will be trying to work with business to see whether there is any mitigation, I very much hope that the House this morning will support this Second Reading, and that we will be able in two weeks' time to move to the next stage.

The Speaker: Hon. Members, I put the question that the Sewerage (Amendment) Bill be read for the second time. Those in favour, please say aye; against, no. The ayes have it.

A division was called for and electronic voting resulted as follows:

FOR

Mr Anderson
Mrs Beecroft
Mr Cannan
Mrs Cannell
Mr Crookall
Mr Gawne
Mr Hall
Mr Henderson
Mr Karran
Mr Quayle
Mr Robertshaw
Mr Ronan
Mr Shimmin
Mr Skelly
Mr Teare
The Speaker
Mr Watterson

AGAINST

Mr Cregeen
Mr Cretney
Mr Quirk
Mr Thomas

The Speaker: With 17 votes for, 4 votes against, the motion therefore carries.