The Case for retaining the Common Purse Agreement

Written by Chris Robertshaw
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A transcript of the key parts of Chris Robertshaw’s presentation to a PAG meeting on 1st February 2010.

The loss of such a significant portion of government income was a blow and the first reaction was to feel anger toward those who visited this difficulty upon us. An anger which encouraged a desire to be rid of the Perfidious Albion, to do our own thing, to be free.

And yet, and yet, there is an understanding that we have just sailed through the very best of times, an easy time, unprecedented in the Island’s history, where there was always enough money to get out of almost any difficulty or overspend.

There is also an awareness that this time is over and that to protect the well being of those who come after us - we had better be sure to do the right thing now and from here on in……

These mixed emotions are set at a time of great adjustment as the world economy passes through a period of quite extra-ordinary change:

You all know that the pendulum of economic advantage is swinging away from Europe and the Anglo Saxon countries to those of the Far East and the BRIC countries.

You also know that we are passing through what is now called the Great Recession

We are all witnesses to the complete Reformation of Europe

We are watching significant changes take place within the United Kingdom itself with the steady progress of devolution
And then there is the UK’s grave debt crisis – a hangover of the great spending binge which will be with the people of Britain for very many years to come.

So the anger cools and caution sets in – and a concern about the Isle of Mans direction – its place in the world – its future prospects.

Also a sense that our own political leadership saw none of this coming as they blundered, somewhat bewildered and unprepared into the growing crisis - into the stark light of change.

The loss of the RHA agreement had been well signalled but here we are - floundering around trying to find a just and fair solution for all at the eleventh hour with the initiative coming not from government but from outside government.

The loss of funding from the reduction in the common purse agreement came as a shock yes – but not the likelihood that reduction would occur – that had long been signalled and again our political leadership had done nothing about it – which in my book was unforgivable.

The matter of the fallout from the loss of the RHA reaches a decisive stage in the morning in our parliament sometime after 10am but tonight we look at the common purse agreement.

I think we need to look at the following aspects:

- Constitutional
- Budgetary
- Economic
- Political

**Constitutional**
Budgetary

Yes, the loss is significant - it was however revised on the basis of a move from a GDP calculation to that of a GNI basis but here there are two very important points:

1. GNI is now the standard upon which the EU measures each countries income. We have not been made a special case by the UK – in fact we have been brought into line. The truth is we were doing exceptionally, disproportionately well before. Who is truly to blame here? – those who took action to reset the arrangement back to one based on fairness or those, who, knowing they were on to a good thing, and had been warned things could change, went on spending like there was no tomorrow anyway. You will make your own minds up about that….

2. The outcome for the Isle of Man in terms of it’s new base of calculation is fair and reasonable. Nothing more – nothing less. We don’t like it – the change will cause difficulties - but it is fair and reasonable.

Economic

Once we accept the above point and move on then the big issue is where do we go from here and ... is the common purse agreement a help or a hindrance in economic terms? - and here it really gets interesting.

Before looking at this in detail let me just state the obvious. The concept of VAT did not arise in the UK – it was invented in France in the 1950s and has progressively spread through what is now the EU. It is the tax of the EU first and foremost.
The contention here is that The Common Purse Agreement should be seen not as a burden or a restricting control but rather as a business opportunity for the Isle of Man.

Let explain me by starting here:

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Please click here for the 'Isle of Man and International Trade' document.

None of our fellow off shore islands competitors can do this – none of them.

We already have 200 companies importing/exporting into the UK through the Isle of Man system and this trickle is developing into a steady flow - we are capable of so much more – so very much more. (of course we do not need to see the goods as the process is electronic)

Just to expand further on the point about the Isle of Mans advantageous position - historically in the UK there were EPU's at most ports but as the system became automated these have been progressively closed and replaced with one national centre called the National Clearance Hub in Manchester.
At the same time as EPUs were being closed all round the UK the team at our Customs and Excise Office were working to establish full recognition of the Isle of Man’s own EPU and finally the UK agreed to this as it was understood that, given we were deemed to be fit for purpose and had shown ourselves to be so, the Common Purse Agreement permitted the Isle of Man to claim such status.

Whilst the process of importing and exporting into and out of UK becomes ever more impersonal and technically demanding, stretched across a number of centralised bodies around the UK the Isle of Man is quietly consolidating an entirely different approach where a full service to importers becomes personalised, quick and efficient with everything at the importer/exporters finger tips.

I will not wade through a list of these areas but I will leave just some of them up on the screen whilst I tell you a story - A personal anecdote by way of example to show how small is beautiful and how the Isle of Man can provide advantage to its customers. My story is not about import/export issues directly but about how our Customs and Excise Office does its best to help the Isle of Man in the course of its duties.

A selection of questions

- The single administrative document
- How do I obtain EORI number
- What is the commodity code
- What is the customs Procedure Code
- What is the import value
- Valuation declarations
- Rates of Exchange
- What is temporary storage
- What is the deferment account
- What are preferential rates of duty
Our private sector/government relationship is unique. Not only do we have our own Entry Processing Unit, a personalised service to importers and exporters, an attractive tax environment, and a government fully supportive and pro-active to business needs but we also have well developed finance, insurance and legal services, good electronic communications and infrastructure and growing ship and air registers all in close proximity.

Everything on a plate and ready to see the emergence of a whole new sector to our economy. A sector with full access to the EU on the one hand and a desire and need to raise the Isle of Man's trading profile around the world in its own right on the other.

There is no reason why we could not in time become a major import/export service provider for all sorts of businesses around the world and the EU.

The Isle of Man's history is one of finding opportunity in physical trade by sea with our close neighbours. Now we have a golden opportunity to come full circle but this time to trade outward to the whole world and inward to the whole of the EU. Not physically this time but electronically.

To find our place in the world. To pass opportunity down to our children. To come of age.

I commend the Customs and Excise Agreement to you this evening.

More questions

- What are Customs Freight Simplified Procedures
- What is an Authorised Economic Operator
- What are Common Agricultural Policy Licenses
- When will I need a Defra document
- When will I need a European Commission License
- What are the HSE controls
- What are the Environment Agency controls
- When will I need a Kimberley certificate
- What are Tariff Quotas
- What is Community Transit