

Submission to 2023 Joint Standing Committee
on National Capital and External Territories Inquiry
into
“Equitable revenue sources to support economic viability of the Norfolk Island
Regional Council and the operation and governance of local government”
[Local Government on Norfolk Island]

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Table of Contents

Introduction

1. A Slice of History

1.1 Norfolk Island Government Finances 1979-2010

1.2 JSCNCET Inquiry 2014 and Norfolk Island Legislation Amendment Act 2015

2. The Change in Orientation 1979 to 2015: General Economy

2.1 Description of this Change

2.2 Some Effects of the Norfolk Island Legislation Amendment Act 2015

3. The Change in Orientation 2016-23: Applied Local Government

3.1 Free Market ideas and service organisations

3.2 The Modern Approach to public administration: New Public Service

4. Meanings for the Norfolk Island Regional Council

4.1 The Norfolk Island Regional Council

4.2 Some issues with the existing model

4.3 Relation to NIRC financial statements

5. Future NIRC Financing

5.1 Some basic propositions

5.2 Reducing costs

5.3 Increasing revenues

6. Summary and Recommendations

References

Introduction

Sustainability has many facets. Economic aspects are without doubt important, and so are social and environmental considerations. Norfolk Island needs to support a sustainable and vibrant economy, and this requires a peaceful and reasonable equitable society and long-term environmental care, as a basis for both a successful tourism industry and for its agricultural and horticultural production. Being a small, isolated, island, with its own geography and history, particular considerations attach to these matters.

The focus of this submission is on sustainability for Norfolk Island, indicated in the Terms of Reference, and what needs to be achieved to realise it. Part of this involves economic and financial sustainability, and it also involves social and environmental considerations. This requires the engagement of the community. It is important to approach these matters in a broad sense and to contextual to individual actions, so that the sources and effects of these individual decisions can be more clearly seen, so that, where necessary, they can be adjusted appropriately.

The role of the Norfolk Island Regional Council (or any future replacement of it) will be central: both in terms of the revenue sources available to it, and in terms of its responsibilities to spend its monies wisely.

The Commonwealth also has an important role to play. Norfolk Island will without doubt need on-going financial support from Australia, and the manner and extent of that support is an important concern. Changing the legislative context under which Norfolk Island operates is a priority matter.

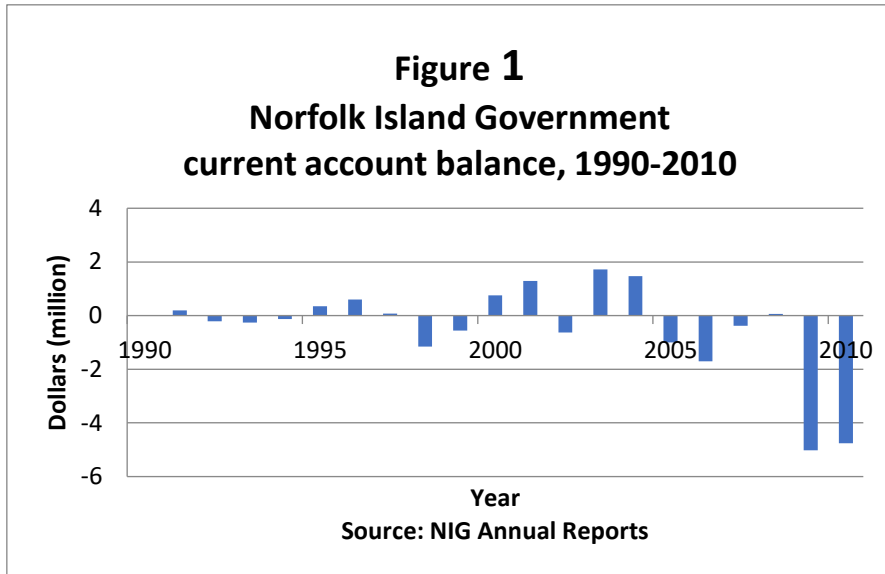
1. A Slice of History

1.1 Norfolk Island Government Finances 1979-2010

Norfolk Island was granted a limited form of self-government by the Australian Parliament under the *Norfolk Island Act 1979*. The Act set out the capacity for Norfolk Island residents to be elected to a Legislative Assembly (consisting of nine members, elected every 3 years), a Norfolk Island government to be drawn from the elected members, and the government so formed to take executive action and be responsible and accountable. In its Preamble the Act explicitly recognised the Pitcairn Island settlers' special relationship with Norfolk Island. Powers under the Act and their distribution between the Norfolk Island Legislative Assembly and the Commonwealth were set out in Schedules accompanying the Act.

Over three decades (1979-2009) the Norfolk Island Government (NIG) neither borrowed nor received monies from the Australian Government for recurrent expenditures. Figure 1 shows the Government's balance on current account for years 1990-2010. The numbers show that for almost two decades – and similarly for the years prior to 1990 – the Norfolk Island Government on average, balanced its books. A major reason for this was that government ministers worked closely with the public servants to restrain expenditures: if the money wasn't there, the project didn't happen. (There are lessons here for the 2023 situation on Norfolk Island – see below.) This modest and steady living does not look like failure, as has been claimed from time to time.

The rapid decline in Norfolk Island financial fortunes in 2009-10 was due to two major factors: the investment of the NIG in its own airline which proved very unwise, and the effects of the global financial crisis.



The list of investment improvements carried out by NIG over these years is noteworthy. In a 2015 press release the NIG identified the following as part of its infrastructure legacy over 1979-2014: the construction of a new Bicentennial Centre, of a new library and broadcasting station, police station, international airport terminal, water and sewerage treatment plant for the business district, fire and emergency services co-ordination centre, waste management centre, elements of the works depot, Telecom internet and mobile telephone services, the sealing and on-going maintenance of the road network, and the share of funding for the KAVHA World Heritage Site. (In some of these projects the NIG did in fact receive some Commonwealth assistance.)

History records that in 2010 the NIG approached the Australian Government requesting a loan to tide it over its serious financial difficulties. The response from the then Commonwealth Minister responsible was to declare that the Commonwealth would provide no money to Norfolk Island unless it paid taxes and joined the Australian welfare system and publicly supported the *Territories Law Reform Bill* then going through the Parliament. The Norfolk Island Government reluctantly agreed to these terms, under protest. In March 2011 the two governments signed the Norfolk Island Roadmap designed to chart a way ahead. The Commonwealth moved to install a financial officer in the Norfolk Island Administration, and from that time the island effectively lost control over its financial affairs.

[Note 1. The foregoing text is an extract from two articles originally published in *The Norfolk Islander* and *Norfolk Online News* on 13 and 20 August 2016 entitled “Norfolk Island 1979-2015: Success or Failure?”, with minor modification. That text was reproduced in Nobbs (2017a).]

1.2 JSCNCET Inquiry 2014 and Norfolk Island Legislation Amendment Act 2015

In 2013 the Australian federal election was won by the Liberal/National Coalition led by Tony Abbott, and Jamie Briggs was appointed Assistant Minister for Infrastructure and Regional Development with responsibilities for Norfolk Island. In March 2014 Minister Briggs referred an inquiry into the economic development on Norfolk Island to the Joint Standing Committee on the National Capital and External Territories (JSCNCET). The Committee delivered its report to the Commonwealth Government in October 2014 (JSCNCET, 2014). This was a particularly concerning process from a Norfolk Island point of view, a detailed analysis of which has been given elsewhere (Nobbs, 2019); a recent brief recall has also been given (Nobbs, (2023). The JSCNCET report was used by the government as the basis for the *Norfolk Island Legislation Amendment Act 2015*.

The 2015 Act introduced wholesale reorganisation of the Norfolk Island economy and community. The Norfolk Island Legislative Assembly (NILA) was disbanded and a local authority style council put in place with much diminished powers which were absorbed by the Commonwealth. The Act received Royal Assent on 26 May 2015 and implementation commenced on 1 July 2016. The most significant thing to be said at this point is that this legislative process and its aftermath introduced a regime on Norfolk Island that the majority of island residents did not want.

Looking back in time, in 1979 Norfolk Island was granted a limited form of self-government under a Liberal Commonwealth Government (PM Malcolm Fraser and responsible Minister Hon Bob Ellicott), only to have it taken away in 2015 by a Liberal and National Coalition Government (PM Tony Abbott and responsible Minister Hon Jamie Briggs). How could this be? A major reason for this change in approach by the Commonwealth was the change in political orientation that motivated the intervening period in Australia. This change in orientation underlies much of the present crisis on Norfolk Island, and the issue of its sustainable future.

In relation to sustainability and governance which are at the centre of the present Inquiry, the present crisis provokes issues at two levels: first, at the level of the Norfolk Island economy and society generally; and secondly at the level of local government. We will discuss these matters in turn.

2. The Change in Orientation 1979 to 2015: General Economy

2.1 Description of this change

The economic theory which was pre-eminent in Western countries in the years following World War II and which underpinned decades of post-war economic success, was that of John Maynard Keynes. Its core assumption was that the key variable in a successful economy was aggregate demand, and that government provided a key factor in determining this – particularly in spending on infrastructure projects, education, and health care – in order to boost both economic growth and demand. A policy of government spending, Keynes contended, was needed to maintain full employment, particularly so when used countercyclically to the ups and downs of the business cycle.

In the 1970s and 1980s the Keynesian approach lost favour to alternative ideas, promoted particularly by University of Chicago economist Milton Friedman. These promoted a return to an earlier more “classical” theory of economics which emphasised the importance of the supply side of the economy, so that increased emphasis on businesses was what would boost the economy, with the corollary that government should play only a minimal role and focus its attention on supporting business rather than supporting consumers. Thus recommended policies would include tax cuts, deregulation, privatisation, minimal government, and the encouragement of globalisation. Characteristics of this policy were – as has been demonstrated in many countries around the world – broadly speaking, an emphasis on markets and private financial interests and the downplaying of public interests and social needs.

This economic approach was variously described as “classical”, “free-market” or “laissez-faire”. It became widespread in the final decades of the 20th century, and was particularly associated with Prime Minister Thatcher in the UK and President Reagan in the USA. In Australia, their legacy is associated particularly with Prime Minister John Howard and latterly Prime Minister Tony Abbott. (Although such individuals, and the governments they represented, advocated free-market economics, they could also be significantly interventionist in regard to social issues.)

In terms of politics, Keynes was for his time a little-1 “liberal”; Friedman on the other hand described himself as a “classical liberal”, and those following him as his theories developed in the 1980s were variously referred to as “pro-market liberals” or as time went by “neoliberals”. (Harvey, 2005) Margaret Thatcher described herself politically as a “libertarian”. In Australia, Malcolm Fraser, Prime Minister

in an earlier epoch (1975-83) would no doubt have described himself politically as a “Keynesian liberal”, whereas Tony Abbott (PM 2013-15), a member of the National Right faction of the Liberal Party which espoused a rather uncompromising line in free market policies, would be described as an ardent “libertarian” or “neoliberal”. We will use these terms in what follows.

We may ask what economic and social changes have ensued as consequences of the change in approach from liberalism to libertarianism/neoliberalism? Globally speaking, the laissez-faire attitude to economy demonstrated by such governments around the world is considered to have been in large measure responsible for the remarkable expansion of economic globalisation on the one hand, and the global financial crisis of 2007-08 on the other. It has also been responsible for a significant rise in economic inequality, and a decline in public services, in Australia as elsewhere (e.g. UNSW-SPRC & ACOSS, 2020).

In considering these matters (below), it should be noted that this submission is not presenting an objection to the neoliberal approach per se, but against its application to small, isolated islands, as Norfolk Island is.

2.2 Some Effects of the Norfolk Island Legislation Amendment Act 2015

The starkest contrast between the earlier reality of Australian liberalism and later Australian neoliberalism is provided by the content of the two Acts: the Fraser/Ellicott *Norfolk Island Act 1979* and the later Abbott/Briggs *Norfolk Island Legislation Amendment Act 2015*. The former provided a modicum of independence and flexibility to the island in dealing with its unique issues, a democracy responsive to the community, and a relatively benign and cooperative perspective on Kingston-Canberra relations. The Abbott/Briggs Act on the other hand, in abolishing the NILA and absorbing Norfolk Island into Australian legislative regimes, took away much of the island’s decision-making power which was handed to Canberra, drove the economy into absorption by the Australian market system without protection, and down-graded the island’s historical, Pitcairn, origins. However, it must not go unacknowledged that in recent years the Australian government has contributed significantly to social services and infrastructure on Norfolk Island.

From a Norfolk Island perspective the changes in ideological orientation by the Commonwealth government over these years have been quite damaging, for several reasons:

- o the absorption of Norfolk Island into a system of laws and regulations which are in large measure inappropriate and costly to the community;
- o the exposure of the island to potentially overwhelming external influences and risks;
- o shrinkage in island capacity for self-development;
- o an attenuated democratic base.

All of these matters are important in the establishment of a firm basis for a sustainable and productive community on Norfolk Island, and *ipso facto* underlie sources of increasing revenues for public undertakings. We highlight a number of these, important at economy-wide level. These are matters of Commonwealth responsibility.

2.2.1 Immigration. The abandonment of immigration control under the 2015 Act is without doubt the most major and least discussed of all the changes introduced by the Commonwealth on Norfolk Island at that time. Its consequences have been severe: (i) loss of control of island population numbers and island capacities, for example in relation to environmental resources, and infrastructure; (ii) dislocation of the island’s social structure; and (iii) disruption of the housing sector, whereby currently local families can find houses neither to rent nor to buy. Furthermore, there is no small isolated island in the world to which Norfolk can reasonably be compared, which has an open-door immigration policy such

as that which was enforced on Norfolk Island, and neither does Australia itself. All these small islands – as diverse as Niue, the Falklands, St Helena – currently have immigration policies very similar to that which was taken away from Norfolk Island in 2015. (Nobbs, 2020a)

This situation calls for immediate review by the Commonwealth – not towards stopping immigration, but to re-establishing a regime of reasoned and reasonable control.

2.2.2 Biosecurity. The current biosecurity regime (*Biosecurity Act 2015 (Cth)*) has been imposed on Norfolk Island in the face of the prior long-standing and successful regime, without discussion with the community, or evident consideration of the island's specific needs. These specific needs are based on the very high biosecurity status of the island, as elaborated in the 2015 Norfolk Island survey (Maynard et al., 2018), and the island's biosecurity regime needs to be considered on the basis of this document. Appropriate biosecurity control is essential to support food production on the island, environmental quality, and the possibilities of high-value niche export industries.

The claim being made here is that controls need to be appropriate to Norfolk Island's own needs, with governance and implementation to match. This is not the case currently, where it might be fairly considered that the efficacy of the biosecurity regime has been substantially degraded since 2016. In this regard most pressing concerns – from a Norfolk Island perspective – relate to the exclusion of Queensland fruit fly, Panama disease in bananas, and Varroa mite in honey bees. Other major concerns relate to the import of animals, stock feed, plant root stock, fruit, flowers and foliage. The broad issue is whether Norfolk Island retains a productive agricultural and horticultural sector, or whether it is reduced to a merely import-consumer society in these matters.

A major problem for Norfolk Island is that rules and processes developed by the undoubtedly skilled Department of Agriculture are from the perspective of protecting the Australian mainland from external international threats. It is too easy to just extend the same regulations and say that Norfolk Island is just part of Australia from a biosecurity point of view. Bizarrely the current biosecurity relationship between Australia and Norfolk Island is one in which the main *exporter* (Australia) decides what the importer (Norfolk Island) can import. Norfolk Island requires its own biosecurity zone and controls, and in particular positive support from the Commonwealth in establishing Norfolk Island's agricultural vitality.

One matter of particular importance relates to Johne's disease in ruminants (cattle, pigs, goats), the import of which to the island is currently forbidden. Its replacement by AI is more costly, slows the expansion of stock diversity, and has been subject to other difficulties e.g. packaged AI straws being left in airport storage without temperature control.

It has been said that the Department of Agriculture has at some point carried out a biosecurity import risk assessment (BIRA) for importing ruminants to Norfolk Island. If so, this has never been seen on the island, and was never discussed with farmers on the island either. This decision needs to be reviewed, with the purpose of finding an Equivalence means - as specified in the International Plant Protection Convention - by which the appropriate level of protection (ALOP) can be met. This could be, for example, by identifying a Johne's-free region within Australia, or an alternative acceptable biosecurity regime for island importation.

It is also evident there has been a marked deterioration in the biosecurity inspection regime on-island since 2016. The island's number one biosecurity threat is the introduction of the Queensland fruit fly, which would be disastrous for the island's agriculture and horticulture; however the island's fruit fly monitoring programme has been reduced to zero (or near to) since 2016. More generally, biosecurity officers refuse to inspect cargo on board ships (which was the pre-2016 practice), but wait until the freight has been moved from the ship, to barge, and landed on shore! A fruit sniffer dog which did duty at the airport for some time after 2016 has been withdrawn.

At a further level of control, there is complete lack of clarity around who would be responsible for responding to a phytosanitary disease outbreak on the island, and where the resources to do so would come from.

An additional point is in order. Despite what is sometimes claimed, biosecurity risk assessment cannot be a purely scientific matter. Such assessments retain substantial subjective components both in problem definition (What do we take as the system boundary?) and in interpretation (What risk is ‘acceptable’? What does ‘irreversible’ mean?). Such issues involve the participation of the community. This was emphasised in the 1996 report of the US National Research Council (NRC) Committee on Risk Characterization which emphasized biosecurity risk assessment as being ‘the outcome of an analytic-deliberative process’, which depended critically not only on the systematic analysis appropriate to the problem, but on deliberation in formulating the decision problem, guiding the analysis, seeking its meanings, and improving the abilities of the affected parties to participate in the process (Stern and Fineberg 1996: 3). In 1999 the International Futures Programme of the OECD set out on a study of emerging twenty-first century systemic risks, endorsing the US NRC view just expressed (Osborne 2003). The Norfolk Island community needs to be involved in biosecurity assessments pertaining to the island.

2.2.3 Democracy. The content of the 2015 Act constituted a substantial loss of democracy for the Norfolk Island community. The 2014 JSCNCET Report went far beyond its terms of reference (relating to economic development on the island) to determine matters relating to governance. The implicit assumption made appeared to be that the democratic forms established on the island since 1979 and the community values inherent in them could be reduced to decisions about economic development (a neoliberal perspective). "One dollar one vote" is not the same thing as "one person one vote". No government in Australia acting on behalf of its citizens would countenance such an equation.

Democracy is of major importance in informing and enabling decisions taken by government (as will be further noted below). It is the flux of well-being and progress, and needs to be enhanced on Norfolk Island. Currently the only democratic representation Norfolk Island has is located almost 2,000km away.

3. The Change in Orientation 2016-23: Applied Local Government

The argument here is that the consequences of libertarianism/neoliberalism at local government level are inappropriate for a small isolated island if it is to ensure its future well-being.

3.1 Free market ideas and public service organisations

In parallel with the rise in the neoliberal approach to government policy generally, there also arose around the world in 1980s a new approach to running public service organisations which, both at national and sub-national level, emphasised the idea that public service organisations should behave more like businesses, with the concept of economic efficiency to the fore. This movement was dubbed the “new public management” (NPM), and like neoliberalism itself, was closely associated with the names of Margaret Thatcher and Ronald Reagan. NPM was widely introduced in advanced countries, and especially in the UK, USA, and New Zealand.

In describing this move towards NPM, three major integrating themes have been identified (Dunleavy et al., 2005; Lapuente and Van de Walle, 2020):

(i) incentivization – the shifting away from involving managers and staffs in rewarding performance in terms of a diffuse public service or professional accolades and employment stability, and moving instead toward a greater emphasis on pecuniary-based reward and specific performance incentives e.g. performance-related pay and mandated contracts.

(ii) competition – introducing competition in service provision through marketization, so as to allow different forms of provision to be developed and to create (more) competition among potential providers. This approach stands in contrast to the uniform provision of public services in a traditional public administration. Thus the core areas of state administration and public provision would be shrunk, and suppliers diversified. The familiar purchaser-provider split in service provision might be considered under this head.

(iii) disaggregation – splitting up of large public sector hierarchies in the same way that large private corporations had earlier moved to do.

Despite the widespread promotion of NPM over the years, it has been difficult to demonstrate unequivocally its positive outcomes. Research carried out in seven OECD countries in 2005 found that enthusiasm for NPM was ebbing (Dunleavy et al., 2005). A large study across 23 EU member states in 2011 provided only “impressionistic” results (Pollitt & Dan, 2011). A Queensland study of the purchaser-provider split in three cases (legal aid, a district health service, and a transport call centre) concluded that service improvements over time could not be specifically linked to the purchaser-provider model. (Ryan, 2000). The increasing contracting out of services has also given rise to contracting back in - the main reasons given being on account of poor service quality, difficulties with contract specifications, and the challenges of monitoring external performance (Denhardt & Denhardt, 2015).

Quite apart from such technical matters, Professor Noveck, director of The Governance Lab of the MacArthur Foundation Research Network and professor at the New York University School of Engineering points out that defenders of NPM : “ ... measure success by cost effectiveness and money saved, avoiding the more fundamental equitable and ethical questions of whether such success criteria make sense” and are “devoid of any focus on equity and inclusion.” (Noveck, 2021)

This points to the almost exclusive interest in short term and financial matters that characterises neoliberal interests, and its limitations. Indeed the NPM approach to local affairs is already considered outdated in some advanced countries, where modern public governance theory has moved to emphasise councils as guarantors of public values, of citizenship, and collaborative governance (e.g. Bryson et al., 2014; Witesman, 2021).

It is these latter issues that are critical for the integrity of small islands as important underliers for their economic and social success, and have been conspicuously lacking in Norfolk Island in recent years.

3.2 The Modern Approach to Public Administration: New Public Service

The more modern approach, emerging in reaction to the limitations of NPM and attempting to overcome its neglected factors, is referred to amongst scholars and practitioners as the “New Public Service” (NPS). In 2015, after around two decades of the evolution of the NPS approach, a review has been provided by Denhardt and Denhardt (2015). They point out that:

- o it is not a matter of NPM *versus* NPS, but for seeking a balance of interests, determined by the specific situation;
- o the critical importance of explicit consideration to be given to democratic values and citizenship by public administrators;
- o that evidence shows that when collaborative processes are used, outcomes are better;
- o that when government agencies concentrate their efforts on the well-being of the community and public interest, citizens’ trust and willingness to pay for civic investments increases; and
- o that services are being brought back in house especially due to costs of monitoring and other concerns.

On the Denhardts’ estimation, public servants need to pay close attention not only to the market, but also to a number of other concerns which including professional standards, political climate, community values, and citizen interests.

The authors provide a comparison of the approaches of NPM and NPS, an abstracted version of which is provided in Table 1.

Table 1: Comparative aspects of two approaches to public service governance

	New Public Management	New Public Service
1.	Public interest is either irrelevant or non-existent, favouring instead reliance on individual choice as exercised in a market	Search for a shared view of the public interest based on an open, inclusive, and informed discussion of values
2.	Public managers should maximise productivity and effectiveness by exercising more latitude in decision making, similar to that exercised in the private sector	Emphasises that public money should not be spent by public servants acting as if they were spending their own money. Rather, public servants are accountable to democratic processes and institutions
3.	Emphasises decentralization, privatization, and competition in order to achieve efficiency and best respond to customer demands	Privatisation and the values of business entrepreneurship may devalue the public interest and values such as equity, representativeness, and fairness
4.	Government should move increasingly away from a service delivery role and instead to policy development	An increasingly important role of the public servant is to serve citizens and communities by helping citizens articulate and meet their shared goals rather than attempting to control or steer society in new directions.
Overall	Argues that the use of market models and values is the best way to understand the role and operations of government and to ensure efficiency	Explicit consideration of democratic values and citizenship by public administrators will have benefits in terms of building communities, engaging citizens, and making government work more effectively.

Source: Denhardt & Denhardt, 2015.

What this tabulation demonstrates is the major differences between the New Public Management and the New Public Service approaches to local governance, and the great superiority of the latter for the needs of small islands. By and large it demonstrates clearly the differences between the current regime on Norfolk Island and what is needed for the future. In this regard the previous governance of the island (1979-2016) presents a palette of measures that are very relevant here.

For the future wellbeing and success of Norfolk Island, it is imperative for the Commonwealth, in consultation with the Norfolk Island community, to develop and pass legislation that will provide for a more equitable and sustainable future than the present legislation provides. (And see also section 4.2.)

4. Meanings for the Norfolk Island Regional Council

4.1 The Norfolk Island Regional Council

A major consequence of the *Norfolk Island Legislation Amendment Act 2015(Cth)* was the replacement of the Norfolk Island Legislative Assembly with a “regional council” under modified NSW legislation, namely the *Local Government Act 1993 (NSW)(NI)*. This was an Act constructed at the height of enthusiasm for the neoliberal approach, and in consequence the tenor of the conduct by NIRC since the Act’s inception has accorded with its principles (and those of NPM). Citizens are referred to as “customers”; there is a sharp hierarchical distinction between managers and other staff, and the NSW Office of Local Government exhorts councils to behave like businesses with councillors as the board of a public company, and local communities as “shareholders” (NSW OLG, 2021). Administrator Colreavy’s statements and actions also accord with this approach, with a focus on the short term and the financial and with little consideration of long-term effects. (This is however not a criticism of Mr Colreavy, whose actions have without doubt been clearly specified in his brief from the Department of Infrastructure.)

The comparison of councils to businesses is inadequate by most political criteria – and in Norfolk Island’s case in particular – for whereas a public company’s primary objective is to deliver monetary profit to its shareholders, the primary objective of a council’s governing body is to deliver services to its community, a much more complex, nuanced and interactive matter. Regarding Australia’s offshore islands in particular, the matter has been explored by Sinnewe and co-workers (2015).

The function of local government on Norfolk Island is central to the present JSCNCET Inquiry. Not only because it stands proxy for many Commonwealth activities (in SDAs for example), but because it is a critical determinant of economic activity both through its size in the economy, and through its activities in raising money and in spending it.

It is widely considered that the current regime on Norfolk Island has been damaging to the community on several fronts. Day-to-day management is focussed on short-term financial outcomes based on legislative requirements which can be grossly inappropriate and costly to the community. Services are outsourced to Australia rather than being retained to assist economic growth on the island. Land rates have been increased to exorbitant and unsustainable levels likely to be very damaging to business (Bennett, 2022; Donde, 2022). And furthermore these rate increases are forcing Pitcairn-derived Norfolk Island families who are land rich but cash poor to sell traditional family land to pay rates. (See further below).

4.2 Some issues with the existing model

The Local Government Act’s approach makes a sharp distinction between councillors on the one hand and the general manager (GM) and council staff on the other, effectively isolating each from each: a situation inadequately compatible with life on a small island.

(i) Lack of information flow. In drawing a sharp distinction between councillors and council GM and staff, councillors have in the NIRC been consistently isolated from access to information that could inform their policy decisions. This has been so since the instigation of the Act and pre-dates the suspension of the NIRC and the appointment of the temporary administrator. Examples of refusal to provide simple information and support to councillors even at council meetings, are recorded (Nobbs, 2017b); and an egregious example was the refusal of the GM to discuss such a critically important matter as the airport contract (NIRC Public Inquiry, 2021).

The dangers of this type of conduct are several: first, it deprives councillors of knowledge that could be useful in their decision-making – the veritable oxygen of wise conduct on behalf of Norfolk’s citizens;

second, and either by design or accident, it allows senior managers to hide behind a veil of secrecy that is the opposite of the "communication" and "accountability" under which council claims to operate; and third, it can disguise the fact that important decisions are being taken by the management but for which, in the longer run, it is the councillors who will be held to account. It is an approach that has the potential for establishing a separate management fiefdom unresponsive to the wishes of the community.

As far as I can ascertain, this withdrawal from open interaction with councillors and the community has characterised the behaviour of NIRC since its inception. The isolation of council management from the community is seen in other conduct too: neither the GM or the temporary Administrator live in the NI community, and appear to choose not to interact with it except by written messaging in essential or legally required circumstances.

Overall there appears to be a lack of transparency in the NIRC's conduct, and this sentiment is, as I understand it, widely shared on the island. Nonetheless it appears to be acceptable under the current Act. On the other hand the Council's Community Promise (NIRC, 2018) states:

***Council's Community Promise.** The Norfolk Island Regional Council promises to engage with the community in an open, transparent and equitable way to make sure it understands the views and feelings of all community segments before it makes planning, funding or strategic decisions.*

There is a need to restore community confidence in the NIRC.

An additional and important aspect of this narrowed information flow, is the limitation in the ability of Norfolk Island citizens to respond to the terms of reference of this current JSCNCET Inquiry. Facts and figures about NIRC decisions and operations which might provide information as to what aspects of NIRC need to be addressed in order to make it more accountable and responsive to the financial and social needs of the community, may reach the public domain solely by chance.

(ii) Procurement. A major focus of community attention, informal discussion and concern, relates to the matter of procurement: whether specific projects and undertakings by the NIRC are necessary or merely convenient, and whether they are in the best interests of the Norfolk Island community. In particular the community has continuing major concerns about rates and charges, and has a legitimate interest in whether revenues available to NIRC are being well spent. In this matter Norfolk Islanders currently have no voice. Facts of the matter are often difficult to ascertain.

(a) Outsourcing. Outsourcing is a characteristic approach of free-market management regimes, and has been used extensively by the present NIRC. However as has been seen (above) there can be no general presumption that this is more appropriate than in-house provision. For Norfolk Island there are particular concerns attached to off-island outsourcing. This may be essential in some cases, but it can have several undesirable effects, in:

- o reducing employment and money circulating in the community and thus business prosperity and the ability of NIRC to raise revenue. (In this regard it is understood that the Commonwealth Bank, the island's only bank, is no longer providing loans to businesses);
- o lowering levels of expertise and training in the island economy, and
- o undermining the integrity and competence and stability of the island's economy.

Furthermore, as we have seen (above) outsourcing can host its own problems: poor service quality, difficulties with contract specifications, and the challenges of monitoring. "Contracting is costly" (Ballard & Warner, 2000). For Norfolk Island, offshore contracting needs to be seen more as a last resort rather than as an inevitably preferred option, and will be necessary in some cases. It is not known

that the NIRC has ever carried out a social cost-benefit analysis of its outsourcing decisions, covering both its direct financial effects and its indirect effects. (Travel costs for 2021-22, for example, amounted to \$312,000.)

(b) Contracting. It appears that contracts may be being awarded to offshore companies and others either without or with minimal advertising. How can the community judge the merit of the contracts issued in such cases? The benefit of outsourcing/contracting is supposed to be to increase efficiency by competition, but if there is no competition there may be no efficiency gains to be had.

(c) Other. Other concerns relate to the purchase and use of accommodation premises by the NIRC, the binding of future elected councils by the five-year extension of the GM’s contract by the Administrator, and the granting of licences for the import of alcohol to commercial groups (thus reducing its own substantial revenue source).

4.3 Relation to NIRC financial statements

It is commonly held that Norfolk Island has similarities with King Island (Tas.), as a comparative local authority. Table 2 provides a tabulation of basic properties of the two. They have similar population numbers and private dwellings, although Norfolk has slightly higher mortgages and rents on average, but lower incomes and rates.

Table 2. Comparison of Norfolk Island and King Island 2021-22

	Norfolk Island	King Island
Population	2,188	1,617
Number private dwellings	1,220	888
Average people per household	2.1	2.1
Median household weekly income (\$)	1,184	1,330
Median monthly mortgage payment (\$)	1,300	1,083
Median weekly rent (\$)	240	190
Income raised (incl. grants) ('000 \$)	42, 938	10,064
Council rates and charges paid ('000\$)	2,256	2,717

Sources: ABS QuikStats 2021 Census; NI and KI Annual Reports, 2021-22

However the NIRC has income and expenses four times the size of that of King Island Council. The question then arises as to what is the relationship, if any, between the relative size of the two budgets and the supposed urgency of multiplying rates on Norfolk Island? This suggests the need for a closer examination of the NIRC accounts, focusing attention on the business enterprises (Telecom, electricity provision, waste management, sewerage, airport management) constituting 49 per cent of expenses, and also on the governance, administration and revenue item constituting 18 per cent. (Table 3)

Table 3. Financial performance – Norfolk Island, 2022

Function / activity	Income		Expenditure	
	\$	%	\$	%
Governance, admin, revenue	10,148,193	24	6,450,742	18
Infrastructure	798,105	2	2,854,029	8
Community services	3,067,919	7	2,862,436	8
Tourism	152,872	-	628,895	2
Business services	18,024,861	42	17,315,625	49
Commonwealth service delivery	10,746,988	25	5,002,156	14
Total	42,938,938	100	35,113,883	99

There is little information readily accessible in the current public record that would permit a detailed approach to the question posed. This suggests that a forensic examination of NIRC accounts would be

in order, by an independent, non-government auditor, at a level perhaps not accessed by standard audit procedures. This would form the basis for assessing the financial needs of the NIRC, activity by activity, and enable clear decisions to be made for the future in relation to them.

5. Future NIRC Financing

5.1 Some basic propositions

My understanding is that the following basic propositions about local government finances would be accepted without demure:

- (i) Almost all local authorities in Australia classified as rural and remote (and many not in these categories) do not achieve a positive net result in their financial performance without support from central government (state and/or federal);
- (ii) Small, isolated oceanic islands do not achieve a surplus of income over expenditure without external support from larger states. Examples include Norfolk Island, Niue, Tokelau, Cook Islands.
- (iii) Funding shortfalls in these cases are commonly met by the superior/metropolitan power engaged with the smaller jurisdiction.

In consequence, small jurisdictions such as Norfolk Island need to look closely at both their abilities to reduce costs, and to their abilities to augment revenues; and metropolitan powers will need to calibrate their own responses to that situation. As individual small jurisdictions are unique, optimal solutions to this financing puzzle will vary. Whatever these may be, it is assumed that the optimum is sought from the choices made by the islanders themselves i.e. what is being sought is an island optimum. An important consideration will be the manner in which the metropolitan power chooses to calibrate its own financial response.

5.2 Reducing costs

This matter has been tentatively explored in section 3.3.2.

It might also be added that Norfolk Island in general and NIRC in particular, have in recent years, had larger-than-common costs thrust upon them from having to respond to the regulatory burden imposed on the island by the introduction of NSW laws and regulations, and other Commonwealth regulatory requirements. Several of the former have included public health and OH&S requirements. Costs here include administrative costs, and monitoring and compliance costs, and in some cases have been substantial. These have been particularly onerous for businesses on Norfolk Island because whereas the unit costs are fixed, many of the businesses are small and some part-time. There is no known study of this issue on the island, which may abate over time.

And it should be noted that it is this same circumstance – of the scale of unit cost versus a very small population and rateable base – which is confronted by NIRC itself.

A list of some law and regulatory changes that have imposed major costs on the island include: the enforcement of overtime payments for weekend work by the *Fair Work Act 2009 (Cth)*, in a situation in which part-time work across the week was accepted on the island as a norm and convenient for family circumstances, and in which tourist flights arrive and depart in the weekends as much as on other days: the consequence of which has been weekend closure of many island businesses; wastes management improvements initiated by an edict from Marine Parks Australia for NIRC to stop discharging into the surrounding Norfolk Marine Park; the shipping crisis, evoked by the Australian Maritime Shipping Authority's (AMSA's) cancellation of the seaworthiness of *MV Southern Tiare*; the replacement of the wooden lighterage vessels due to AMSA considering them unseaworthy and not OH&S compliant.

5.3 Increasing revenues

[**Note 2.** In the Supplementary Senate Estimates hearings with the Rural and Regional Affairs and Transport Legislation Committee in Canberra on 13 February 2023, in relation to the NIRC, the representative of the Department Ms Vandebroek said: “The Commonwealth Grants Commission (CGC) last did an assessment in 2019 and assessed that the revenue raising capacity of the island was significantly higher than what was being realised, which is why rates needed to be looked at.” (Commonwealth Senate, 2023, p.100) This view put by the CGC in its report to the Department may or may not be correct. Following the appearance of the CGC report in November 2019, I provided a paper (Nobbs, 2020b) to both the CGC and the then-Minister, pointing out that the conclusion of the CGC had not taken into account the difference in price levels between Norfolk Island and the Australian mainland, due in large measure to the substantial freight costs involved. (The CGC study was a desk-based study, and did not visit Norfolk Island.) If the CGC has issued a revised version of their report, I am unaware of it, but if so this should be made publicly available. If the CGC has not altered their original report, then the extent to which the CGC conclusion quoted by Ms Vandebroek, can be relied upon, remains moot.]

Increased and sustainable revenue over the long term is founded on a vibrant economy. Sustainability for the island also includes the concept of limits: limits to population and the exploitation of the environment which is the foundational support for the tourist and agricultural economies, together with limits imposed by climate change, so that increases to revenue must remain within an envelope determined by such factors.

Any such programme for increasing revenue will include the encouragement of local economic initiatives, of which the NIRC currently has some such, and as the Commonwealth does also.

I have not been able for this submission, to study in detail specific alternative means by which the burden of rates might be alleviated. I am aware however that a reintroduction of some form of Norfolk Island GST, paid to the Norfolk Island governing body, has been proposed as one possibility.

(i) Rates and land as a heritage asset. The payment of land rates (and their levels as applied) have been matters of immense contention on Norfolk in recent times, particularly from Pitcairn-derived Norfolk Islanders (see section 4.1 above). Although the payment of land rates by private property owners is commonly used in Australia as a means of raising revenue for local authorities for such services as wastes, roads, other amenities, it is not an inevitability. Samoa, the Cook Islands, and Niue, for example, do not use land rates for revenue raising. It is presumed that the motivation in these jurisdictions is the same as that for Pitcairn-Norfolk Islanders, namely that land represents in fact and in symbol the cultural continuity of the society. Australian multiculturalism respects the symbols of immigrant groups come to Australia, so there seems no reason why alternatives to rates could not be an option considered for Norfolk Island: or at least that there be some agreed generally affordable limit on the rate calculation.

(ii) Commonwealth support. Rather than the ad hoc (and welcome) financial support provided by the Commonwealth, and the problems inherent in the “non-state-partner” status of the island, I would propose that in the future the Commonwealth provides a fixed proportion of the Commonwealth government’s budget to Norfolk Island, the amount being reviewable at intervals. This could be a straightforward and efficient means of allocating such funds, while at the same time giving Norfolk Island some licence in the matter of choice, along with the responsibility as to its use. It also has the important factor of reliability which would enable continuity in planning on the island. (Such an approach appears on the surface to be something of a stripped-down version of the way in which the Commonwealth Grants Commission deals with the states.) As a matter of comparison, we can observe the situation in the Åland Islands. These islands, within Finland, constitute an autonomous region with

a certain degree of self-government. The Finnish Government collects taxes, duties and fees in Åland as elsewhere, and in return places a sum of money - 0.5 per cent of total Finnish Government income - at the disposal of the Åland governing body.

In this regard it is appropriate to acknowledge the extraordinary scope and value in resources that Norfolk Island provides for the Commonwealth. These include: a 200 nautical mile exclusive economic zone surrounding the island, with fishing, mining and exploration rights; a uniquely positioned weather station; a card in international air transport negotiations; and a forward staging post for Australian defence forces (as employed in the 1987 coup in Fiji).

It is also noted that Norfolk Island, due to its strategic position in the Pacific Region, is receiving increased attention from the Australian and US Defence Forces. In this regard it would seem completely appropriate that any infrastructure constructed on the island to serve those purposes (over and above that required by Norfolk Island itself) be paid for by the Commonwealth.

6. Summary and Recommendations

The governance regime currently in place on Norfolk Island has not served the island well. There is need for a new governmental form fashioned to the needs of island sustainability across the twenty-first century.

In working towards this end, key responsibilities will attach to the NIRC (or its successor) both with respect to the activities it undertakes (expenditures) and with respect to the revenues it can raise. The credibility of the NIRC needs to be established in the eyes of the community.

The role of the Commonwealth in providing financial support is much appreciated. Its responsibility for ensuring an appropriate legal context to assist island development will be important.

Recommendations put forward in this submission are:

- (1) That the Commonwealth, in consultation with the Norfolk Island community and others, develop and pass legislation that will provide a more equitable and sustainable foundation for the island's future than present legislation provides (S 3.2 and 4.2.);
 - (2) That an independent forensic examination of NIRC expenditures be carried out to determine their appropriateness, and as a means of re-establishing confidence in the NIRC generally and in its claims for increasing rates and charges in particular (S 4.3);
 - (3) That in order to establish firm foundations for the sustainability of the Norfolk Island economy and community into the future, the Commonwealth carry out as a matter of urgency:
 - (i) the development with the Norfolk Island community, and application, of an agreed means of managing and limiting immigration to the island (S 2.2.1); and
 - (ii) the development, with the Department of Agriculture and the Norfolk Island farming community, and application, of a biosecurity regime tailored specifically to Norfolk Island's sustainability needs (S 2.2.2);
 - (4) That in terms of the Commonwealth providing on-going support to Norfolk Island, this be provided on the basis of a fixed (small) proportion of the Commonwealth government's budget, the amount being reviewable at intervals. (A similar scheme is employed in the Finnish Åland Islands.) (S 5.3).
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