

**We're just days from the
General Election.**

**And just four years from
bankruptcy.**



Time is running out for the Isle of Man.

In 2009, the UK Government renegotiated the Customs & Excise Agreement with the Isle of Man, reducing our revenues by up to £200 million a year. In 2016/17, we are projected to withdraw £117 million from our reserves, indicating that our Government has signally failed to adjust to its new circumstances. Indeed, we have consumed more than half our cash reserves in seven years – and could exhaust them completely in four years’ time, at which point we will be effectively insolvent.

Against this backdrop, our Government has recently voted to inject more public money – money we simply do not have – to maintain the final salary pension scheme for its own staff. The total liability on the scheme now exceeds £3 billion and continues to rise alarmingly. Projections suggest that its cost to the taxpayer will reach £100 million a year by 2021/22 – though this figure could be academic, as the Isle of Man may no longer be solvent or an independent jurisdiction by that point.

Seemingly unconcerned about this impending financial disaster, Government continues its spendthrift ways. In April, the Infrastructure Minister allocated £474,000 to repairing the Sloc Road in his constituency with the astonishing comment that “we had some spare money and we needed to spend it on something”. Meanwhile, the endless farce of the Promenade refurbishment rumbles on, with more a million pounds spent on plans and consultants – and another £20 million earmarked to carry out the actual work.

We urgently need new MHKs aware that money is running out in the Isle of Man – and so is time. Unless we elect candidates with real understanding of the challenges faced by the island and a clear plan of action, this could be the last House of Keys election we ever hold.

What happens when the money runs out?

By law, the Isle of Man is obliged to run a budget surplus and is not permitted to amass any external debt. We have achieved this since the VAT renegotiation in 2009 by drawing upon our once-substantial reserves, which are now significantly depleted and could be used up completely by 2020.

Once our reserves are gone, we may be able to stave off disaster for another couple of years by having a fire sale of our assets, including the airport and Sea Terminal. However, that money will also be consumed quickly to paper over ongoing deficits, leaving us with no option but to approach the UK for a bailout or permission to establish a national debt.

My belief is that the UK will make such assistance conditional on surrendering our self-determination. The best-case scenario is that the Lieutenant Governor would impose direct rule, replacing the House of Keys with a panel of technocrats who would take the necessary decisions to rebalance the island's finances. More likely, we would be forced to become part of the United Kingdom, returning one MP to Westminster and replacing Tynwald and our 20 local authorities with a single unitary council.

This would mean that we would pay UK rates of personal and corporate taxation, causing the finance industry (generating 34% of our GDP and 25% of all jobs), e-gaming companies (17% of our GDP) and Corporate Service Providers to flee the island. Unemployment would soar to record levels and the island would massively depopulate, with already depressed property prices collapsing completely.

This is a nightmare scenario that cannot be allowed to unfold. Whatever decisions we have to take to ensure our finances are sustainable cannot be as painful as this alternative.



The pension scheme that swallowed an island.

During the years when the Isle of Man was benefiting from a VAT-sharing agreement heavily weighted in its favour, our Government hugely increased its scope and scale – and its number of employees. Now that we are struggling to make ends meet, the final salary pension scheme offered to those civil servants has become a black hole large enough to swallow the island.

The facts are simply terrifying: as stated, the total liability is in excess of £3 billion and the revenue cost to the taxpayer is anticipated to reach £100 million a year in five years' time. To meet this colossal sum, the Government has projected economic growth of 5% a year and committed a quarter of that growth to funding public sector pensions. Given the economic uncertainty following Brexit, I regard that projection as wildly optimistic and believe that there are many better ways we could spend the proceeds of growth.

The pensions apartheid that has developed in the Isle of Man was graphically illustrated when in April it was reported that a senior Government employee had taken early retirement with a tax-free lump sum of £653,000. Meanwhile, everyone else can expect a flat rate pension of up to £170 a week, with the maximum sum available to those with 35 years of National Insurance contributions.

The general public cannot be expected to endure ongoing austerity – including steadily mounting costs for wastewater and constantly lengthening waiting times for medical procedures – in order to fund final salary pensions. Furthermore, the island's financial position has become so precarious that there is a real risk the Government will default on its pension obligations, meaning that civil servants and frontline health workers who have paid into the scheme for years will not receive their entitlement.

For these reasons, I propose freezing benefits under the final salary (defined benefit) scheme and channelling future contributions into a money purchase (defined contribution) scheme that will not burden the taxpayer. This will give our public sector employees the certainty they need and the benefits they have already accrued, whilst preventing the pensions black hole from continuing to grow exponentially. In the longer term, we should continue to reduce civil servant headcount through natural wastage and voluntary redundancy and should focus on reducing layers of management and levels of bureaucracy.

Attracting inward investment must be our priority.

If one judged the Isle of Man purely by Government statistics, one would be forgiven for assuming that this is a land of milk and honey. Statistics show that we have experienced unbroken growth for three decades, that we have record levels of employment, and that our per capita GDP places us among the richest nations in the world.

However, reality tells a different story. Property prices have fallen by some 20% in the last decade, a glut of houses and apartments remain unsold – in some cases having been the market for the best part of a decade – and empty shops litter Strand Street like decaying teeth. Meanwhile, in the newspaper we constantly read of redundancies and of employers downsizing their Isle of Man operations or quitting the island altogether. It is all too clear that the island is beginning to depopulate and is failing to attract the inward investment it requires to remain viable.

I believe that this failure has partly resulted from the Isle of Man Government becoming cowed by the international hue and cry against so-called tax havens. Having got our house in order – signing up for automatic information exchange, creating a regulatory regime superior to that of most EU nations and being whitelisted by the OECD as a co-operative jurisdiction – we are now ahead of the regulatory curve, and for this I congratulate our current Government.

As a result, we should now be unafraid to say to the world that we are unashamedly a low-tax jurisdiction, where tax neutrality goes hand-in-hand with transparency and fast, firm regulation. We should aim to attract further financial services and e-gaming companies whilst broadening our business base – with our ability to set our own laws and regulations, we can provide the ideal climate for entrepreneurs in every sector from intellectual property to light manufacturing to scientific research. In particular, we should build on our strength in the biomedical sector, enabling us to contribute to the greater good of humanity whilst creating significant and sustainable employment.

At the same time, we should turn back to our traditional heritage in tourism. Continued terrorist activity across Europe, the Middle East and North Africa is likely to change consumer behaviour and result in a substantial increase in holidaymaking within the British Isles. With its distinct culture, magnificent scenery, wonderful vintage transport network and comparative isolation – giving a feeling of being “abroad but not abroad” – the island is perfectly placed to capitalise on this trend and we should focus on developing capacity and delivering additional facilities to attract larger numbers of visitors.

Let's put vanity projects in their place.

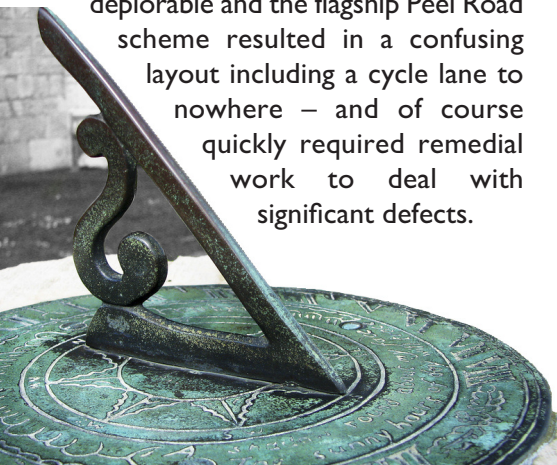
The past.

Thanks to continuous economic growth and a highly advantageous Customs & Excise Agreement, the Isle of Man Government has been able to spend freely without consequence for at least the last twenty years. We have built a state-of-the-art hospital, a futuristic power station, an even more startling Energy from Waste plant and a hugely expensive (yet notoriously unreliable) sewage system, among other extravagances.

Even in our present straitened circumstances, the spending has not stopped: to take just one example, the Department of Infrastructure is involved in continuous and very costly roadworks. Notwithstanding, the standard of roads across the Douglas Central constituency largely remains deplorable and the flagship Peel Road scheme resulted in a confusing layout including a cycle lane to nowhere – and of course quickly required remedial work to deal with significant defects.

To date, the Government has spent more than a million pounds on its latest white elephant, the Douglas Promenade redevelopment, without completing one inch of work north of Victoria Street. With more than £20 million earmarked for the project, it appears intent on pursuing a modernistic design that is completely unsuited to a Victorian resort like Douglas and spending millions of pounds on relocating the horse tram tracks whilst introducing new traffic calming measures. (The irony here is obvious: by running down the middle of the road, the horse trams themselves have a significant effect in slowing traffic speeds.)

It is vital that we strengthen our sea defences and resurface the Promenade, which is in a disgraceful and potentially dangerous state. We do not need a radical redesign and do not have the money for such a grandiose scheme. I will argue for the minimum level of spending to be assigned to the project, and for some proportion of the savings to be allocated to improving streetscapes across the remainder of Douglas.



It's time to end “Rip-off Isle of Man”.

As an island nation with a population of 85,000 people, we cannot expect to enjoy the same economies of scale or the same consumer choice as the United Kingdom or the Republic of Ireland. However, this does not excuse the absurd prices we are charged for gas, the outrageous mismanagement of the Manx Electricity Authority or the bizarre way in which we pay for water and sewage.

Whilst our gas is taken directly from the Anglo-Irish pipeline, we pay a great deal more than consumers in Ireland. To add insult to injury, private monopoly Manx Gas has recently hiked up its standing charges in order to give itself more predictable income, whilst presenting this change as beneficial to customers. Our toothless watchdog the Office of Fair Trading raised barely a whimper, confirming that it is far from the consumers' champion we need.

Meanwhile, the consequences of the MEA taking out an unauthorised loan of £120 million – for which nobody was censured, in yet another example of Government sweeping dirt under the carpet – will be felt for decades to come in inflated fuel costs. Indeed, the Manx Utility Authority's staggering debts, nudging half a billion pounds, will result in colossal bills that will condemn many island residents to fuel poverty. Such reckless borrowing would be unlikely to have occurred in a private company, and I believe we should give serious consideration to privatising the electricity element of Manx Utilities and introducing competition to the gas and electricity markets in order to prevent profiteering.

In an attempt to pay down these debts, Manx Utilities has also hiked water rates and introduced a wastewater charge, colloquially known as the Toilet Tax, which can be expected to grow significantly over the coming years. Indeed, this year my water rates exceeded my domestic rates for the first time. It is not simply the amount charged that is the problem – the charging method is entirely unreasonable, being based on a theoretical rental value in 1969 for each property.

These rateable values bear no resemblance to actual market prices, with some top-end mansions being assigned lower values than relatively modest flats. Furthermore, I believe that water charges should reflect usage, as people rather than properties consume water and produce wastewater. For these reasons, I support proposals to base domestic rates on real property values and will argue for the introduction of water meters or for water to be charged on a per capita basis. I also believe we should give serious consideration to an all-island rate, so that Douglas residents do not find themselves paying vastly more than rural residents in order to fund attractions that merely happen to be based in the capital.

Finally, it is absurd that people over 75 are now being expected to pay for TV licences – for the simple reason that none of us need to buy one. Tynwald could simply pass a resolution cancelling the TV licence for residents of the island and all that would happen is that the BBC would end its desultory local news coverage and switch off transmitters facing the island. With the vast bulk of people now receiving TV through Freeview or Sky, this would have little effect on anybody.

Finding our place in a post-Brexit world.

UK voters' decision in a recent referendum to leave the European Union could have wide-ranging repercussions for the Isle of Man. At this stage, it is unclear what form Brexit could take: the UK Government could negotiate any arrangement from a Norway-style solution, in which case freedom of movement and access to the single market would remain, to a complete break, with World Trade Organisation tariffs being applied.

As a result, Brexit could represent both a significant threat and a huge opportunity for the island. At present, we enjoy free movement of goods within the single market and a modified form of free movement of people, with immigration being controlled by the work permit system and with free movement withheld from Manx nationals without a UK connection. Several constituents have raised the unfairness of the latter provision with me, and if the UK's relationship with the EU changes significantly it may be possible for some renegotiation.

Of course, should the UK opt for a "hard Brexit" then free movement of goods and people will lapse completely and Protocol 3, which governs our relationship with the EU, will pass into history. It is possible, though unlikely, that the United Kingdom could find itself outside the EU VAT area, creating new challenges for our exporters and

requiring the introduction of a new sales tax. Should this position arise, we should think carefully whether we wish to retain our Customs & Excise Agreement with the United Kingdom, which has been renegotiated twice in their favour, or take control of our own indirect taxes and introduce sales taxes and duties that reflect the island's unique circumstances. This could offer us the opportunity of increasing revenues to plug our huge annual deficit by closing down loopholes in the present VAT system or broadening our tax base.

On a wider level, once the island has achieved sustainability in its finances, we should carefully consider our relationship with both the United Kingdom and the European Union. It is fair to say that in recent years the UK has not been a friend to the island, with up to £200 million of our annual income being removed via renegotiations of our revenue sharing agreement and with Labour Party leaders Ed Miliband and Jeremy Corbyn making increasingly overt threats – indeed, the latter has openly stated that he would like to impose direct rule on the Isle of Man. Whilst a Corbyn-led Government appears very unlikely at this point, we cannot rule out the possibility and should consider whether we would be safer in the longer term by lessening our constitutional ties with the UK and forging a closer direct relationship with the EU.

Of horse trams and heritage.

Those of you who have been following me on social media will be aware that I am a strong supporter of the horse trams and that I launched a Facebook campaign to save them following Douglas Borough Council's extraordinary decision to abandon the service in its 140th year. My campaign – Save the IOM Horse Tram – attracted thousands of supporters with its mixture of news stories, trivia, photographs and articles about the trams written from commercial, cultural and aesthetic perspectives.

Given the Council's claim that the service was losing £263,000 a year, my support for the trams might appear at odds with my contention that the island must adopt greater fiscal responsibility if it is to survive. However, via discussions with the Infrastructure Minister it became clear that the Council's claimed loss was the result of accounting sleight of hand, with centralised fixed costs such as HR being allocated to the trams. Indeed, the Minister believed that the real operating deficit was around £100,000 a year, which he argued could be halved by changing working practices.

Furthermore, it is important to look at the big picture: any deficit in delivering the service is an investment rather than a loss. Research shows that railway enthusiasts spend around £11 million annually on the island, and as a consequence we truncate our unique heritage rail network at our peril. Given the huge upsurge in usage of the horse trams this year, and the enormous interest attracted by the recent 140th anniversary of the service, it is clear that the right decision was reached and I am pleased that my campaign played a major part in forcing the Government's hand.

More broadly, it is important that we continue to invest in Manx culture and the arts in order to preserve the uniqueness that makes the island such a remarkable place to visit or live. We have a wealth of talent in the arts and sport, with Samantha Barks, Mark Cavendish, Peter Kenneigh and Zoë Gillings-Brier among others acting as ambassadors for the island on the world stage. Whilst we must demonstrate fiscal rectitude in everything we do, it is vital that we actively promote music, theatre, sport and the Manx language to ensure that the island remains a magical destination and a place of wonder.

And finally, a few words about me.

Readers of a certain age will remember Mike Yarwood's prime time TV show from the seventies, in which he would deliver an hour or so of inspired impressions before dropping out of character, declaring "And this is me" and finishing with a lame song or some half-hearted jokes. This is that part of my manifesto, since this campaign isn't really about me or how interesting I am but about what needs to be done to avert disaster for the island.

As a 49-year-old advertising copywriter and creative director, whose career has included stints with major agencies such as J Walter Thompson and the Saatchi Group, my expertise is in coming up with radical ideas and synthesising them to make them work. Given the dire financial situation we face, such creative thinking could prove invaluable.

I have also been lucky enough to mix with some interesting political thinkers, as a result of training prospective MPs in communication techniques. My involvement in UK politics ended when I moved to the Isle of Man just over eleven years ago, and since then I have immersed myself in many aspects of island life.

As a committee member of local charity ManxAid, I have been instrumental in raising significant sums for deserving island causes, whilst my Facebook campaign Save The IOM Horse Tram attracted thousands of supporters and was influential in pressuring the Government to take over the iconic service after Douglas Borough Council chose to abandon it months before its 140th anniversary.

Residents of Tynwald ward will also remember meeting me during last year's Douglas East by-election, which I lost by 14 votes. I enjoyed canvassing in every part of the constituency, but was particularly struck by the warmth and hospitality of people in this ward and so chose to follow it into the new Douglas Central constituency.

If you would like to support me, please cut out and display your preferred side of the poster opposite or get in touch with me for a larger A3 or A4 version. Should you need a lift to the polling station on 22nd September or simply fancy a chat, please call me on 614877 or 489257, email richard.falk@me.com or connect with me via [facebook.com/richardfalkformhk](https://www.facebook.com/richardfalkformhk) or twitter.com/mhkfalk.

Richard

FALK

**DOUGLAS
CENTRAL**

**House of Keys
General Election**

**Thursday
22nd September 2016**



**VOTE FALK
OR BUST**

Richard **FALK**

FOR DOUGLAS CENTRAL
House of Keys General Election
Thursday 22nd September 2016

Tel: 614877 • Mob: 489257

richard.falk@me.com

 **facebook.com/richardfalkformhk**

 **twitter.com/mhkfalk**

