

OUR ISLAND, OUR FUTURE – DRAFT ECONOMIC STRATEGY

Public Consultation – August 2022



How to respond

The deadline for responses is 23:59 on 30 September 2022.

Responses should be made via the Isle of Man Government Consultation Hub or in writing via post to:

FAO Economic Advisory, Treasury
3rd Floor
Government Offices
Bucks Road
Douglas
Isle of Man
IM1 3PZ

Email responses can be sent to:

Treasuryconsultations@gov.im

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

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<https://www.gov.im/about-the-government/departments/the-treasury/privacy-notice/>

Public Consultation: Isle of Man Economic Strategy - 2022 – 2032

In 2021, the Isle of Man Government commissioned KPMG as strategic partners to assist with the development of a five to ten year economic strategy for the Island. They set out to deliver a five-phase report to develop a fundamental review and understanding of the Isle of Man's current economy, looking at the wider global opportunities and threats, developing strategic direction and finally providing a monitoring and delivery framework. This report has informed and guided the Isle of Man Government's overarching Draft Economic Strategy.

While there has been a significant amount of research, discussion and assessment led by KPMG, ultimately the Economic Strategy, which will inform the Island Plan's priorities for the next 5-15 years, must be led by Government. The [Isle of Man's Draft Economic Strategy 2022 – 2032](#) sets out a vision and ambition for the Isle of Man that surpasses the reach of the current administration, setting the foundations for investment and economic security for the next 10 years and beyond.

Through the Draft Economic Strategy, the Isle of Man Government is choosing greater investment in our economic future, choosing to put our people at the centre of our economic model, and choosing to build a future Isle of Man that people will hold up as an incredible place to live, visit, work and do business. The vision is to build a strong and diverse economy, which is sustainable, ambitious and built on firm foundations to provide economic success, rewarding career opportunities and prosperity which positively impacts all residents on the Isle of Man.

The Economic Strategy outlines four economic shifts to achieve our key objectives to achieve this vision. The four shifts are:

1. **Population**

Ambition: Grow the Island's population to 100,000 residents by 2037, driven by the inward migration and retention of economically active people and the recruitment of key workers.

2. **Shape of the economy**

Ambition: Reach a GDP of £10bn by 2032, across enabling sectors, existing key sectors and new sectors, with 5,000 new jobs created and filled.

3. **Public finances**

Ambition: By 2032, to generate over £200m of additional annual income to reinvest in services and improve the quality of life for all residents.

4. **Sustainability**

Ambition: Substantially decarbonise the services parts of our economy by 2030, supporting an overall reduction of 35% in the Island's Green House Gas (GHG) emissions.

The four economic objectives are:

1. Prosperity for people and communities

This means an increase to median earnings, reduce the income inequality gap, and invest in improving public services and infrastructure

2. Prosperity for business

This means Increase business productivity, increase business innovation and investment to drive new revenue streams, and improve quality and grow the size of workforce

3. Resilient and sustainable economy

This means balance the age profile of the population & reduce dependency ratio, maintain healthy Government finances over the long term, and improve the Island's environmental and social sustainability

4. Protect, nurture and grow key sectors of the economy

This means adapt and modernise enabling sectors of the economy, maintain or grow current key sectors, and grow new sectors

The draft Economic Strategy was released in July 2022, and is being used as the basis for wider public and political consultation over the summer of 2022. This survey forms a key part of this consultation period and all views and responses are welcome.

The Government Conference on 20th and 21st September will also be an important event for further engagement and updates regarding the input and feedback received over the summer months.

Following this consultation period, an updated version will be brought to Tynwald in November 2022 for debate and approval.

To view a copy of the draft Economic Strategy, please visit [here](#).

Overall Approach

While there has been a significant amount of research, discussion and assessment led by KPMG, ultimately the Economic Strategy, which sits across all of the Departments' priorities for the next 5-15 years, must be led by Government. The vision and strategic approach is laid out in the Executive Summary and below.

We would welcome your views on this proposed vision and overall approach.

Please rate each of the following statements on how important you believe they are (1 being not important to 5 being very important)

1. The Isle of Man's vision is to develop a **strong and diverse** economy which is **sustainable, ambitious** and built on **firm foundations**
2. The outcome of the Economic Strategy is to provide **economic success**, rewarding **career opportunities** and prosperity which positively impacts **all residents** of the Isle of Man
3. To achieve its vision, the Economic Strategy should aim to make **the Island a more attractive and prosperous place to live and work**, which **in turn will sustain and grow productive businesses and services**
4. The Economic Strategy should seek to provide more **diverse and sustainable public finances** that support the **best possible public services and quality of lives** for all of our **Island residents**
5. The Strategy should be implemented through a **significant £1bn long term public and private investment** programme – **investing in our people, our economy, our Island and our public services**
6. Our vision for the future should be to secure a **£10bn economy by 2032**, with **jobs and opportunities** that can support **100,000 Island residents** over the next **fifteen years**"
7. The Strategy should consider appropriate **incentives / disincentives** to achieve **targeted and sustainable population growth**

Population

Ambition: Grow the Island's population to 100,000 residents by 2037, driven by the inward migration and retention of economically active people and the recruitment of key workers.

Why do we need to grow our population?

One of the most fundamental economic shifts, which the evidence from the KPMG Phase 1 (Evidence Based Report) work highlighted, is the need to address growth in the working population. This growth underpins the economic growth and growth to Government revenues that will support high-quality Government services and address the demographic issues that we face.

As with other developed countries, the Island is facing significant demographic challenges which pose a threat to the sustainability of public services. An ageing population brings with it significant challenges relating to funding of services, particularly healthcare, while an increasing tax burden falls on the economically-active population.

How will this support our existing residents, and ensure the delivery of world-class public services?

The Island is currently heavily reliant on people, and the wages and income they earn to generate Government income which in turn is reinvested into public services, an arrangement that is under threat due to our high dependency ratios and demographic challenges ahead.

In order to address the growing demographic challenge the Isle of Man must re-adjust the Island's offering to target new younger workers and families, while encouraging our young people to stay and build their futures on the Island.

We must also build the infrastructure to attract and retain the economically-active population and actively incentivise them, for example: suitable and affordable housing, career opportunities and well-paid graduate jobs, better leisure infrastructure and more things to do.

Unlike comparator jurisdictions, the Island does not currently place controls on the inward migration of non-economically active individuals. We must therefore also consider how to balance the attractiveness of the Island for everyone, with the costs of sustaining those who are not economically active, and consider disincentives for these such as health insurance requirements, minimum levels of savings and access to property markets.

Without a dramatic shift in the Island's proposition, the trajectory with an existing ageing population and an open door policy to new retirees carries significant risks that mean in the future, the quality of services provided – from healthcare to education, from infrastructure to policing, simply won't be affordable.

Questions

Please rate each of the following statements on how important you believe they are (1 being not important to 5 being very important)

8. Grow the Island's population to 100,000 residents by 2037, driven by the inward migration and retention of economically active people and the recruitment of key workers

9. To rebalance our demographics to ensure the Island is able to finance and facilitate improved and sustainable public services

10. **How do you think the Island compares to similar places (the UK / Channel Islands) as a place to live/work?** (Rate from 1-5, 1 = Not competitive, 3 = the same, 5 = Much more competitive)

11. **How can the Isle of Man exploit or pursue a competitive edge in meeting the proposed objectives of the Draft Economic Strategy?**

12. **What areas do you think the Island needs to improve in order to be more attractive to and retain a younger, working demographic?** (Rate each from 1-5, 1 – least important, to 5 – most important)

- Review of personal tax structure

- Better education and skills offering

- Affordable and accessible childcare

- Improved health service

- Improved cultural leisure and transport facilities

- Affordable housing

Other (please specify)

Please rate each of the following statements out of 5 (1 – least important, to 5 – most important)

13. The Island should provide temporary incentives to attract and retain those needed for its economy and public services

14. The Island should consider disincentives to dissuade those who will not be economically active nor needed for public services, and who have no existing family ties to the Island

15. **The Draft Economic Strategy recognises the importance of supporting and retaining younger population and attracting them back to the island - what initiatives could help with this?**

16. **Do you have any concerns around discouraging non-target demographics** (*for example those relocating without generating economic activity, such as working or running their own business*) from relocating here? (Rate each from 1-5, 1 – least concerned, to 5 – most concerned)

- Implementing health insurance requirements (for those over a certain age who haven't lived in the Island for a number of years)
- Implementing a minimum level of savings available
- Implementing property restrictions to limit off-Island access to the property market

Other (please specify)

17. **What else do you think the Island needs to do to attract people to live and work here?**

Shape of the economy

Ambition: Reach a GDP of £10bn by 2032, across enabling sectors, existing key sectors and new sectors, with 5,000 new jobs created and filled.

Why do we need to grow the Isle of Man's GDP?

Whilst there has been a level of economic success over the last ten years that has resulted in growth in GDP, our economic success has been created through the successes of a narrow grouping of economic sectors (namely eGaming and Insurance) when adjusted for inflation.

KPMG's Phase 1 report identified the lack of correlation between the whole economy and these two export sectors, and also the disconnect between areas such as corporate success and productivity and Government revenues. In other words GDP has very limited direct relevance to the overall economic health of the Island translated into Government income, invested into Public Services.

While these sectors have experienced significant growth, other areas of the economy have been stagnant. This imbalance puts the Island's future success at risk, as without investment in enabling sectors of the economy, it is challenging to continue to grow existing sectors or develop new opportunities.

Why do we need to act now?

The report also highlighted a growing imbalance in wage growth and increasing inequalities, even before the current cost of living crisis emerged.

Added to this the potential displacement of up to 30% of roles ([from a PWC report](#)) means there must be an active commitment to identify and protect many of our existing sectors, support growth in new business sectors and help develop new skills and businesses and sectors that will be required in 10 and 20 years' time.

In order to rebalance we must actively invest in skills, productivity, infrastructure, and business sectors to deliver a strong and diverse economy.

Proposals to approach the issue and mitigate effects

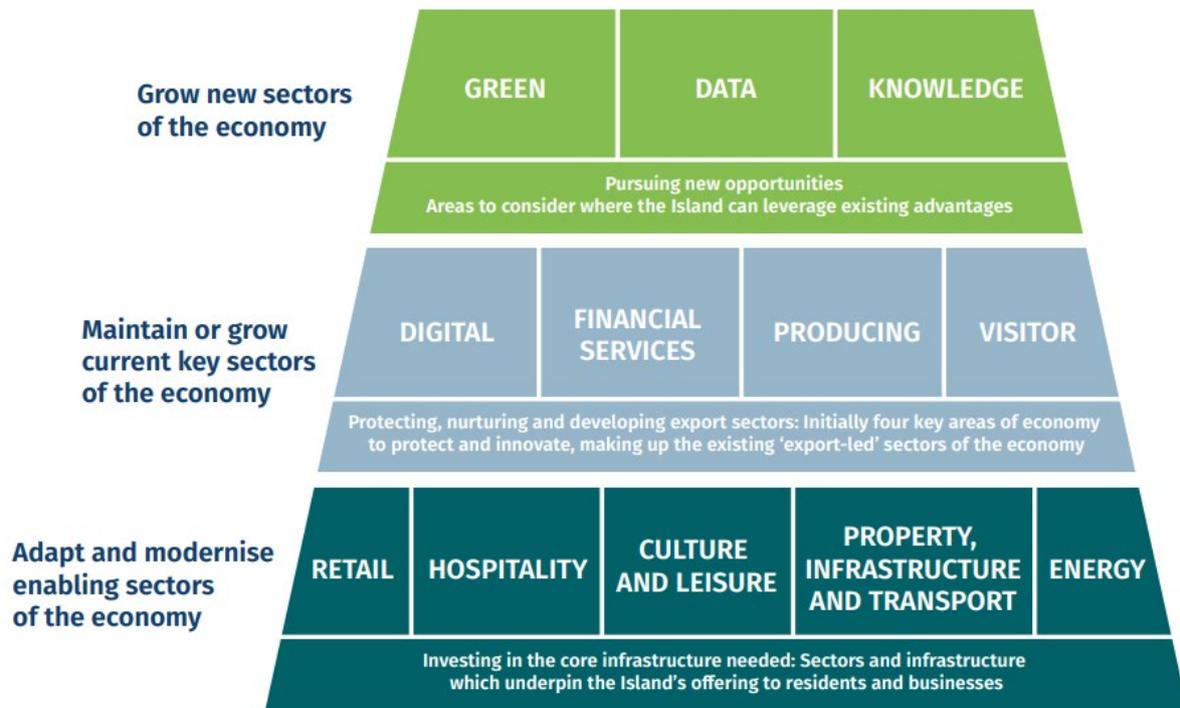
"The existing international sectors are vitally important to the Island and we must continue to **protect and nurture these – Financial Services, Digital, Manufacturing or Producing Sectors and our Visitor Economy** all should be supported in ongoing investment, diversification and productivity gains".

- Taken from the Draft Economic Strategy, July 2022

The draft Economic Strategy depicts the proposed approach to diversifying and growing the economy sustainably into three key action points.

These aim to ensure that we are not only maintaining the current key sectors of the economy, but are also actively growing new sectors where there are opportunities for the Isle of Man.

Finally the draft Economic Strategy recognises that in order to see increased prosperity it is crucial that we are adapting and modernising ‘enabling sectors’ of the economy, which underpin the Island’s offering to residents and businesses.



With a comprehensive package of measures to grow and develop our economy, we will be able to increase economic activity and provide productive and fulfilling jobs to Island residents, and deliver a sustainable economy for future generations.

Questions

Please rate each of the following statements on how important you believe they are (1 being least important to 5 being most important)

18. We should aim to reach a GDP of £10Bn by 2032, across enabling sectors, existing key sectors and new sectors, with 5,000 new jobs created and filled
19. We should actively invest in skills, productivity, infrastructure, and business sectors to deliver a strong and diverse economy
20. It is important to protect and nurture our existing international / export sectors – Financial Services, Digital, Producing / Manufacturing and Visit / Tourism
21. The Island should actively pursue new sectors that are developing on a global scale – including those in the Data, Knowledge and Green economies
22. The enabling sectors of the economy are vital and should be actively supported to modernise and adapt, including leisure, hospitality, retail, property and energy sectors
23. **Where do you think Government needs to focus its attention in order to increase business productivity and ensure better paid jobs for residents?** (please rate each statement out of 5, 1 being least important to 5 being most important)
- Business-focused digital and technology adoption and infrastructure investment
 - Business growth support programmes and incentives
 - Access to finance
 - Refinements to regulation and regulatory remits
 - Infrastructure investment and regeneration:
 - Reform planning policy
 - Support for labour market: Migration and employment enablement
 - Education & Skills: business-focused measures
 - Education & Skills: targeting inactive individuals
 - Education & Skills: retraining and upskilling individuals
 - Ensuring every parent has the choice to access childcare
 - Government Reform (for increased efficiency and productivity)

Other (please specify) or additional comments

24. Are there any other parts of the economy that you feel need attention in order to achieve these ambitions? (please rate each statement out of 5, 1 – least important to 5 – most important)

- Retail
- Hospitality
- Culture and leisure
- Property, infrastructure & transport
- Energy

Other (please specify)

25. Are there any sectors or opportunities you think the Island should be looking at as a priority?

26. How do you think the Island can use its strengths to develop new sectors?

Public Finances

Ambition: By 2032, to generate over £200m of additional annual income to reinvest in services and quality of life.

Why do we need to generate additional Government income?

[KPMG Our Big Picture- Evidence Base Report \(Phase 1\)](#) identified that Government revenue is largely ‘people-based’ and therefore reliant on on-Island employment and consumption, derived from wages, investment or household income such as pension income. Only a relatively small proportion of income derives directly from corporate activity and corporate profits.

This means that Government finances are vulnerable to changes in population, incomes, and consumer confidence. Strong GDP growth in recent years has been driven by corporate profits – this has meant Government incomes have not grown by the same amount as these profits are taxed at 0% (with a few exceptions).

This current model means that society as a whole is not benefiting to the full extent from the economic activity taking place in the Island, which in turn puts pressure on supporting investment in public services, such as healthcare, education and infrastructure.

A business that invests in productivity may see a substantial lift in profitability but may in doing so reduce its workforce. This would ultimately lead to jobs being lost and Government income reducing, and in the long term, the disconnect between economic productivity and government revenues could be exacerbated.

Without change, in order to sustain quality public services, any development must ultimately be funded through increasing personal taxation burdens.

Conversely, in order to create a prosperous future economy, we need to grow and diversify Government revenues with a broader range of sources for long term sustainability.

Proposals to approach the issue and mitigate effects

One of the next priorities will be a comprehensive tax strategy. The draft Economic Strategy suggests there are opportunities as part of this to rebalance some of the personal taxation measures (making the Island more attractive to new residents within certain target groups) and also corporate taxation as globally the trends continue towards ensuring responsible taxation is captured within international standards.

It is vital that the Island does not lose its competitiveness in its key sectors, and taxation is an important element of this. However, a careful approach to broadening the tax base, together with seeking additional revenue sources (such as from natural resources) and growth in income from a growing economically active population all aim to generate substantial annual surpluses which help make long term investment sustainable and importantly cost effective.

The tax strategy will require its own consultation and discussion and importantly any changes will need to take into account the broader competitive landscape and provide reassurance on long term stability.

Questions

Please rate each of the following statements on how important you believe they are (1 being not important to 5 being very important)

27. We should aim by 2032, to generate over £200m of additional annual income to reinvest in services and quality of life

28. We should aim to grow and diversify Government revenues with a broader range of sources for long term sustainability

29. The Island should consider broadening its tax bases to provide more diversity of income

30. Identifying and bringing forward new income sources (e.g leasing sea beds for offshore wind farms) is a key priority

31. The Island needs to retain its international competitiveness for taxation

32. **How do you think the Island can remain competitive and an attractive place to live, while also raising enough income for public services?** (please rate each statement out of 5, 1 – least important to 5 – most important)

- Review of the personal income tax system

- Review of the company tax system

- Develop new income streams (such as the monetisation of resources and growth of new economic sectors)

Other (please specify)

33. **What are your thoughts on the development of new income streams for Government?**

Sustainability

Ambition: Substantially decarbonise the services parts of our economy by 2030, supporting an overall reduction of 35% in the Island's GHG emissions.

Why do we need to invest in sustainability measures?

As the Strategy has been developed, it has become increasingly clear from business leaders that the Island was perceived to be lagging behind in global commitments

Accessing low carbon energy is increasingly a key requirement for international businesses and respondents clearly articulated that sustainability – and environmental, social governance in its broader form (ESG) must feature centrally in any new economic strategy

In order for the Island to stand at the forefront of environmentally sustainable jurisdictions, we must consciously and proactively invest in the [Climate Change Action Plan](#), and energy decarbonisation, to place sustainability at the heart of the economy.

The lack of a clear pathway to ambitious goals and low carbon energy supply has emerged as a key risk and in parallel to this strategy, a new commitment to 2030 for decarbonisation of the energy supply has been made supporting a new interim target of 35% reductions in emissions by 2030

In addition, as ESG considerations move increasingly to the forefront of business planning, the Island cannot afford to stand still. This is especially illustrated by various 2030 decarbonisation plans of leading international businesses, and the Island's place as a home for responsible business will be increasingly under threat if these commitments cannot be supported.

We need to prioritise the decarbonisation of our electricity system by 2030 as set out in the Climate Change Action Plan – this will ensure that businesses and residents have access to clean, affordable, and sustainable energy supplies and help businesses to achieve their ESG objectives, and substantially decarbonise by 2030.

Questions

Please rate each of the following statements on how important you believe they are (1 being not important to 5 being very important)

34. We should aim to substantially decarbonise the services part of our economy by 2030, supporting an overall reduction of 35% in the Island's Green House Gas emissions
35. We should aim by consciously and proactively investing in the Climate Change Action Plan, and energy decarbonisation to place sustainability at the heart of the economy.
36. Having a sustainable and low carbon energy source

37. **What sustainability initiatives do you think the Island needs to improve to be more attractive to residents and businesses?** (please rate each statement out of 5, 1 – least important to 5 – most important)

- Adapt and modernise enabling sectors – considering active support and investment across a range of sectors and energy propositions
- Delivering ESG – Energy strategy and optimising mix of renewables
- Climate Change commitments – accelerating priorities outlined in the Climate Change Action Plan
- Maximising natural resources
- Funding & support to invest in sustainability targets
- Develop new sectors, including knowledge, data and green economies
- Energy security

Other (please specify)

38. Are there any parts of the economy that should be expanded / reduced in order to align with our sustainability commitments?

Reduced (please specify)

Expanded (please specify)

Any further comments

Delivery and Funding

How does the Government plan to deliver and fund the actions required as part of the draft Economic Strategy?

The current desire to have high quality public services is increasingly unsustainable with the current economic model, and when combined with dramatic shifts in individual and corporate behaviour following COVID-19 and subsequent global challenges, the approach to investment and economic policy planning must significantly change.

Delivering against this Economic Strategy will involve an extensive and challenging programme of work, requiring close collaboration and coordination both across Government and with external stakeholders.

Bringing about these sea changes in our economy will require investment from both the public and private sectors. At the early stage, it is anticipated that Government will investigate innovative ways to generate income, reprioritise existing spending and expand the tax base, while ensuring the Island remains competitive.

The key strategic approaches to funding the economic strategy which are being considered include; re-prioritising capital schemes, investing reserves, borrowing, leverage private sector funding and new funding schemes.

Questions

How do you feel Government could/should change to best deliver this strategy? (please rate each statement out of 5, 1 – least important to 5 – most important)

39. Government to invest in the short term to improve the proposition
40. Re-prioritise capital schemes (place economic considerations at the heart of the capital programme and change priorities accordingly)
41. The Island should consider additional borrowing for schemes (for example the sustainable bond)
42. Private sector encouraged to invest in our Island (through a Government-led investment programme we can expect to build confidence in the private sector to fund or partially fund a number of projects)
43. Implementing new funding streams (for example monetisation of our natural resources/green economy and changes to taxation)
44. Government reform

Other, please specify

45. In what ways do you think Government can best enable the potential and investment appetite of the private sector?

46. The NI fund and reserves are currently invested commercially – there is scope for some of these funds to be allocated to commercial projects in the Isle of Man. This would need to be a commercial investment with commercial returns, such as key public infrastructure with a guaranteed income. What are your views on the potential to use Government reserves and/or the NI fund for this purpose?

47. **To help us assess opinions please let us know which of the following apply to your views ? (tick all which apply)**

- I am a resident of the Isle of Man
- I am an employee on the Isle of Man
- I am a business owner / business leader on the Isle of Man

Other, please specify

Please also indicate your broad age group:

- 16 years to 21 years
- 22 years to 30 years
- 31 years to 40 years
- 41 years to 50 years
- 51 years to 60 years
- 61 years or over