

How the Government broke the Tourism Sector and what it must do to fix it

Written by Chris Robertshaw
Thursday, 19 November 2009 21:16

The level to which Government income has reduced obviously came as a shock, but a reduction as such should not have done. Back in 2006 the Scope and Structure of Government Report identified such a possibility as the single most serious threat the Isle of Man faced. What was the Chief Minister's reaction at the time? He completely ignored the advice preferring profligacy and complacency. He makes much of the need to encourage diversity yet has totally failed to ensure Tourism plays its part as new opportunities become manifest.

The problems the tourism sector faces are significant but with strong political will they can be overcome.

With regard to sea access one has only to study the IOMSPCo accounts for 2008 to fully appreciate how horrendously damaging the user agreement is for business, residents and visitors alike.

Liabilities	Assets
Bank Loan: circa £200m	Total Assets: circa £200m
Bank interest p.a. say £9m	Goodwill say £100m
Loan repay - ?	Tangible assets say £ 20m
Dividend - ?	
Management fees £1m to £3m p.a.	Depreciation say £10m p.a.

Indicative outline balance sheet items as at 2008 - Isle of Man Steam Packet Co Ltd

In a nutshell this deal has created an enormous debt running into hundreds of millions of pounds which we, all of us, will be paying a terrible price for over many years to come – both in travel costs and the price of goods in the shops. We must turn a deaf ear to the endless spin and misinformation coming from the parties to the deal and insist that its true implications be exposed. This will inevitably lead to the deal being repudiated and, in time, to lower travel fares and shop prices.

Coming to the airport, credit is due for the investment that has gone in over recent years but sadly this does not apply to the cost of operations (see table below) which are unacceptably high. These must be reduced and a proactive approach toward tourism developed to increase passenger levels – something currently completely lacking.

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		Isle of Man	Jersey
Public Transport	Income	3.0m	3.0m
	staff costs	7.5m	1.0m
	Operating margin	(£10.0m)	break-even
Airports & Harbours	Income	13.5m	37.5m
	staff costs	9.0m	11.5m
	Operating margin	(£4.0m)	£10.0m

Transport cost comparison

Moving to the transport infrastructure it must be right to say that our buses, steam trains, electric trams and horse trams are all, each in their own way, of enormous importance and yet we still have no integrated transport strategy. As a result the costs of operations (see table above) have become unbearable. A radical solution is required to protect their continued existence and to ensure proactive development for resident and visitor alike. A new corporatised body, comprising all these elements, along with that section of the DoT concerned with road maintenance, need to be brought together to allow for the formation of such a strategy. This would require the steam train and electric tram lines to be linked up thus giving passengers immediate access to the retail, business and entertainment areas of Douglas on modern trams. Traditional rolling stock would be used at certain times of the day during the season and a modern new bus/tram interchange created.

Likewise in accord with the Scope and Structure of Government report the NAEC should also be corporatised with one of a number of its core aims being to realize the potential for conferences at the Villa Marina.

An attractive shopping centre and good restaurants are a must. In the case of the former a huge amount could be done to make our main shopping area a much better place to visit. With regard to the latter our politicians regularly say we need more good restaurants but never take the trouble to ask why there are problems and what they are. The French know how important this sector is to them and are taking action to secure it whilst we do nothing. I will return to the subject of the Retail and Restaurant sectors in subsequent articles.

Next the Government must abandon its cumbersome and old fashioned departmentalised' silo' mentality to economic development which has no place in what has become a highly competitive world. This disconnection results in missed opportunity, the duplication of effort and cost and an inability to form the clear co-ordinated strategy that is so desperately needed.

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This disconnection expresses itself in a different form in the case of the DoTL. Here internal departmental concerns are prioritized over those of the sector it represents and is a fine example of the [Niskanen Effect](#) where the interests of an organisation override and obscure the priorities of those it purports to serve. The most notable examples have been the redirection of funding away from advertising, the failure to both appreciate the absolute importance of collecting and disseminating marketing intelligence as well as the failure to maximise the use of the internet as a selling tool.

A restructuring of the departments to fully reflect changes in the real world is long overdue. The DoTL, DTI, DAFF and the economic advisor's section should be merged into an Economic Development Department ushering in a new era of smaller smarter government. Jersey, which has already adopted such a department, has an annual wages and salaries bill for it of around £3m whilst our bill for the three separate departments is around £26m. The new department would employ the best people available in their fields and, with others, would establish a clear coherent economic strategy for the Island for consideration by the Council of Ministers. In the case of tourism this would release more funds for advertising and marketing. A similar advantageous case could be made for agriculture, fisheries and forestry. Whilst on the subject of comparisons Guernsey's public sector wages and salaries bill is around £130m less than the Isle of Man's.

	Isle of Man	Guernsey	Jersey
population	718	651	901
Income	572 m (432m)	320m	660m
agriculture	4,417	-	-
trade and industry	3,099	3,740	3,106
tourism	17,993	4,372	-
treasury	12,630	9,170	10,950
exec government	9,719	9,200	9,296
education	67,314	45,045	66,550
DIGE	6,067	5,909	7,054
DMS	123,644	61,600	100,471
home	24,055	22,115	33,500
transport	13,302	2,446	10,744
boards	4,301	-	9,146
MHK's MLCs expense	3,521	Not known	1,304
totals	290,677	163,805	261,000
		Jersey airport	9,146
		Jersey harbour	3,375
			273,440
n.b. pension costs	excluded	excluded	excluded

Wages and Salaries Comparison by Function: Isle of Man, Jersey, and Guernsey.

The resulting smaller Council of Ministers (along with a consequentially reduced number of MHKs acting as members of departments) united in its determination to pursue a clear economic and social strategy, but with the loss of the well known ['block vote'](#) advantage, would face a significantly greater degree of scrutiny and critically constructive debate in the Keys and Tynwald. This new balance would pave the way for the parliamentary process to become more

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transparent and accountable and would open up the opportunity for the Chief Minister to be chosen by the whole electorate.

Thus we would have a parliament with a stronger opposition, a chief minister with a clear mandate, a smaller smarter government, a firm and competent platform from which to launch sound economic and social policy, cheaper passenger fares, lower priced goods, a sustainable transport system, a more attractive retail sector and more good restaurants. Upon such a sound platform could a detailed strategy for tourism then be further developed.

Quite a number of the significant subjects mentioned above obviously need to be enlarged and developed in their own right. This will be done in the coming weeks on this website. As soon as a subject has been expanded upon it will show as 'clickable' in the text above - so if you have found this piece interesting do please come back for more later.