



**DOOINT
CLOSED**

**If it's business as usual,
we're out of business.**

**We need to
take some
hard decisions.
Or we could
face disaster.**

To say that the Isle of Man has faced difficulties in the last few years would be an understatement.

International action against tax avoidance has placed our financial services industry, which generates 34% of our Gross Domestic Product (GDP) and almost 25% of all jobs, under considerable pressure. e-Gaming, which generates almost 17% of our GDP, has also faced significant crackdowns initiated by the USA, which has the clear aim of destroying the sector entirely.

We have also had to contend with an increasingly hostile neighbour in the United Kingdom, which slashed our Government revenues by around a third in two sudden unilateral renegotiations of our share of the Customs & Excise Agreement.

Whilst Government figures demonstrate that our GDP continues to grow, it must be obvious to everyone that the island is in a precarious position, with empty shops littering Strand Street and property prices continuing to fall.

Unless we take drastic action, this is only the beginning of the end.

It's tighter financial control or bust. Quite literally.

Following our loss of some £200 million of annual VAT revenue via the forced renegotiation of the Customs & Excise Agreement, our Government has successfully balanced its revenue budget.

However, we still face huge financial challenges, including a substantial capital expenditure budget. Some of these projects are essential: we need good quality schools and hospitals. Some are clearly wasteful: it cannot have escaped anyone's notice that the island has constant roadworks, causing immense disruption to commuters, but for all this expense our roads generally remain in a woeful state.

We also have to contend with a vast and potentially unsustainable public sector pension fund and a national insurance fund that will be stretched to breaking point and beyond by an increasingly elderly and long-lived population.

Unless we can curtail present and future expenditure so that it aligns with the tax revenues and fund contributions we can generate today, we will topple into a financial black hole from which there will be no recovery. In short, we will become a failed state, requiring the UK, which retains responsibility for our "ultimate good governance", to bail us out. The price for such a bailout will be our independence – which in turn will create a raft of further financial problems that can be described only as nightmarish.



How not to mend a leaking bucket.

Some commentators will suggest that the answer to our problems is to increase taxes on business and high net worth individuals. However, in an economy built on low taxation, this is not an option. Should we start taxing globally mobile businesses such as Corporate Service Providers, they will simply relocate to other jurisdictions without corporate taxes – of which there are plenty in the Caribbean.

Similarly, should we raise the higher rate of tax above 20%, taking us out of kilter with our nearest competitors Jersey and Guernsey, high net worth individuals will leave the island, taking with them the significant contribution they make to direct and indirect tax revenue and the

employment they provide through their entrepreneurship.

I am also strongly opposed to the continual increases in taxes and charges on Manx residents with average or low incomes. You may be certain that I will not advocate solutions such as the £350 per capita “health charge” proposed in Jersey to address the island’s projected £145 million annual shortfall. A tax system such as Jersey’s, which forces people on limited incomes to pay for doctors’ appointments and make an annual contribution towards hospital costs whilst permitting individually negotiated tax deals with wealthy residents, is frankly obscene.

More fundamentally, none of these solutions would address the problem at hand: you do not repair a hole in a bucket by continually increasing the inflow of water.



Government must get smaller and flatter.

The Isle of Man is almost certainly the most over-governed place on earth. A population of 85,000 is served by the world's only tricameral parliament, with a total of 35 members, plus no fewer than 24 local authorities, backed by a vast army of civil servants.

In case anyone has any illusions about the fantasy economics that this represents, it has been reported that the former Clerk of Braddan Commissioners – a tiny council representing some 3500 residents – was earning a salary of £85,000 a year.

Whilst limited constitutional reform has occurred in recent years, it has done little more than tinker at the edges. We need to think radically to reduce duplication and waste in government: I would recommend a unicameral Tynwald and a single local authority for the entire island, though we could go further and have all services delivered by Tynwald. This would, however, mean that MHKs would find themselves dealing with local issues such as waste disposal and street lighting instead of national matters; a cynic might suggest that this is what many MHKs are doing now, representing more duplication.



Defusing the civil service pension timebomb.

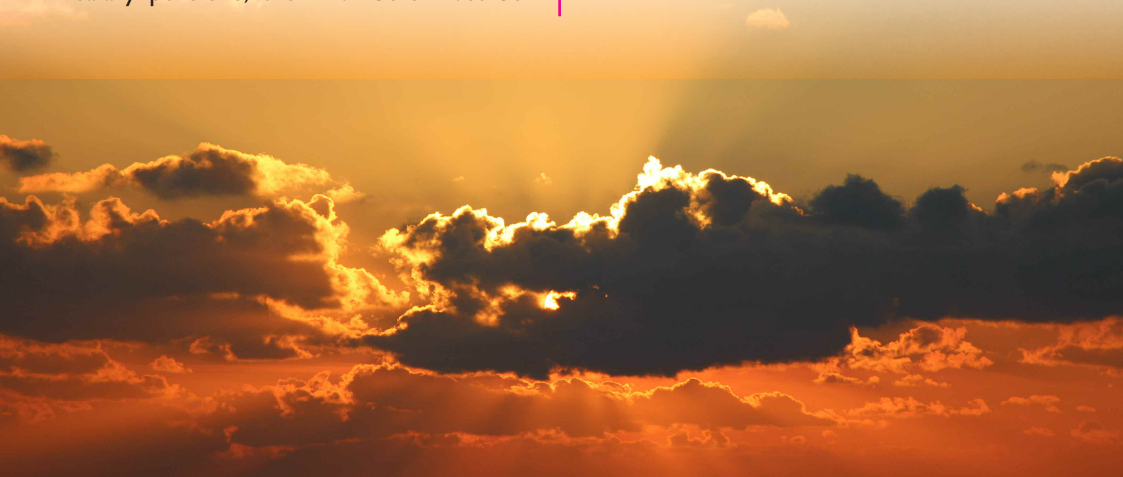
As the population continues to live longer, the average Manx person is facing the prospect of an advancing retirement age and increasingly stringent contributions to receive the full state pension. Indeed, some economists believe that the state pension as we know it may disappear altogether within a few decades, replaced by compulsory private sector insurance schemes.

However, these privations will not be shared by members of our vast civil service, who can look forward to a final salary pension. The financial liability that this represents is quite horrifying – the most recent government accounts value it at a terrifying three thousand million pounds.

If our civil servants wish to retain their final salary pensions, their numbers must be

steadily reduced. I am not advocating a slash-and-burn approach: we can make significant savings in headcount through natural wastage if we do not replace those who retire or move elsewhere. The civil servants who remain will have to become more flexible and more multi-skilled and will need to take on steadily increasing workloads as we carefully examine the need for each and every public sector hiring.

Should they be unwilling to do so, we will have no option but to consider pension reform, including closing the final salary scheme to new entrants or moving all civil servants onto a money purchase scheme. If elected, I will encourage the Keys to find a sustainable solution to the problem – otherwise the pensions deficit will continue to represent a black hole that could swallow the entire island.



Let's privatise, then demonopolise.

Manx Utilities – the hydra-headed hybrid created by the merger of the Manx Electricity Authority and the Water Authority – currently notes with pride that it has reduced its debts to a mere £497 million. I find that figure – just short of half a billion pounds – horrifying for a utility company serving a mere 85,000 people, and it is another example of Manx fantasy economics.

£185 million of this astonishing total represents the cost of building the futuristic power station at Pulrose, whilst another £120 million was borrowed without authorisation to cover associated overspends. Around the same time, a huge investment to enter the broadband market was abandoned by the Government following pressure from Manx Telecom.

Similarly, Manx Gas plans to introduce a new tariff with significantly increased standing charges in order to ensure it receives more predictable revenues. I reject any argument that this will be of benefit to consumers: this approach is non-industry standard and represents a clear abuse of its monopolistic position, facilitated by a supine Office of Fair Trading and a worthless “voluntary” code of conduct.

The conclusions to be drawn from the behaviour of these utilities are clear: Manx

Utilities would never have accumulated such debts as a private enterprise, or indeed as a properly managed public utility; and Manx Gas would not have attempted to introduce its new charging structure if it faced competition.

As a consequence, Manx Electricity should be privatised and the gas and electricity markets opened to competition. The benefits are clear when one considers what happened in the mobile telephony market: when it had a monopoly, Manx Telecom charged its PAYG customers a breathtaking 55p a minute to ring UK landlines and 77p a minute to ring UK mobiles. Now that it faces competition, those calls cost 30p a minute. Similarly, the uncompetitive contracts it once offered – £27.50 a month for a subsidised phone plus 100 minutes or texts to Manx numbers only – have been replaced with deals that are closer to the industry norm.

In short, Government must lose its fear of big business. This fear was evident in recent comments regarding the regulation of Manx Gas, where a “voluntary” scheme was introduced to avoid “confrontation”. This confrontation would be between people who make laws and people obliged to follow them; people who control access to markets and people who require access to those markets. If our utility companies fail to submit to fair regulation or to behave responsibly, we can make certain that they, not us, end up the losers.

Escaping from a nightmare neighbour.

Whether Labour or Conservative, UK Governments traditionally viewed their offshore and overseas dependencies as a source of pride, and saw their role as protecting them and advancing their interests. This is no longer the case.

Following the 2008 financial crisis, the hue and cry against tax havens has intensified and the Labour Party in particular has come to view the Crown Dependencies and Offshore Territories as competing jurisdictions to be eliminated. This was clear in former Chancellor Alistair Darling's slur that the Isle of Man is "a tax haven sitting in the Irish Sea" and in the threatening letter sent to our Chief Minister by Ed Miliband, warning of the consequences if he were to win the May election. The terms in which that letter was phrased – staggeringly rude by the standards of international diplomacy – made clear his contempt for the island and our democracy.

Since Miliband lost, Labour has moved further to the left under Jeremy Corbyn, whose economic adviser is the retired accountant and arch critic of tax havens Richard Murphy. Murphy has openly stated that he believes himself responsible for the renegotiation of the Customs & Excise Agreement that deprived us of some £200 million of VAT revenue each year; whilst I think he overstates his

importance, there is little doubt that he harbours a visceral hatred of the island and could pose a significant danger if he held any power in a future Corbyn administration.

Indeed, were Corbyn to become Prime Minister there is every chance that the island would find its offshore finance industry and low tax regime destroyed, leaving us with no obvious way to sustain full employment. All the while, we would be in the anomalous position of paying the UK to represent our international interests whilst it attempted to ruin us to further its own agenda. This must not be allowed to happen.

The possibility of a Corbyn victory may seem remote, but as Harold Wilson noted, a week is a long time in politics. Five years is even longer – and any outcome is possible in 2020 if the UK slips back into recession. For this reason, I will argue in the Keys for progress towards an independence referendum, including agreement on both wording and implementation, so that we can act immediately should a future Labour Government threaten to hamper our independence. Similarly, should the UK break away entirely from the European Union, we could do better to part company with the UK and negotiate our own relationship with the EU – ensuring that we remain within the EU VAT area and enjoy free access to its financial markets.

Let's stop costly vanity projects. Starting with the Promenade refurbishment.

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, as our continuous roadworks attest. Some refurbishments have admittedly been very successful – the centre of Ramsey looks wonderful and North Quay in Douglas has been significantly improved – whilst others remain more marginal. To take just one example, Peel Road now has a confusing layout including a cycle lane that disappears abruptly, whilst Strand Street has new paving but nothing in the way of new or exciting shops.

The apotheosis of this approach is the planned £21 million refurbishment of the Promenade. The brains behind it appear to believe in sympathetic magic: that if we

regenerate our frontage to resemble St Helier, it will somehow transform the Isle of Man into Jersey. Leaving aside whether Jersey – one of the richest places on earth, yet an island where the poor live in dilapidated estates – is anything to aspire to, does anybody believe that this project will be achieved on time and within budget?

More likely, it will deliver years of noise, dust and disruption for Promenade residents like myself and drivers from all over the island, and when completed will immediately demonstrate significant flaws, just like Peel Road, requiring millions of pounds more to put things right. Even once snags have been eliminated, we will be left with an impractical scheme where horse trams share space with pedestrians rather than other road vehicles, in contrast to the more sensible arrangement we have now. We will also be tens of millions of pounds further away from stabilising our finances and securing our future as a nation.

If you decide to elect me as your MHK, I will oppose the Promenade regeneration scheme at every phase, instead arguing for the minimum level of repairs to the existing road surface. The days of landmark schemes for the Isle of Man are over – we can no longer afford them and cannot afford to pretend that we can.

And finally, a few words about me.

It is customary for candidates to open their manifesto with an autobiography, an assurance that they will devote themselves full-time to politics if elected, and perhaps a grandiose statement about what they will achieve for their constituents in the Keys.

However, this election is not really about me: it is about the Isle of Man and what needs to be done to safeguard its stability and independence. Nor do I wish to be a full-time MHK or become reliant on my parliamentary salary: the former would cause me to become too immersed in the system whilst the latter would compromise my independence, as I could no longer afford to champion controversial causes for fear of losing my income.

Of course, at the age of 48 and with a successful career in advertising behind me, I can organise my other work – writing advertising copy and books – around my Keys and constituency commitments to deliver a responsive service. I can also draw on previous political experience gained in the UK, when I served as a councillor and trained prospective MPs in communication techniques on behalf of the Conservative Party. My involvement in UK politics ended when I moved to the island more than ten years ago, causing some minor controversy when I departed mid-term: Googling “Richard Falk” and “Durrington” should bring up the details.

With homes in both Douglas and Ramsey, I rarely leave the island; you may be certain that I will be on hand if you need me and that I will fight tenaciously for the causes I believe in. As any of my friends can tell you, I love the island and have involved myself in numerous activities here, including advising Douglas Borough Council on marketing the horse trams, participating in the island sustainability forum Island 21 and acting as a committee member of local charity Manx Aid, which raises money solely for Manx causes. Further, my experience as an advertising copywriter, including stints with top agencies including the Saatchi Group and J Walter Thompson, will prove useful in generating innovative ideas and promoting the island's message to the world.

If you would like to support me, please cut out and display your preferred side of the poster opposite; should you choose not to, my photograph can alternatively be used to frighten small children. If you need a lift to the polling station on 12th November 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 or twitter.com/mhkfalk.

Otherwise, if we have not already met, I hope we do so soon and that you find at least one candidate who inspires you on November 12th.



Richard FALK

FOR DOUGLAS EAST

House of Keys By-Election

Thursday 12th November 2015

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