

OUR ISLAND, OUR FUTURE

Consultation Report

PUBLIC CONSULTATION ON THE DRAFT
ECONOMIC STRATEGY - OCTOBER 2022

Summary of responses



Isle of Man
Government

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BACKGROUND

The Isle of Man Draft Economic Strategy 2022 – 2032 set out a vision and ambition for the Isle of Man that surpasses the reach of this administration, setting the foundations for investment and economic security for the next 10 years and beyond.

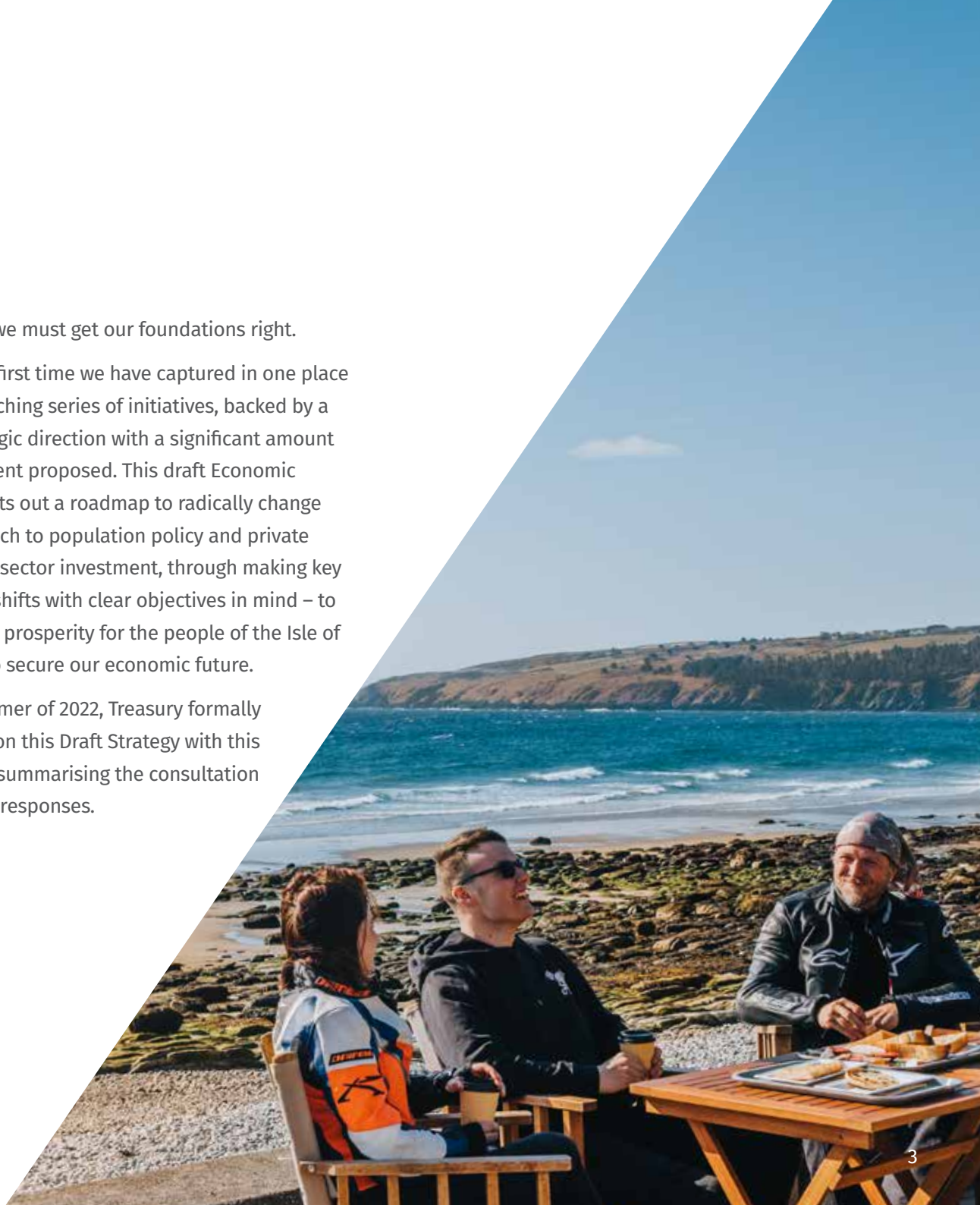
Through following the actions and goals set out in the draft Economic Strategy, it proposed that we create:

- A leading, sustainable Island
- A highly skilled, highly productive workforce
- Better paid jobs and rewarding career opportunities for all
- A more diverse economy, with growth in established and new sectors
- A modern, business-friendly environment
- Infrastructure and amenities to be proud of
- Healthy Government finances with a broader revenue base
- A larger, younger, more diverse population
- Improved health and wellbeing

To do this we must get our foundations right.

This is the first time we have captured in one place a wide-reaching series of initiatives, backed by a bold strategic direction with a significant amount of investment proposed. This draft Economic Strategy sets out a roadmap to radically change our approach to population policy and private and public sector investment, through making key economic shifts with clear objectives in mind – to bring more prosperity for the people of the Isle of Man and to secure our economic future.

In the Summer of 2022, Treasury formally consulted on this Draft Strategy with this document summarising the consultation and public responses.



DRAFT ECONOMIC STRATEGY

Executive summary extracted from the draft Economic Strategy:

VISION

The Isle of Man’s vision is to **develop 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.

To achieve this vision, we 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**, which combined provide more diverse and sustainable public finances that support the best possible public services and quality of lives for all of our Island residents.

We will achieve this through a significant long term public and private investment programme – investing in **our people, our economy, our Island and our public services** to secure a £10bn economy by 2030, with jobs and opportunities that can support **100,000 Island** residents over the next **fifteen years**, with appropriate **incentives / disincentives to achieve targeted and sustainable population growth**.

ECONOMIC ASPIRATIONS & ECONOMIC SHIFTS



Grow our population to 100,000 residents by 2037, driven by inward migration of economically-active people (+10,000).

Population – to consistently **grow the economically active population** through **incentives and disincentives**



Reach a GDP of £10bn by 2030 across enabling, key and new sectors.

Shape of the economy – by **actively investing** in skills, **productivity, infrastructure and business sectors** to deliver a **strong and diverse** economy.



By 2030 to generate **over £200m** of additional annual income to **reinvest in services & quality of life**.

Public finances – to **grow and diversify government revenues** with a broader range of sources for **long term sustainability**.



By 2030, the substantial services parts of our economy are **decarbonised, contributing to 35%** overall reduction in GHG emissions.

Sustainability – by **consciously and proactively** investing in the **Climate Change Action Plan** and energy decarbonisation, to place **sustainability at the heart** of the economy.

1BN LONG TERM PRIVATE/PUBLIC INVESTMENT PROGRAMME

Re-prioritisation

Borrowing

Reserves & NI

Personal Tax

Corporate Tax

New income

Economic growth

STRUCTURED DELIVERY PROGRAMME





Sustained commitment & results driven

Leverage private sector skills & investment

Economic policy decision making

Efficient Government

ECONOMIC OBJECTIVES AND SUB-OBJECTIVES FROM KPMG PHASE 3 REPORT

 Prosperity for people and communities	 Prosperity for business	 Resilient & sustainable economy	 Protect, nurture & grow key sectors of the economy
<p>This means...</p> <ul style="list-style-type: none"> ➢ Increase to median earnings ➢ Reduce the income inequality gap ➢ Invest in improving public services & infrastructure <p>Example initiatives:</p> <ul style="list-style-type: none"> ➢ Review of personal tax structure ➢ Availability & affordability of childcare ➢ Support Island’s education & skills offering ➢ Education strategy: early childhood ➢ Workforce & skills strategy ➢ Household focused digital adoption ➢ Health – improved facilities and public awareness ➢ Infrastructure investment for cultural & leisure facilities ➢ Housing – especially for 20-40 year olds 	<p>This means...</p> <ul style="list-style-type: none"> ➢ Increase business productivity ➢ Increase business innovation & investment to drive new revenue streams ➢ Improve quality & grow size of workforce <p>Example initiatives:</p> <ul style="list-style-type: none"> ➢ Business-focused digital and technology adoption and infrastructure investment ➢ Business support programmes & incentives ➢ Access to finance ➢ Refinements to regulation ➢ Infrastructure investment & planning policy ➢ Targeted migration incentives ➢ Refreshed employment law ➢ Business-ready skills inc. measures & inactive 	<p>This means...</p> <ul style="list-style-type: none"> ➢ Balance the age profile of the population & reduce dependency ratio ➢ Maintain healthy Government finances over the long term ➢ Improve the Island’s environmental sustainability <p>Example initiatives:</p> <ul style="list-style-type: none"> ➢ Impact of OECD ‘two-pillar’ solution ➢ Wider review of tax structure: expand domestic 10% band ➢ Environmental Sustainability Policy – climate change plan ➢ Sustainable tax policy: monetising the green economy 	<p>This means...</p> <ul style="list-style-type: none"> ➢ Maintain or grow current key sectors ➢ Grow new sectors ➢ Adapt & modernise enabling sectors of the economy <p>Example initiatives:</p> <ul style="list-style-type: none"> ➢ Adapt & modernise enabling sectors - consider active support/investment for; <ul style="list-style-type: none"> ➢ Retail, Hospitality, Leisure, Property & Energy being attractive to people and business. ➢ Protect, nurture and grow the current key sectors – through investment & support to find new markets, support productivity & innovation to remain relevant including: <ul style="list-style-type: none"> ➢ Financial Services, Digital, Production and Visitor Economies. ➢ Develop and grow new sectors through active product development and investment including: <ul style="list-style-type: none"> ➢ Knowledge, Data and Green economies.

POTENTIAL OUTCOMES

Larger, more diverse, younger population	Highly skilled, highly productive workforce	Better paid jobs & career opportunities	More diverse economy with growth	Modern, business friendly environment	Infrastructure & amenities to be proud of	Healthy Gov finances with broader tax base	A leading sustainable Island	Improved health & wellbeing
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2022 PUBLIC CONSULTATION: INTRO

From July - September 2022, the Isle of Man Treasury ran a public consultation.

Following a five-phase report that was commissioned from KPMG to develop a fundamental review and understanding of the Island's economy, the consultation document detailed a clear vision to develop a strong and diverse economy. The consultation gave the public an opportunity to provide their views on the key themes of the Draft Economic Strategy, as well as a wide-ranging opportunity to put forward their ideas around how these priorities could be effectively delivered.

This initial review looks mainly at the overall themes and respondents' reaction to them. More detailed review of ideas around delivery will be considered during the delivery phase of the strategy.

Broadly speaking, there was very strong support for the vision behind the strategy and what it should look to address, as well as wide support for the headline ambitions of the strategy.

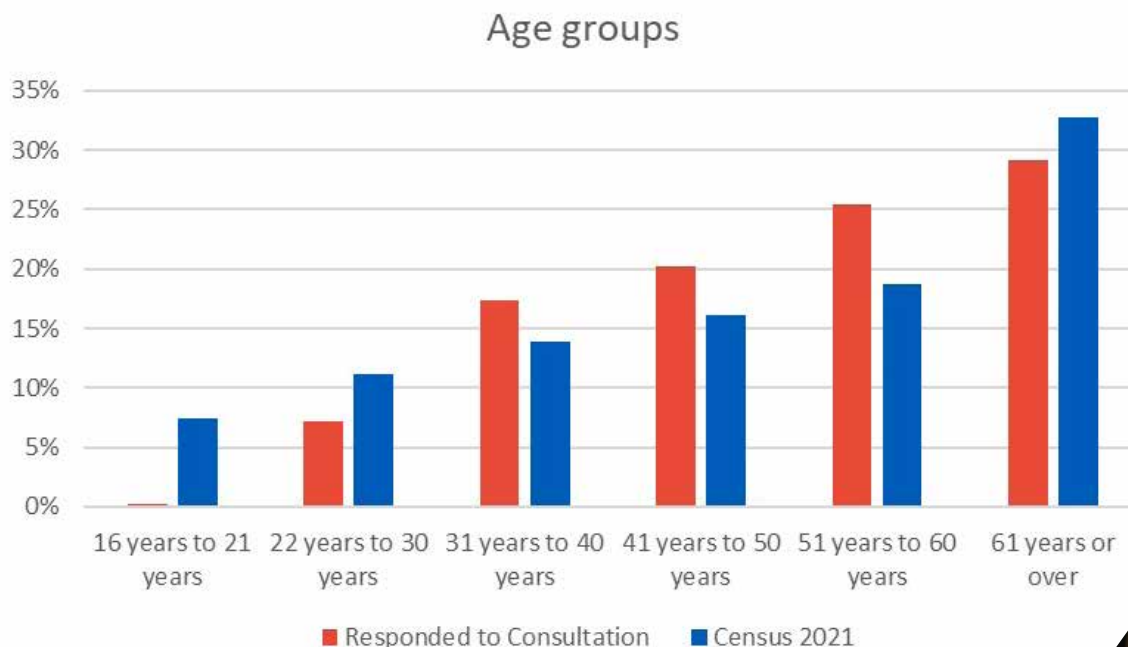


2022 Public Consultation results: overall

- A total of 449 responses to the online form had been received by the deadline for responses of 30th September 2022.
- 18 additional electronic responses were received by the Treasury Consultations inbox, the majority of which were ‘freeform’ commentary on specific themes in the Draft Strategy, rather than responses to the consultation questionnaire.
- Five paper responses were provided, again most of which were ‘freeform’ commentary.

Of the 449 online responses, 92% identified as a ‘resident of the Isle of Man’. 28% identified as ‘an employee on the Isle of Man’, and 19% identified as a ‘business owner/business leader on the Isle of Man’. 20 responses (4%) to the online form were from businesses.

In terms of age groups that responded, there is a fairly even spread, although compared to the census population, there is under-representation of the <30 age group and the 61+ age group. The most prominent over-representation (responses vs population size) is the 51-60 group.



ANALYSIS OF SENTIMENT RESPONSES

The majority of the questions in the consultation seek feedback on sentiment towards the content of the strategy, with additional free-text responses.

The overall picture is one of support for the priorities set out in the economic strategy. So the focus in this analysis is given to areas of particularly strong support (e.g. 'very' and 'extremely important' as responses) and areas where there is a lower level of support (e.g. 'slightly' and 'not at all important'). There were no questions where 'not at all important' made up the majority of responses.

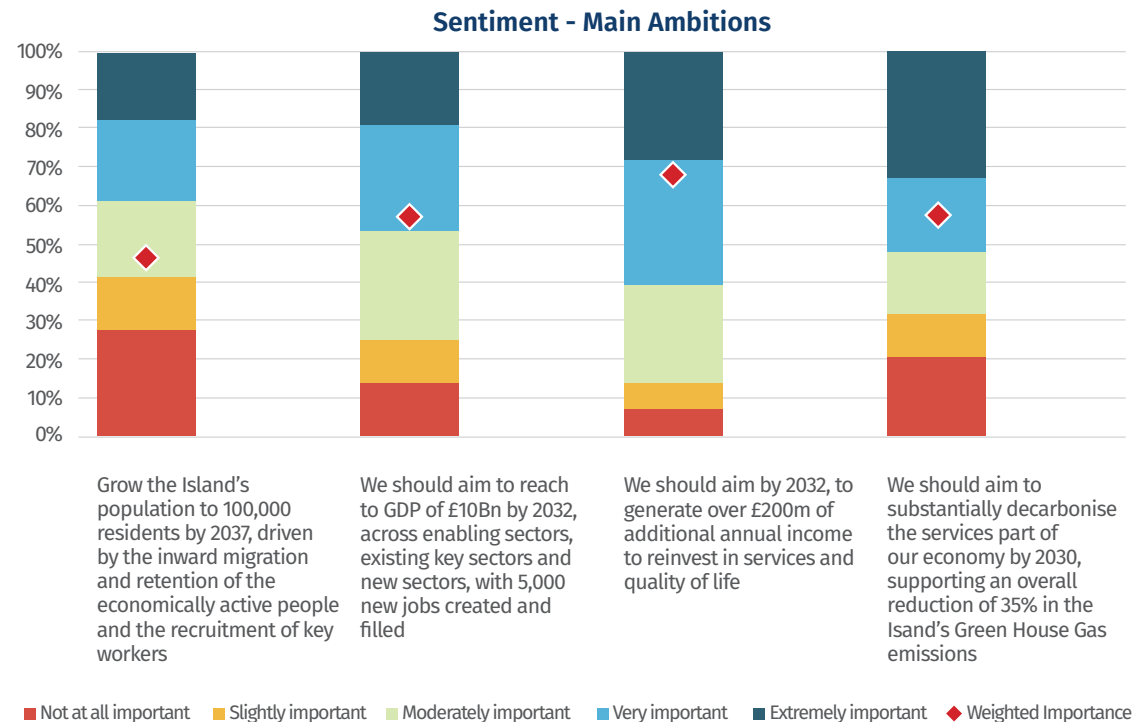
Key Ambitions

The summary (right) shows the overall sentiment from respondents towards the four key ambitions of the draft Economic Strategy. The ambition that was ranked most important was the aim to generate additional Government revenue for reinvestment in services and quality of life (61% 'Very' or 'Extremely' important). The ambition that was ranked least important was to grow the Island's population to 100,000 by 2037 (39% 'Very' or 'Extremely' important), and which had the largest number of 'not at all important' responses (28%).

Looking across all the more detailed sentiment questions (see next sections), the one which was considered least important related to the Island considering additional borrowing in order to deliver the strategy.

The question that was given the most importance related to a need for affordable housing to attract younger workers. The following sections cover the specific question sets in more detail.

Economic Shift / 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	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	We should aim by 2032, to generate over £200m of additional annual income to reinvest in services and quality of life	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
Very Important / Extremely important	39%	47%	61%	52%
Not at all important	28%	14%	8%	21%

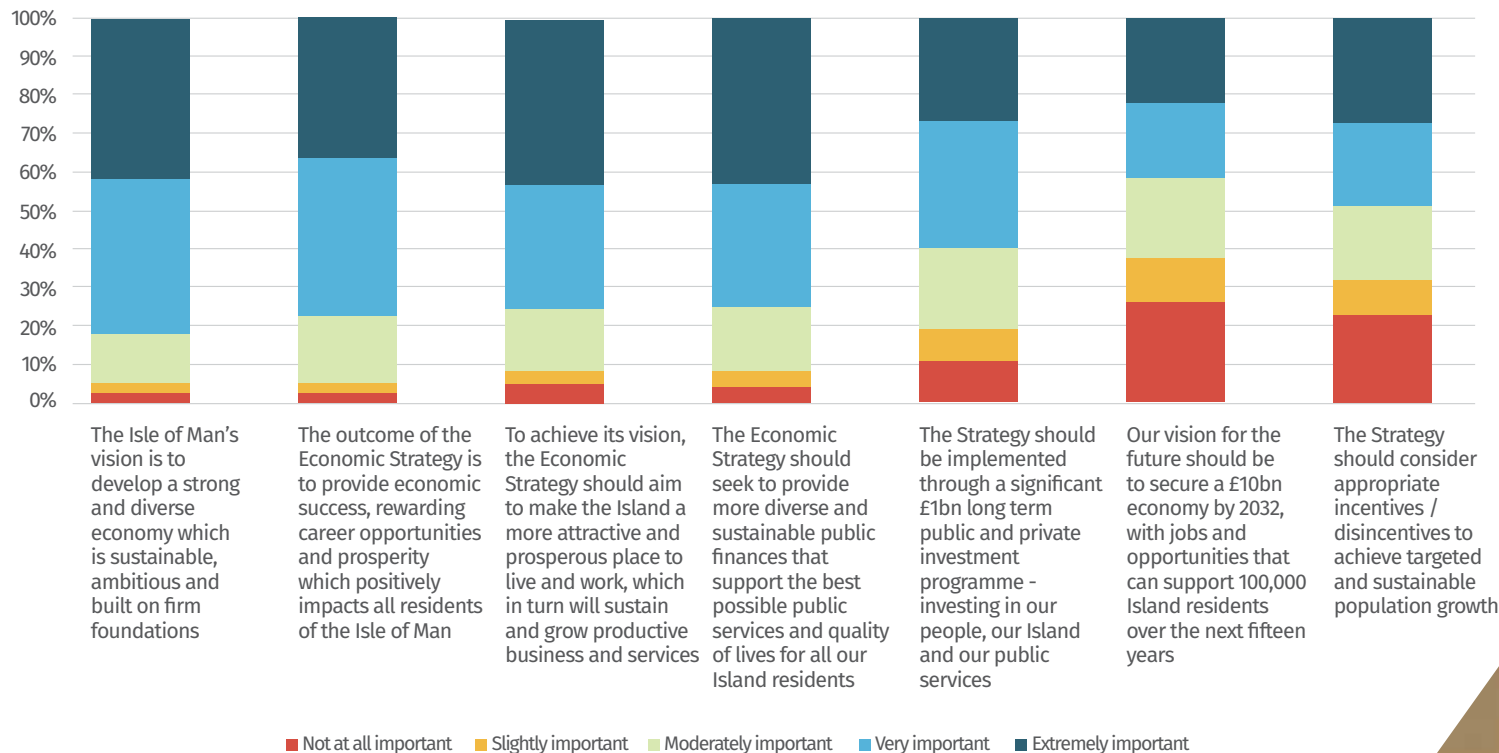


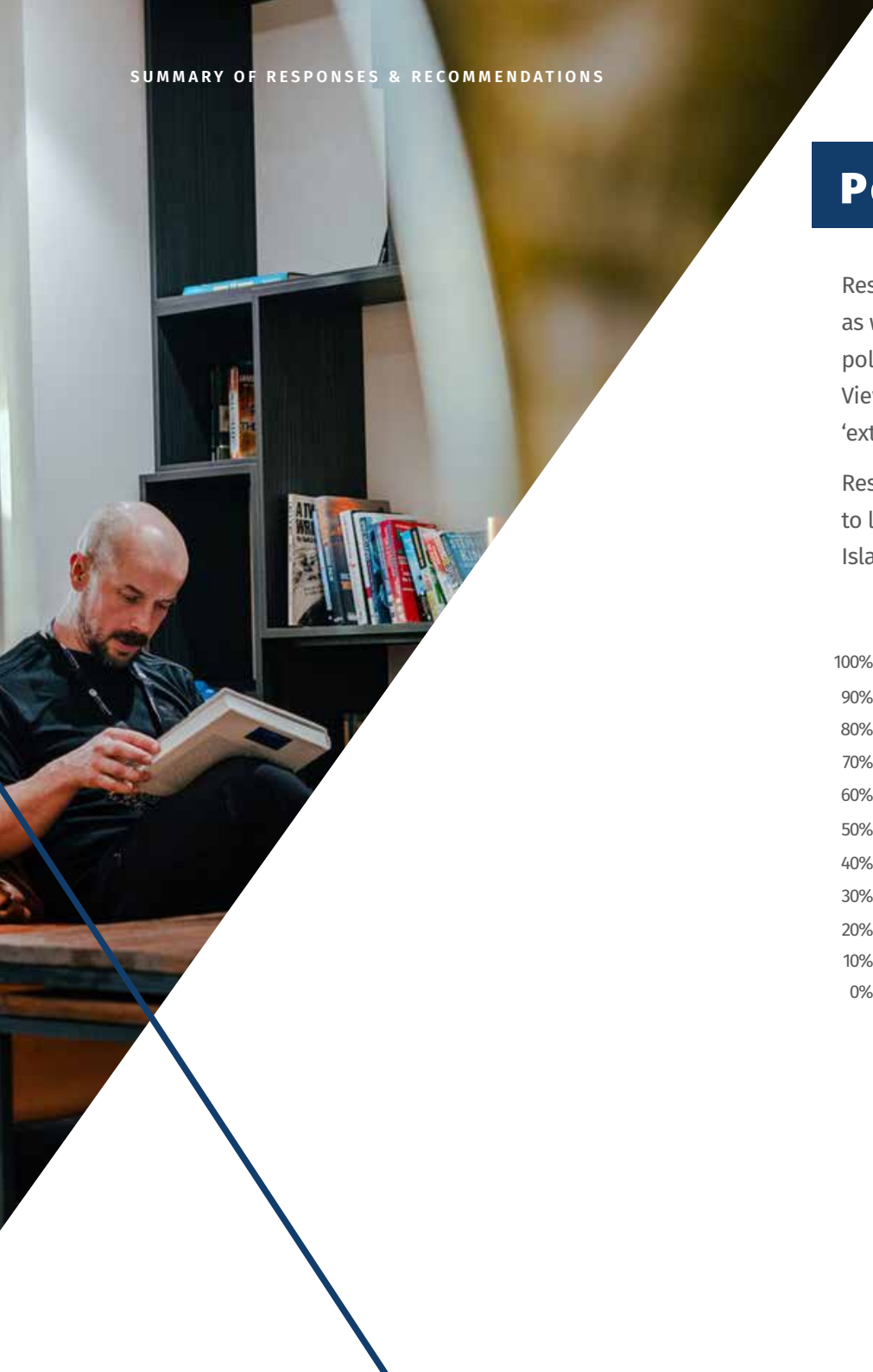
OVERALL APPROACH (Q1-7)

Respondents were asked to rank the importance of a number of statements relating to the key vision, ambition, and principles of the draft Economic Strategy. On average, all of the statements were considered important to some degree, with most being considered 'very' or 'extremely' important by a majority of respondents. The highest importance was placed on the vision statement, along with statements about the proposed outcome, improvements to attractiveness as a place to live and work, and sustainable public finances.

Less popular statements (though on balance still considered important) included around the £10bn GDP ambition and population ambition, and related interventions (incentives/disincentives) to achieve the 100,000 figure.

Sentiment - Vision



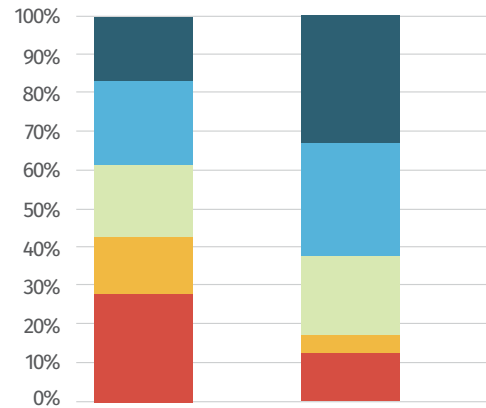


Population (Q8-12)

Respondents were asked for their views on the importance of growing the population, as well as re-balancing the population more widely. Growing the population was more polarising, with a fairly large number of responses that it was 'Not at all important' (28%). Views on population rebalancing were more positive, with 66% responding it was 'very' or 'extremely' important.

Respondents were also asked a question on the competitiveness of the Island as a place to live and work vs similar places (e.g. UK/Channel Islands). A large proportion felt the Island is not competitive, and very few consider the Island to be more competitive.

Sentiment - Population

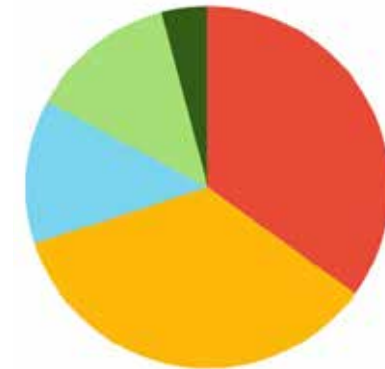


Grow the Island's population to 100,000 residents by 2037, driven by the inward migration and retention of economically active people and the recruitment of key workers

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

- Not at all important
- Moderately important
- Extremely important
- Slightly important
- Very important

How do you think the Island compares to similar places (the UK / Channel Islands) as a place to live/work?



- Not competitive at all
- Slightly competitive
- The same
- Slightly more competitive
- Much more competitive

Free-text question: “Q11 How can the Isle of Man exploit or pursue a competitive edge in meeting the proposed objectives of the Draft Economic Strategy?”

This question received a large number of responses that covered a range of topics, some of which went beyond the themes of the Economic Strategy.

Key feedback areas:

Housing

- A large number of respondents mentioned housing, generally in the context that there was insufficient housing to retain current residents (especially students/graduates who weren't able to stay on the Island for lack of suitable housing). Some respondents proposed controls be put in place to stop non-residents / non-economically active people from purchasing residential property, especially in the case of buy-to-let investors.

Cost of Living

- Often linked to other issues, many respondents highlighted the additional cost of living associated with living in the Isle of Man vs the UK. This was often linked to housing, as well as food and off-Island travel.

Infrastructure

- Infrastructure and related issues were commonly raised as a negative point around the Island's proposition that needs addressing before any population growth can/will take place. This covered road infrastructure, high streets/towns, leisure facilities for families/young people, and brownfield development.

Healthcare & Education

- The need to improve the provision of healthcare and education was a particular focus. This was in places linked to cost of living issues for lower-paid frontline workers. Some respondents mentioned the need to improve higher education / training opportunities such as through UCM.

Government Reform / Bureaucracy

- Some respondents suggested the size/ bureaucracy/capability of the Civil Service and the Government/Political system more widely was a barrier to success. Comments included calls for the Civil Service to be reformed, as well as raising issues about 'red tape' and other bureaucratic issues.



Retain Locals

- In balance with comments for/against the virtues of growing the population, some respondents made suggestions around helping existing residents / young people to stay. These points were often linked to cost of living / housing issues.

Transport Links

- Linked to points around infrastructure, the availability and affordability of off-Island transport was a common theme. This included reductions in fares (especially on Steam Packet) for residents, as well as making the Island more accessible/attractive for tourism.

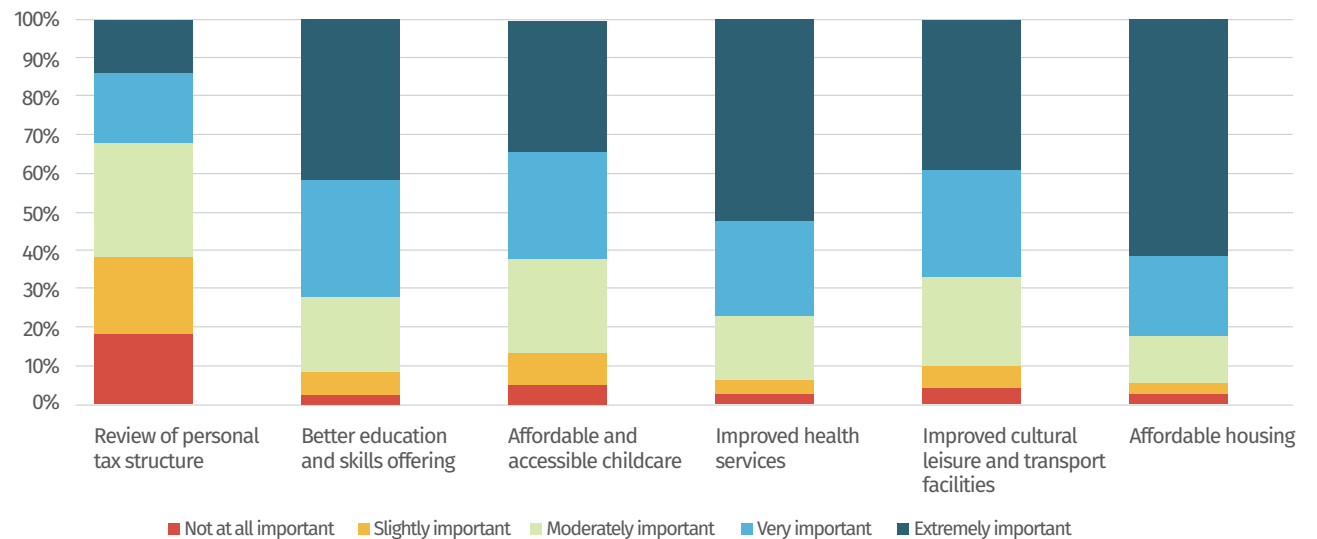
Other themes

- Other themes included suggestions around the legalisation of recreational cannabis as an economic growth sector.
- Suggestions were made around taxation, including retaining an attractive taxation regime, and raising more taxes on higher earners.
- The Island’s natural environment / safe way of life were highlighted as key strengths that could be promoted more actively.

Respondents were asked to rank questions around the importance of different measures to attract a younger, working demographic. Affordable housing was considered particularly important, alongside the health service, cultural/leisure/transport, and education. Childcare was slightly less prominent (though still important), while reviewing personal tax received the most negative response (though still on balance considered important).



Sentiment - What areas do you think the Island needs to improve in order to be more attractive to and retain a younger, working demographic?



Free-text question: “Q15 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?”/ “Q17 What else do you think the Island needs to do to attract people to live and work here?”

The responses to these questions were similar to the previous free-text question, with similar key themes emerging:

- > **Housing**
- > **Connectivity (off-Island)**
- > **Infrastructure**
- > **Improvements to healthcare/education**

Additional themes included:

Sustainability

- > Improving the Island’s sustainability credentials to be more attractive to younger generations, for whom this topic is more important.

Leisure & Amenities

- > Greater choice of activities and options for young people in particular, including nightlife and retail.

Careers / Opportunities

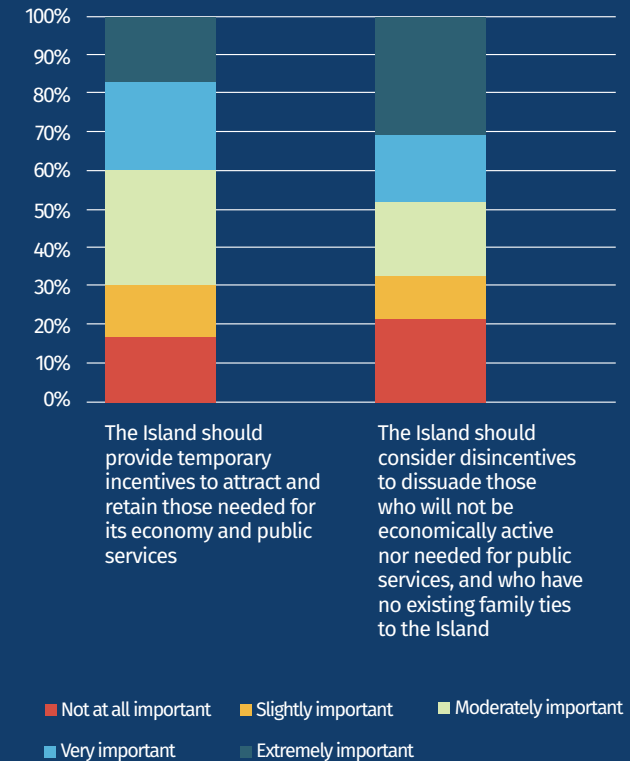
- > The importance of career choices in areas that young people want to work in.

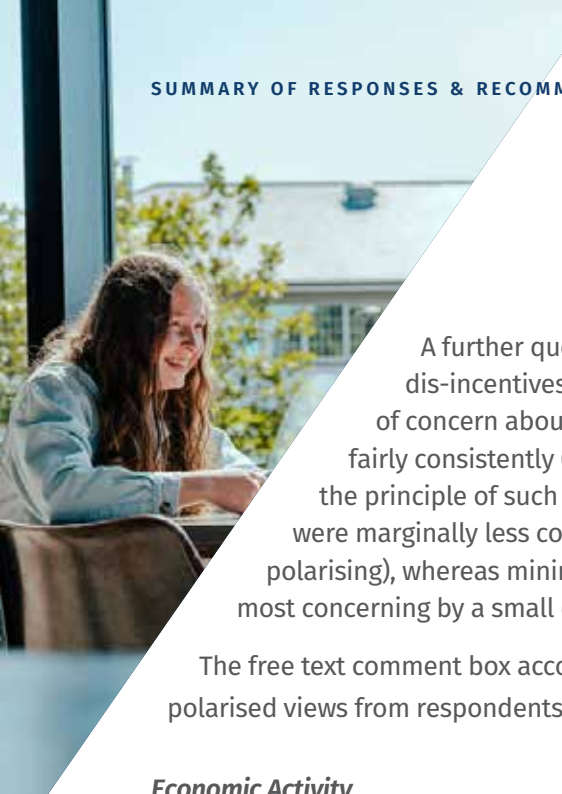
There were general comments in this section and elsewhere around the retention of young Island residents. Some respondents didn’t see an issue with Island residents moving away to gain experience (and eventually returning to the Island), while others thought more needed to be done to help young residents start a life on Island (this included both aforementioned points around leisure and careers, but also around access to housing).

Specific questions were asked about incentives and ‘dis-incentives’ (actions to encourage target demographics and discourage non-target demographics from moving to the Isle of Man). On balance, both questions received a mix of

responses. In particular, the question around disincentives was particularly polarising with a large number of responses considering them ‘not at all’ important, offset by an even larger number of responses considering them ‘extremely’ important.

Sentiment - Incentives / Disincentives?





A further question asked specifically about potential dis-incentives and asked respondents to give their level of concern about such measures. Each measure was ranked fairly consistently (perhaps reflecting underlying support for the principle of such measures in general). Property restrictions were marginally less concerning (though somewhat more polarising), whereas minimum level of savings requirements were the most concerning by a small degree.

The free text comment box accompanying these questions revealed very polarised views from respondents:

Economic Activity

- Some respondents suggested that retirees spend money in the local economy and are therefore important to continue to attract (or at least, not discourage).

Unintended consequences

- Some concerns were raised that these policies could have unintended consequences, for example discouraging economically active people who couldn't relocate with their elderly relatives.

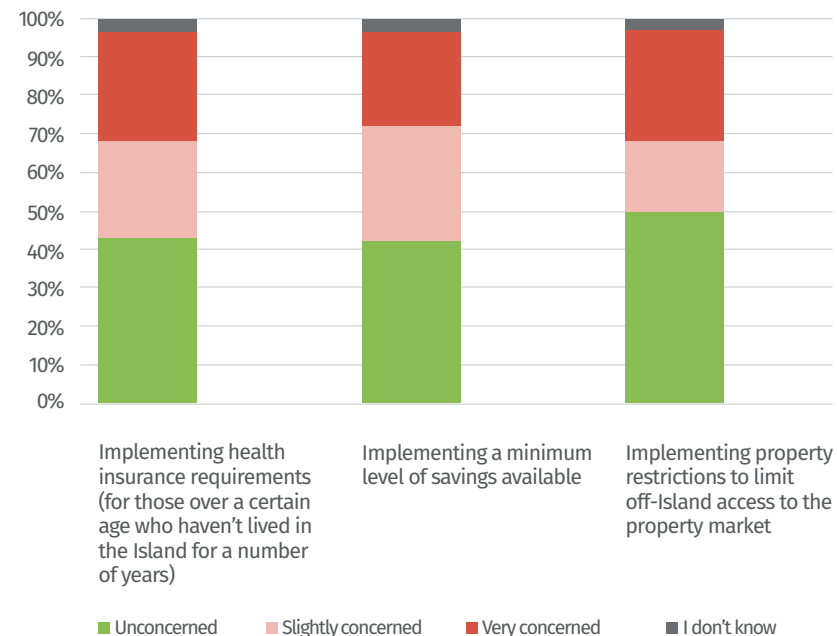
Property Market

- Some respondents expressed views that off-Island / non-resident investors shouldn't be able to buy up properties as rental opportunities. This is potentially a more nuanced point than just being around relocation.

Fairness of system

- Some respondents expressed views that those who hadn't paid into the tax/ National Insurance system should not be able to make use of free public services.

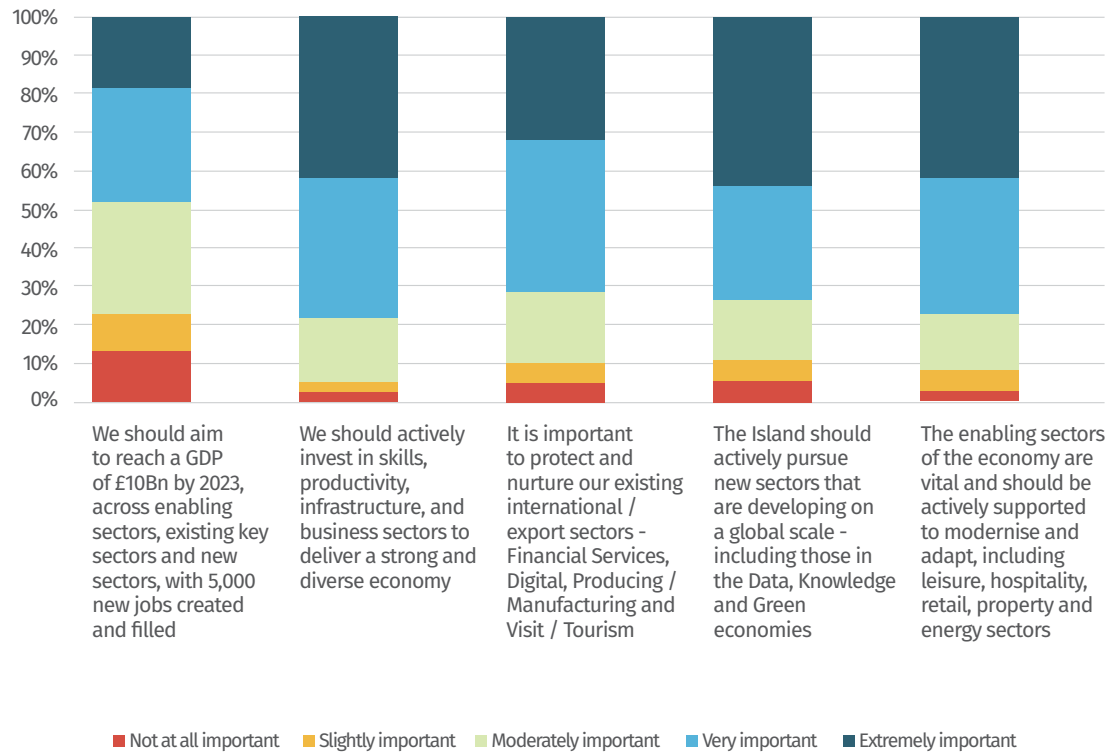
Sentiment - Do you have any concerns around discouraging non-target demographics from relocating here?



SHAPE OF THE ECONOMY (Q18-26)

The following questions related to sentiment towards the proposed economic growth ambitions. The overall ambition of reaching £10bn GDP with 5,000 jobs received support, albeit at a lower level than the underlying suggested actions. There was wide support for investing in skills/productivity, growing new sectors, and supporting enabling sectors.

Sentiment - Economic growth Ambition

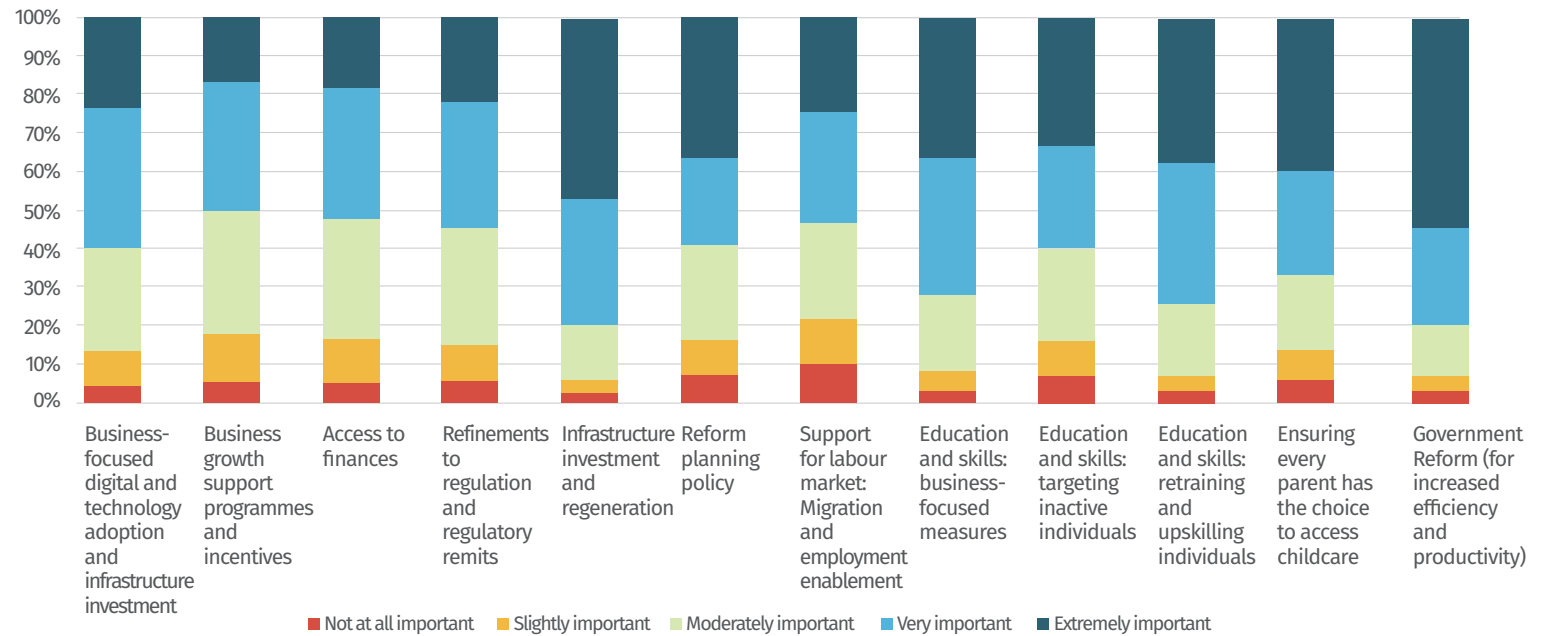


The next sentiment questions asked about the importance of general measures to increase business productivity and ensure better paid jobs for residents. Of the 12 measures suggested, Infrastructure investment and Government reform were given the most importance. Business growth programmes and support for migration received the lowest level of importance.

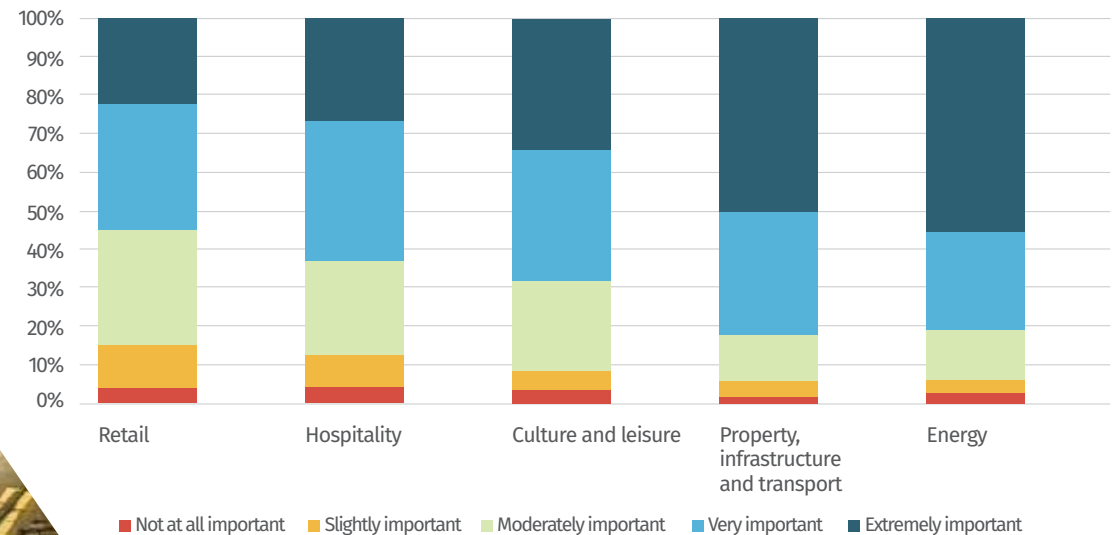
A further question asked about other parts of the economy that need attention. Energy and Property, Infrastructure, and Transport were considered the most important categories by respondents. This is likely swayed to some degree by the ongoing energy crisis raising awareness of the Island's energy system as an integral part of the economy. Retail was ranked as the lowest importance.



Where do you think the Government needs to focus its attention in order to increase business productivity and ensure better paid jobs for residents?



Are there any other parts of the economy that you feel need attention in order to achieve these ambitions?



Free-text question: “Q25 Are there any sectors or opportunities you think the Island should be looking at as a priority? / “Q26 How do you think the Island can use its strengths to develop new sectors?”

A wide range of responses were given to these questions. There was a large degree of duplication / crossover in the responses.

Key examples that recurred numerous times include:

Energy

- This included both green energy and hydrocarbon extraction.

Healthcare

- Including both areas such as healthcare data and research, as well as new medicines and legalising assisted dying/euthanasia.

Digital

- Covering a wide range of industries, with gaming (non-gambling) being prominent.

Cannabis / Drugs

- Suggestions around the legalisation of recreational/medicinal cannabis as an economic opportunity.

Environment

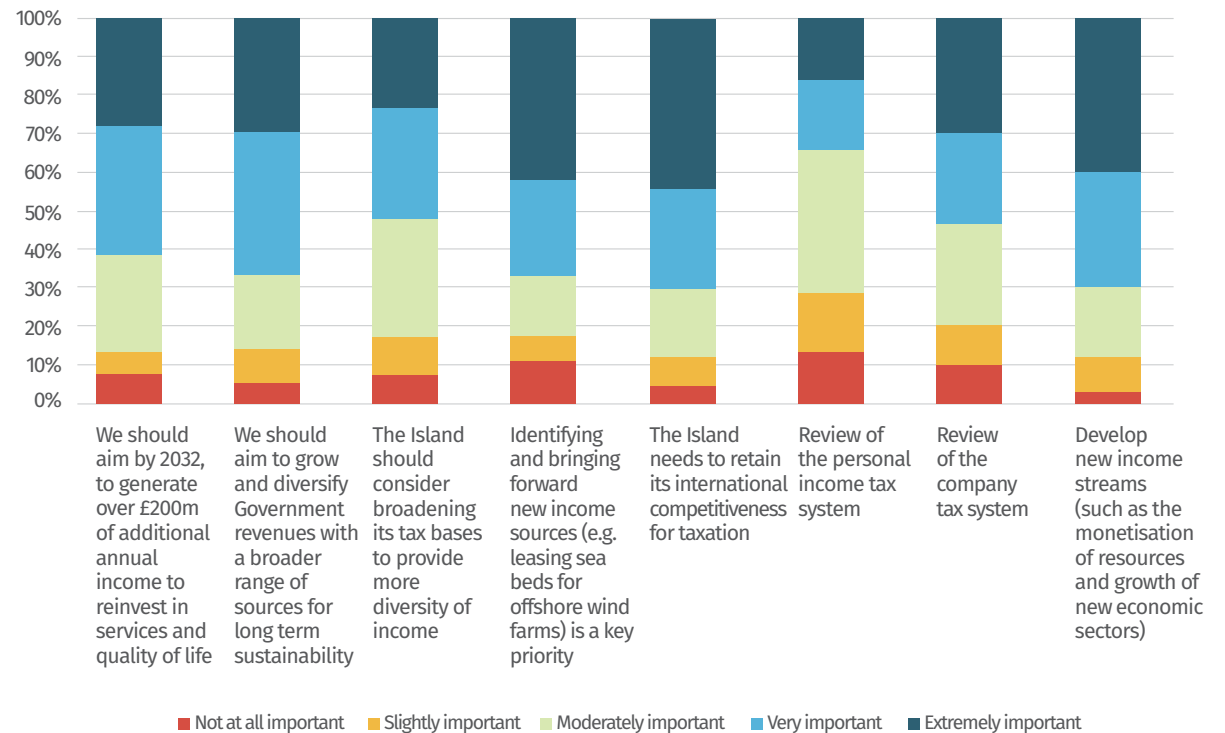
- Suggestions, linked in some cases to the energy suggestions around utilising the Island’s natural resources. This included for energy (e.g. offshore wind, tidal) but also as a draw for tourism.



PUBLIC FINANCES (Q27-33)

Respondents were asked to rank the importance of the overall ambition to increase and sustain Government finances, along with a set of potential initiatives in support of this ambition. The overall vision was broadly considered important by respondents, along with the aim to diversify Government revenues. In terms of initiatives, particular importance was given to bringing forward new incomes streams (e.g. offshore wind) and retaining international competitiveness re: tax. Reviewing the personal taxation system received the least importance.

Sentiment - Government Revenue Ambition



Free-text question: “Q33 What are your thoughts on the development of new income streams for Government?”

This question received wide and varied responses, including:

Taxation changes

- Increases / decreases to taxation for individuals
- Changes to corporate tax regimes, including increasing taxes on business
- Wealth taxation

Seabed leasing

- There were many comments in support of this initiative, although there were cautions around long-term impacts and a need to carefully consider the full proposition.

Government efficiency

- An issue raised by some respondents was that there wasn't confidence in Government to spend additional revenues wisely. Indeed, some comments suggested they would not support additional taxation (for example) until Government has been downsized/reformed.

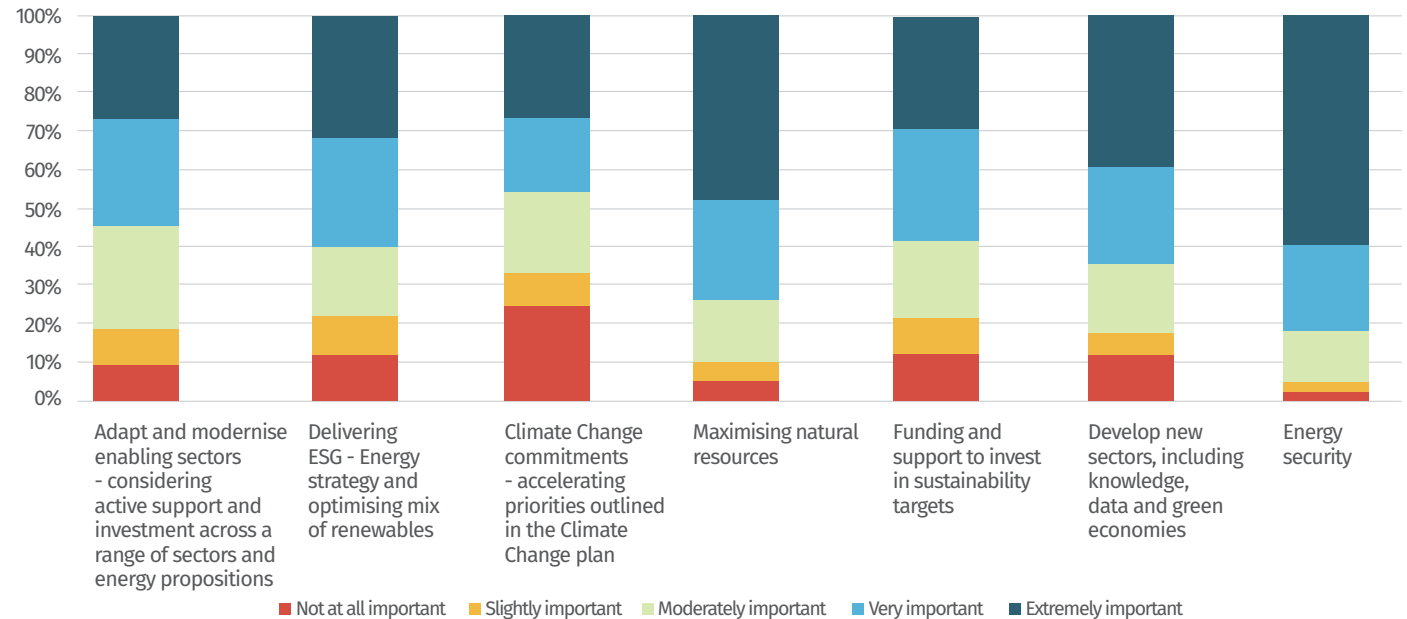


SUSTAINABILITY (Q34-38)

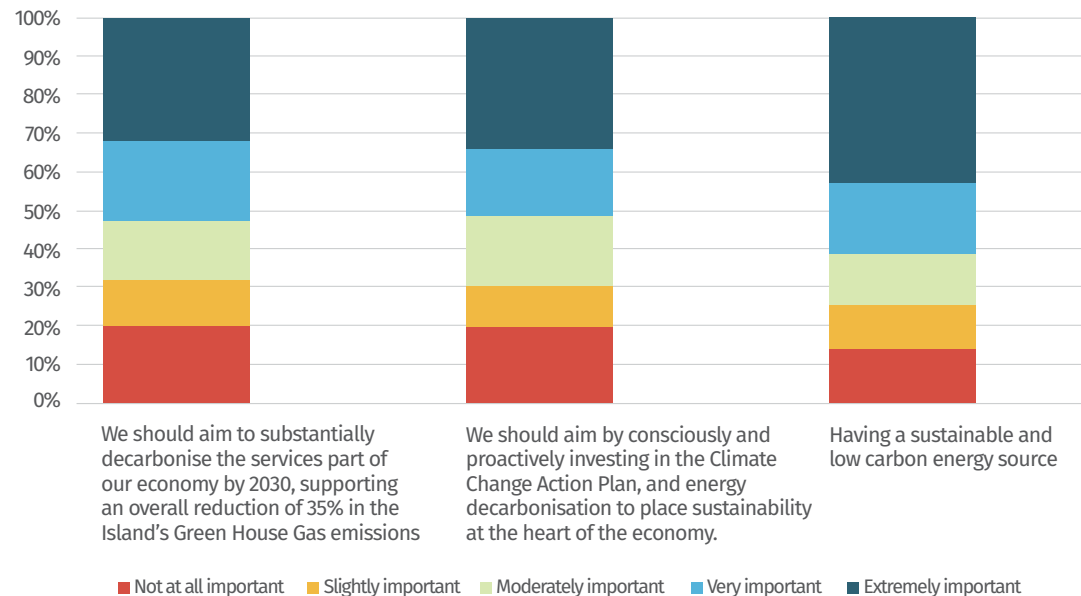
Respondents were asked to rank the importance of the ambition to substantially decarbonise the service sectors of the economy, as well as two sub-objectives. Responses were broadly supportive but there was a strong polarisation between those that considered these issues ‘extremely important’ and those that placed no importance on them.

A further set of questions asked about what sustainability initiatives would make the Island more attractive to residents and businesses. Energy security and maximising natural resources were considered the most important by respondents, again in line with overall concerns more widely about energy security. Importance was also placed on developing new sectors. The most polarising issue was around climate change commitments.

What sustainability initiatives do you think the Island needs to improve to be more attractive to residents and business?



Sentiment - Decarbonisation Ambition



Free-text question: “Q38 Are there any parts of the economy that should be expanded / reduced in order to align with our sustainability commitments?”

This two-part question generated a large degree of conflicting views.

Overall benefit of sustainability

- A large proportion of respondents felt that sustainability issues were a low priority / no priority given the current economic climate.

Offshore energy generation

- Many respondents focused on issues such as offshore wind development as a way of safeguarding against issues in the future. There were conflicting views around the potential extraction of natural gas from Manx waters.

Green spaces

- In the comments around reducing activity, the loss of green spaces to development was highlighted by some respondents.

Motorsports

- Some respondents were critical of the environmental credentials of motorsports; others suggested the introduction of greener racing (e.g. electric bikes).

Innovation

- Some respondents suggested the Island should look to be a leader in innovation, for example in the energy space or in marine science.

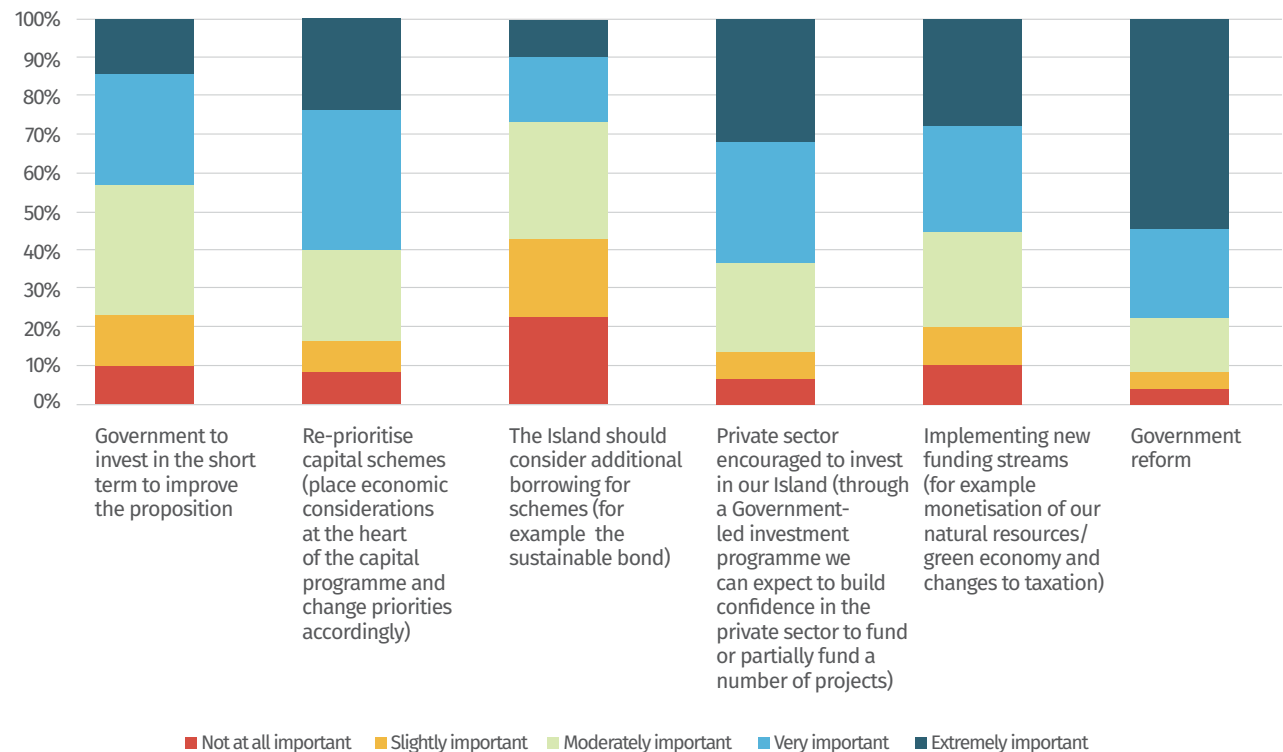




DELIVERY AND FUNDING (Q39-47)

The final ranking questions related to what changes Government could make to best deliver the strategy. As per the previous question, Government reform was considered the most important by respondents, followed by the encouragement of private sector investment. Additional borrowing by Government was considered the least important change.

How do you feel Government could/should change to best deliver this strategy?



Free-text question: “Q45 In what ways do you think Government can best enable the potential and investment appetite of the private sector?”

Responses to this question included:

Regulation / Government Reform

- Removing / reducing regulatory burden or perceived barriers for some sectors.
- Linked to this, reform Government to enable private sector to deliver rather than being a barrier.
- A particular point was around Government leading by example, especially in relation to infrastructure project management from a sustainability and cost control perspective.

Incentives

- Various options around incentives were suggested, including around Brownfield development / sustainability.

Free-text question: “Q46 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?”

Some respondents were completely against this idea, or had significant concerns around the Government still being able to pay NI benefits (e.g. Pensions) if the NI fund were utilised.

Nonetheless, a significant proportion were supportive or thought the idea was worth further investigation. Many respondents thought any investments would require very careful scrutiny, either through external advisors or through a more transparent and public process. Some raised concerns around Government’s track record of investments while others were concerned that schemes would benefit their private backers at the expense of the NI fund if not reviewed properly.

There was a varying degree of risk appetite among backers of the suggestion. Some were supportive if returns were ‘guaranteed’ while others took a wider view around the potential benefit to the Island’s infrastructure and did not see the fund as any different from other Government reserves.

SUMMARY

Broadly speaking through the consultation and feedback received through the Government Conference and directly provided to Ministers, there appears to be a broad level of support for a change in approach to be much more ambitious and clear on the Island's direction, and to have an ambitious Economic Strategy to guide development.

The consultation has been part of a broader engagement plan and the feedback received has been used to inform and in some cases amend the final Economic Strategy, which will now be brought forward for debate and approval in Tynwald.



Isle of Man
Government

Reiltys Ellan Vannin

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