

Government Conference 2024

Chief Minister's Breakfast Speech

Tuesday 17th September 2024, 08:30, Comis Hotel

Good morning and welcome to our third Government Conference.

Three years ago, this Government set out an ambitious plan for our Island and our economy which strongly focused on our vision for a **secure, vibrant and sustainable** Island for the long term.

Underpinning this has been an Economic Strategy that set out an ambitious plan to secure the foundations for long-term sustainable growth. Those ambitions sought to address evidenced and recognised challenges primarily presented by changing demographics, the numbers of people in and available for work and the need for a robust recovery from the COVID pandemic.

And let me be clear about the fundamentals of the economic strategy. The Isle of Man, just like many other western countries, is a population with a declining birth rate. The birth rate is simply too low and without significant changes to productivity or without attracting new workers, the cost of delivering health and social care alongside pensions will dominate the public purse for years to come.

The danger of course then lies that higher taxes and demands are placed on a diminishing working population, leading of course to inherent risks around economic performance and potential decline in public amenities and services.

Changes to our productivity must of course be focused on technology, but this is not by itself a panacea to the problem. A change of demographic through boosting the younger working population, at least in the short term, is absolutely vital, both to address the increasing gaps in the employment market and to sustain ourselves by generating the economic growth and taxes needed by the growing numbers of people living longer - and I hope healthier lives.

Retaining our young people and developing the right skills on Island is one part of the equation, but there is no question that we also need additional skilled and unskilled resources to maintain and grow our economy.

The right inward migration policies are necessary if we are to retain the attractiveness of the Island to modern business and indeed modern society. You simply cannot have it both ways.

It's progress or regress.

And that is why, despite the increasing turmoil around us in the last 3 years, both globally and closer to home. It is pleasing to note that we are achieving many of those ambitions that we understand are needed to meet this challenge and tackle the immediate issues of the day.

Since September 2021, there are now 1300 more people in work, contributing to our economy; supporting business and core public services.

Moodys latest credit rating report describes the Island's robust economic growth, strong institutions, prudent fiscal policies very low direct debt and substantial reserves.

There have been almost 800 new houses and housing units given planning permission on the Island since September 2021. There are more homes planned to support our future success.

We committed to action on empty wasteland sites to build a more vibrant Island. Government's Island Infrastructure Scheme has been a **catalyst** for this, and plans for the Villiers Site have received approval and I am pleased to report that activity is now just about to start on site, creating retail and office space with an 80-bed hotel. There are a number of others supported and set to be built, including Lake Road in Douglas, Ocean Castle in Port Erin and of course Lord Street.

These developments will be **transformative** in upgrading Douglas as a city and combined, these planned developments represent £90m of private sector investment. Leveraging private sector investment and capability was a key anchor in the Economic Strategy.

We have invested £18.3 million into a restoration and recovery plan for hospital waiting lists, cutting waiting times and providing relief to thousands of patients.

We have introduced a new school quality assurance scheme. The framework requires schools and services to self-evaluate key areas including the quality of education, behaviour, relationships and attitudes, personal development and leadership.

We have put additional funds into our critical transport infrastructure such as at the Airport and the Liverpool Ferry Terminal, as well as supporting the Steam Packet in having a world class vessel in the Manxman.

In Financial Services, we have seen the development of Global Employee Benefit cluster. We have seen an acceleration in Insuretech interest in our Island and we are now developing a Sustainable Finance Roadmap.

In our Digital Economy, we have seen the majority of the Island now able to access high speed fibre and are well on the way to developing our national Artificial Intelligence strategy.

We continue to make progress with our onshore and offshore renewable energy commitments. At the same time, Green Living Grants have offered support to over 3,000 households in driving down their energy bills.

And in our Visitor Economy, we've seen strong recovery post pandemic, a record year for cruise visitors and the strongest visitor numbers for TT since the centenary almost 20 years ago.

There will be updates on many of these projects and more over the coming two days.

But in delivering this it is perhaps all too easy to forget the major national and international events that have carried with them significant social, economic and reputational impacts.

It was only at the start of this administration that we exited the COVID pandemic in a controlled but ambitious manner, being the first nation to move to self-testing and setting clear dates for a return to unrestricted border movements.

It is easy to forget the impact of COVID, the loss of economic momentum, the loss of many people from the workforce and the recovery that is still underway.

We have navigated through the worst of a cost-of-living crisis in many generations, stimulated by a War in Europe, acting quickly to assist those most in need and stabilising our electricity pricing for all through direct Government intervention. We have brought in legislation against unfair gas disconnection threatening to leave vulnerable people in the cold.

We have faced up to the changes needed following a hugely critical and very public employment tribunal, reforming aspects of Central Government, creating new definition and accountability for senior roles, establishing a new Operational Performance Board and encouraging the greater use of Non-Executive Directors in Government Departments to get a wider perspective.

In three years of global instability, an unprecedented and unforeseen pandemic, an ongoing and high-risk European war and Middle East conflict, riots across the British Isles, four British Prime Ministers, three Scottish First Ministers, three Welsh First Ministers, two changes of Chief Ministers and their teams in each in Jersey, Guernsey and Ireland, the Isle of Man has remained strong and stable. Rocky at times I grant you, but strong and stable, nevertheless.

Any Government will have to respond to things that are outside their control and beyond the stated political agenda. We have done that and kept plans on track. Nevertheless, we must continue driving change, if we are to achieve what we have set out to do and we need to do that as much as possible together. We need to leverage the assets and qualities of our island jointly, and some of the conference sessions today and tomorrow will touch on that.

But, this morning I want to set out what the core focus of this Government will be over the next twelve months. Our Island Plan sets out a vision for a secure, vibrant and sustainable Island, and it is the word **secure** that I wish to highlight now as having a renewed emphasis and focus.

I am sure that we have all been shocked with the outbreak of rioting in the United Kingdom and the rise in knife crime cannot have gone unnoticed.

Despite the fact that we remain the safest place to live and work in the British Isles, we simply cannot take our future security for granted.

The world is facing ever-increasing threats to physical and economic security and as a result of this, we are introducing important changes to the way we secure our Island. There have already been changes to improve protection and there is more to come.

With free movement within the common travel area, we increasingly believe we need to know more about who is arriving on our shores.

Jane Poole Wilson, Minister for Justice and Home Affairs, will share the detail behind Government's strategy for securing our Island, which will be published later on at this conference.

Your security and that of your families is of high priority. The threats are changing and we must not be complacent. We will invest in keeping the Island safe and secure.

Alongside that, we are paying close attention to our immigration processes and migration policies, and a review of our immigration policy framework is already underway including how it aligns with the UK.

We have also been making significant operational improvements to our immigration service with investments into more administration resources, along with enforcement, which includes investing in the digitisation of passports and immigration processes; which is being done in partnership with the UK.

We have seen significant increases in demand for immigration post Brexit, as well as increased complexity and increased attempts by foreign actors to use our Island for purposes that do not fit with our values and goals.

This has required us to respond and intervene. We have done and we will not hesitate to do so, continuing to develop stronger controls and oversight.

All of this work is ongoing to ensure that we achieve the right balance of continuing to welcome in people who can contribute to our economy and society, while protecting our security.

The Island Plan sets out ambitious targets, including related to the identified need for targeted population growth, driven by increases in the economically active, but we are determined that this will not be at the expense of our security.

We will be reporting in more detail and greater transparency on visa applications and where they are coming from. We will make sure that our processes, whether related to people seeking to come here from inside or outside the common travel area are robust, in order that they cannot be exploited by those who seek to pursue profit at the expense of others.

Later this month, we will publish the National Action Plan, which sets out how we are implementing the Island's Financial Crime Strategy, and in October, our first ever Countering Financial Crime Conference will bring together a diverse group of experts, practitioners, and policymakers.

The Isle of Man will soon be assessed under international Anti-Money Laundering and Countering Terrorist Financing Standards. Whilst the exact date has not been confirmed, we are expecting to be assessed once again by MONEYVAL, a Council of Europe Monitoring Body, in Autumn 2026. We will be fully prepared to pass this international scrutiny and remain committed to international standards.

In June, in a statement to Tynwald, I set out the requirement for three core areas for Government to focus on over the summer: **travel costs and connectivity; taxation plans and Government efficiency.**

I know, and am fully conscious that there are strong arguments that different, less aggressive, pricing on the Steam Packet will be of benefit to the economy, tourism and hospitality and society.

The Council of Ministers agree fully that pricing needs to be addressed, which is why we opened discussions with the Steam Packet before the summer. I have been clear that we need a more defined framework for the Directors to operate within which realistically offers fares and freight costs at best consumer value – **wherever possible**, without disrupting the Steam Packet's ability to operate free from direct Government subsidy. This is alongside the key first steps that have been taken by the Steam Packet Company in their announcement yesterday.

Whilst I am today unable to report fully what those proposals look like; we are making progress with an update due to Tynwald in October and resolution before the end of the year.

We continue to address the post-Covid issues with air travel that continue to trouble us, and importantly challenge the whole of the British Isles, Europe and further afield. By its very nature Air Travel can be affected by issues that are outside our shores and the global shortage of air traffic controllers can cause delays across the whole network, and most major airports have seen, and continue to see some level of ongoing disruption.

The collapse and consolidation of regional airlines has also played a part in the challenges we have faced.

We will update you on these connectivity matters later in the Conference, but I can assure you that Government continues to work as hard as possible to both maintain routes and keep operations running in challenging circumstances. As you will be told later, we have had to spend millions of pounds supporting and subsidising key air routes and upgrading our air traffic controller capacity.

Despite the connectivity issues, our sea and air passenger movements continue to recover, and although it might not always feel like it, disruption has significantly reduced in air services year on year with a 41% reduction in cancellations January to July this year compared to 2023.

I know that last year's Budget was a difficult for many people and businesses, with the taxation increase for healthcare spending. This is a similar story to the one laid out by Lord Darzi's report for the UK Government only last week.

It will not be a surprise to anyone that we are working in challenging circumstances and although thankfully inflation has stabilised this year, Government spending remains dominated in many ways by healthcare, as I have already alluded to.

Last year, with the tax rise included, Manx Care received an additional £43m in funding, conditional on its promise to stay within budget. It is clear that this will not be the case and that once again health spending currently looks to be many, many millions beyond its allocation.

Whilst there has been years of commitments and actions, further strategic action is needed. This overspending is destabilising an already finely balanced Government fiscal expenditure. It simply cannot go on without risking the stability of our public reserves.

Departments including health must stick to their budgets irrespective of whether they believe they are underfunded or not and an immediate turnaround plan is now needed for Manx Care.

Those discussions are underway and as soon as the plan has been agreed it will be communicated to Tynwald and the community.

In terms of public finances, the Treasury Minister will outline his position tomorrow morning, but I want to indicate to you today that Council's oversight of this budget will be comprehensive and responsible.

Government cannot always look outside to solve the problems. It must, at an institutional level, also look within. Part of the solution to the challenges of finance and delivery of course lies with Government efficiency and reform. It is unlikely that efficiencies alone can go anywhere near the levels needed by the likes of our health service demands, but we must do everything we possibly can to optimise what we do, and the way we do it.

I have already alluded to some reforms which have been made, but these will not be enough.

The Chief Executive Officer for the Isle of Man Government will be speaking further tomorrow on the future shape of public service delivery and will outline the strategies to create a more efficient and sustainable public service in-year as well as in the medium to long term. In advance of the budget, we are tasking the Chief Executive Officer to draw up a Government Efficiency and Reform plan to deliver as a minimum £10m of savings and efficiencies, outside of healthcare. This work will be done in conjunction with the recently established Operational Performance Board and this will be announced in conjunction with the Budget to take effect from April 2025. Productivity is the key word at the heart of the reform programs and technology must play a fundamental part in this.

I will also ask the Chief Executive Officer to include in his longer-term plans the options of reforming Government Departments and organisational structures.

In the shorter-term however, under existing frameworks, there is much more that can be defined, and most importantly, coordinated and delivered.

Ladies and Gentlemen, it is very easy for us to become self-absorbed in our own problems without recognising the context of the international picture beyond our shores. Just because we live on an Island, it does not mean that we are immune from British economic conditions, the weather or global events. Yes, we have problems from time to time, yes there are things that need fixing, yes things can go wrong. Yes, change is difficult.

I know that my colleagues know that, we all know that. These are not easy times. But we are a strong Island nation, we are a stable Island nation, and we can come together to change and adapt.

The foundations of our Island Plan, remain strong and relevant, but there is an absolute need now for Government to focus on the immediacy of the 'Secure' element in the 'Secure, Vibrant and Sustainable' vision that Plan sets out.

We are going to secure our ports, we are going to secure our immigration, we are going to secure our public sector finances, we are going to secure our travel connectivity and we are going to secure more effective Government operations. Stability, security and safety will be the watchwords. I want you and your families to feel physically and environmentally safe, fiscally and economically safe and to be safe in the knowledge that despite the difficult challenges all around us we continue to make progress, working together, as a strong, stable and proud Island nation.