



STATE OF THE ISLANDS

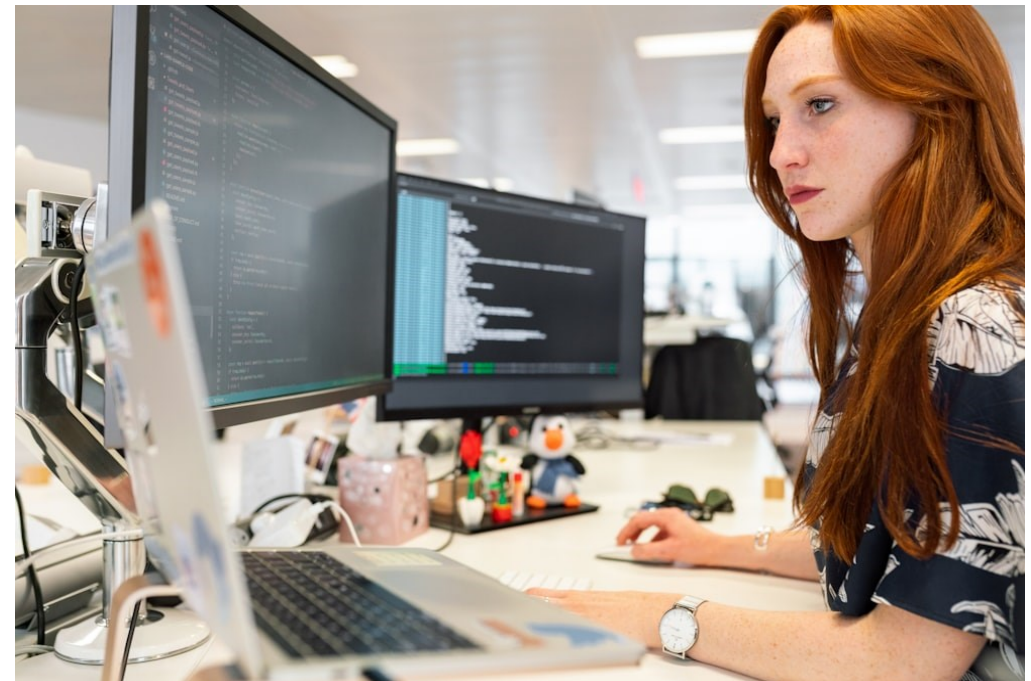
Artificial Intelligence

November 2024

ISLE FACT

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SUMMARY

The subject specifically covered in this Review is the growing influence of artificial intelligence but, perhaps, it is not fully acknowledged how many functions already incorporate AI technology and have done so for many years.

On the other hand, the use of AI is accelerating and the world is now having to address the threats which AI could pose if no action is taken to regulate negative applications. As the majority of island communities simply don't have the internal resources to counter potentially harmful AI usage, they will need to rely heavily on international initiatives with a global perspective to address the threats.

Notwithstanding the assumption that appropriate regulatory controls will be put into place over time, this Review highlights the extent to which AI is now being adopted across all island economic, social and environmental activities and the real benefits there are of such adoption to island societies as a whole.

The majority of economic and social sectors broadly apply similar AI technologies. These can be found in areas such as customer service and interaction, infrastructure efficiency and effectiveness, security monitoring, and the countering of cyber threats. The greatest benefits are in functions such as healthcare delivery as well as in education and training. These latter two functions will offset some of the obvious negative AI impacts on employment levels mainly in service sectors although this will be balanced out to some extent by ageing demographic trends in more mature economies.

Finally, the Review highlights the speed at which AI take-up within island jurisdictions is very dependent upon several internal factors such as government funding, the availability of on-island technical resources, and the quality of infrastructure.

APPENDICES



APPENDIX 1 - CRITICAL MASS

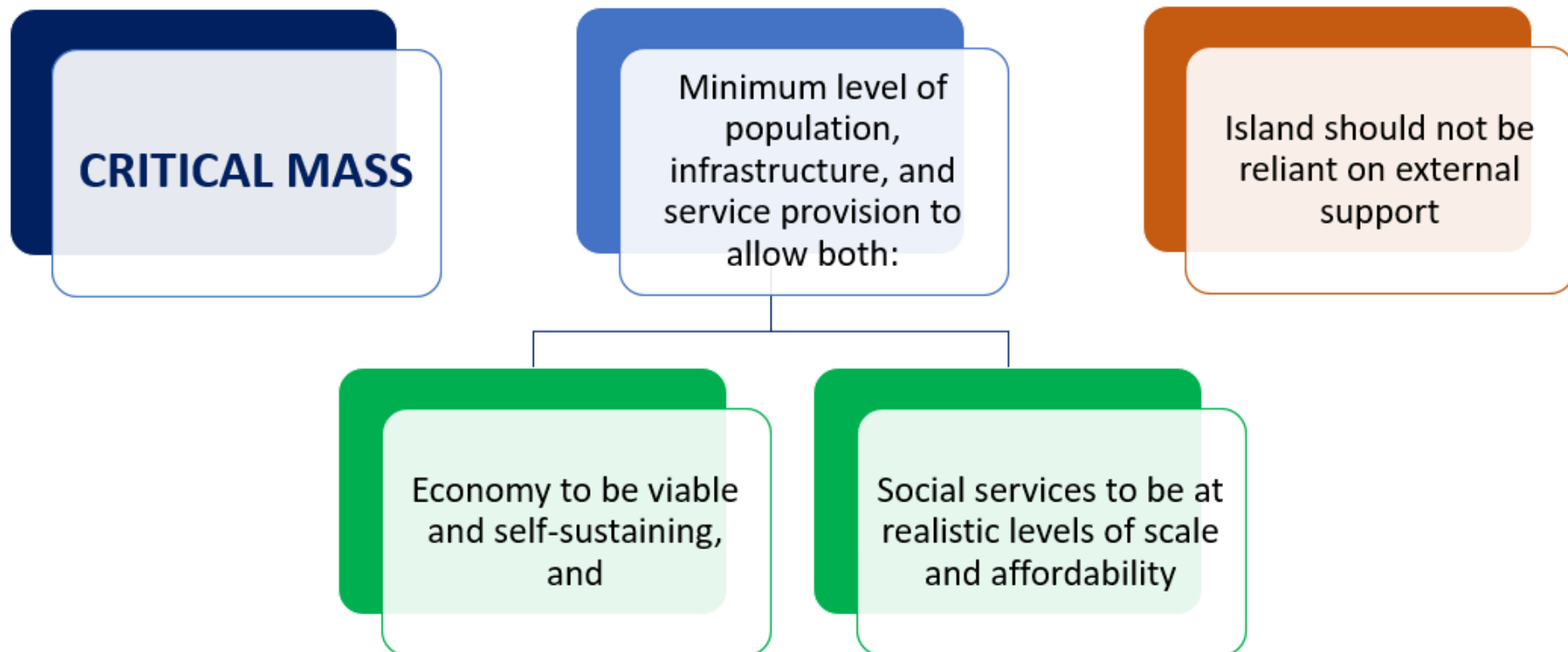
DEFINITION (ISLAND CONTEXT)

It is important at the outset to define what is meant by 'Critical Mass' and 'Economies of Scale' in an island context. It should be stressed that the challenges of critical mass and economies of scale are common to every island jurisdiction wherever its location in the world and impact on all island services.

Critical mass is defined as the minimum level that an island's population, infrastructure and service provision should be in order to allow not only the island's economy to be viable and financially self-sustaining, but also

social services to be at optimum levels of scale and affordability. Above all, a self-governing island's very existence should not be reliant on external support from a neighbouring island or country.

When an island reaches this critical mass, a decision needs to be taken on whether further, perhaps unsustainable, economic growth should be pursued or whether the focus should be on following a sustainable economic track with affordable on-island services and a balanced society.



APPENDIX 2 - ECONOMIES OF SCALE

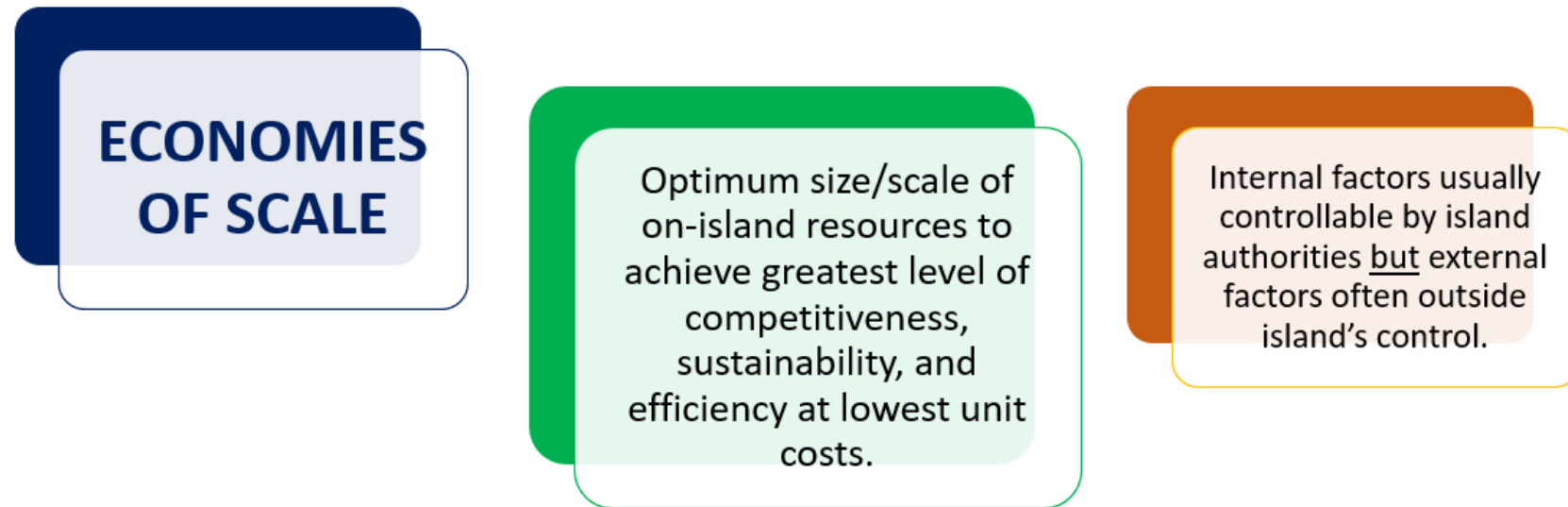
DEFINITION (ISLAND CONTEXT)

As far as economies of scale in an island context is concerned, this describes the advantage that a large island has over a smaller island community in relation to its population size, land area, and economic profile. In simple terms, the larger the island is, the lower should be its unit costs and the greater should be its competitiveness and efficiency.

There are two main forms of economies of scale - internal and external. Internal economies are, as the name implies, internal to the island itself and controllable by its government. External economies are supported by external factors. These factors include geographic location and 'mother' country or international agency support, etc.

Small more remote island groups simply do not have the leverage to take advantage of external economies of scale. However, they can work together and benefit from geographic economies of scale by clustering similar services in one location.

Sometimes an island can over-extend itself by chasing economies of scale so that its size becomes a disadvantage. For example, it may take longer to approve policies, resulting in the island being less flexible to change.



IMPACT & RISK REVIEW PROGRAMME

The following comprehensive Review Series programme is scheduled. This programme also includes quarterly assessments of external global factors impacting islands.

MONTH	KEY ISLAND ISSUES COVERED
Oct 2024	Economic Resilience/Vulnerability
Nov 2024	Artificial Intelligence & IT Developments
Dec 2024	Fiscal Policy Challenges
Dec 2024	Global Factors - Latest Island Impact & Risk Assessment
Jan 2025	Climate Change Trends & Energy Generation
Feb 2025	Labour Demand, Employment, & Migration Trends
Mar 2025	Infrastructure/Land Use Demand
Mar 2025	Global Factors - Latest Island Impact & Risk Assessment
Apr 2025	Education, Skills & Training Strategies
May 2025	Governance, Security, Law & Order
Jun 2025	Health/Long-term Care Challenges
Jun 2025	Global Factors - Latest Island Impact & Risk Assessment
2025 Q3 & Q4	Subjects to be determined in early 2025



Located in Guernsey, we have extensive knowledge of and practical experience in how islands are administered and function globally. There are of course a wide range of island economic and social models adopted and it is essential that data and information are benchmarked accurately. Details of all our services including subscribing to the Impact & Risk Service can be found at: www.islefact.com

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