

Norfolk Island Visit Report

Introduction

- 1.1 This report presents the observations of the Joint Standing Committee on the National Capital and External Territories during its visit of Norfolk Island between 2 and 5 August 2006. The aims and objectives of the Committee's visit were:
- to renew and strengthen relations with the Norfolk Island Government (NIG) and members of the Legislative Assembly;
 - to gain an appreciation of community concerns arising from the Australian Government's announcement in February 2006 of its intention to significantly alter Norfolk Island's current governance arrangements; and
 - to engage in discussions with the Norfolk Island community on matters of mutual and other interests.
- 1.2 While on Norfolk Island, the Committee engaged in discussions with the Norfolk Island Government and Legislative Assembly on current and future governance arrangements and the challenges arising from the current reform process. A number of private meetings were also held with individuals and groups of Norfolk Island residents.
- 1.3 The visit included a tour of various facilities and infrastructure on Norfolk Island, including the Norfolk Island hospital, the Waste Management Centre, the sewerage treatment works, the Headstone Point dump site, Ball Bay petrol and gas facility, the Kingston Jetty restoration works, and the Kingston and Arthur's Vale Historic Area (KAVHA).

- 1.4 In addition, the Committee attended a reception at Government House; a dinner hosted by the business community; and a dinner hosted by the Norfolk Island Legislative Assembly.
- 1.5 This report aims to capture the range of information and impressions gained during the various meetings and inspections conducted by the Committee, and forms an important supplement to the Committee's previous reports on Norfolk Island Governance which were tabled in December 2003 and December 2005.¹
- 1.6 The report begins with a brief section outlining some of the recent developments in the current process to reform the system of governance on Norfolk Island, followed by a summary of the views received by the Committee during its visit, and concluding with a brief summary of some of the Committee's observations following its visit.

Australian Government decision to change Norfolk Island's governance arrangements

- 1.7 On 20 February 2006, the Hon. Jim Lloyd MP, Minister for Local Government, Territories and Roads, visited Norfolk Island and announced new policy directions to underpin the long term financial sustainability of Norfolk Island.
- 1.8 The Minister acknowledged that the Australian Government had been concerned about the future of Norfolk Island for some time, and in particular the financial sustainability of the current system of governance. Minister Lloyd stated:
- A common thread in all recent parliamentary and independent reports on Norfolk Island's financial and governance arrangements is that the current self-government arrangements are simply too complex and costly for a community the size of Norfolk Island to sustain.²
- 1.9 Minister Lloyd suggested that two broad categories of possible future governance arrangements would be considered in consultation with both the Norfolk Island Government and the Norfolk Island community:

1 Electronic versions of these reports are available from the Committee's website: <http://www.aph.gov.au/house/committee/ncet/reports.htm>

2 Lloyd, J (Minister for Local Government, Territories and Roads) 2006, *Norfolk Island's future governance*, public statement, Parliament House, Canberra, 20 February.

- a 'modified self-government model' – with greater powers for involvement by the Australian Government than currently exist; and
 - a 'local government model' in which the Australian Government might assume responsibility for state-type functions.³
- 1.10 Detailed investigation of these two models is currently being undertaken. Minister Lloyd has reinforced to the community that in considering the extension of Commonwealth laws and programmes to Norfolk Island, the effect of legislative and financial changes on the Island will be specifically considered.⁴
- 1.11 As part of work being undertaken by the Commonwealth, Minister Lloyd announced that a number of relevant Australian Government agencies would visit Norfolk Island to gather information to assess the Island's economy and analyse the economic impact of any proposed governance and taxation alterations. The Commonwealth Grants Commission (CGC) and the Australian Bureau of Statistics (ABS) have already been conducting work on-Island. Minister Lloyd stated that the data collected by the CGC and the ABS would 'inform decisions on the extent to which the Norfolk Island community should contribute and how'.⁵

Commonwealth Grants Commission review

- 1.12 On 1 May 2006, Senator the Hon. Richard Colbeck, Parliamentary Secretary to the Minister for Finance and Administration, provided the CGC with Terms of Reference for a review of the financial capacity of Norfolk Island. The Terms of References for the CGC inquiry are reproduced in Table 1.1 (see below).
- 1.13 The Chairman of the CGC held discussions with the Norfolk Island Legislative Assembly and members of the community between 8 and 11 March 2006. A further visit occurred between 3 and 6 May 2006. Up to 36 written submissions were received by the inquiry. All public submissions are available from the Commission's website.⁶

3 Lloyd, J (Minister for Local Government, Territories and Roads) 2006, *New governance arrangements for Norfolk Island*, media release, Parliament House, Canberra, 20 February.

4 Lloyd, J (Minister for Local Government, Territories and Roads) 2006, *Norfolk Island: ensuring a stronger and sustainable future*, Governance information and progress report, Parliament House, Canberra, June.

5 Lloyd, J (Minister for Local Government, Territories and Roads) 2006, *Follow-up letter to Norfolk Island community*, media release, Parliament House, Canberra, 27 April.

6 See Commonwealth Grants Commission website: <http://www.cgc.gov.au/>

1.14 On 30 June 2006, the CGC released a preliminary report. The Commission stated that the report:

...provides the most comprehensive available assessment on what revenue might be raised by levying comparable State and local taxes and what might be spent in comparable circumstances to provide State and local government services.⁷

Table 1.1 CGC Inquiry Terms of Reference

Terms of Reference for Commonwealth Grants Commission Norfolk Island inquiry 2006	
Pursuant to Section 16C of the Commonwealth Grants Commission Act 1973, I ask the Commission to advise on the financial capacity of Norfolk Island (henceforth, the Island) to provide State and local government services comparable to the services available in comparable communities in the States and Territories (henceforth, the States), having regard to the circumstances of the Island and assuming that the Island makes the Australian average revenue raising effort from its State and local government equivalent revenue bases and that the Island operates at the average level of efficiency.	
In particular, advice is sought on:	
(i)	what it might cost to provide State and local government services, including depreciation, on the Island at the average range and levels provided in the States, recognising the size and circumstances of the Island, assuming that the Island government operates at the same level of efficiency as State and local governments;
(ii)	the capacity of the Island to raise revenue from a comparable range of taxes and charges levied by State and local governments and at the average levels of these taxes and charges;
(iii)	the amount of financial assistance needed from the Australian Government to allow the Island to meet the cost of providing the services mentioned above (including the actual cost of servicing its existing loan agreements) having regard to the Island's capacity to raise revenue also mentioned above; and
(iv)	how much local government funding the Australian Government might provide to Norfolk Island on a basis consistent with local government funding arrangements applying in the rest of Australia.
The Commission is to provide a preliminary report by end June 2006 and a final by the end of September 2006.	

1.15 The CGC, in its preliminary findings, estimated that:

- in 2004-05 Norfolk Island would have required about \$5.8 million from the Australian Government in State equivalent financial assistance to provide services at the average range and levels provided in the States (at average levels of efficiency), having regard to the Island's capacity to raise revenue at Australian average levels;

7 Commonwealth Grants Commission, 2006, *Norfolk Island Inquiry Documents - Preliminary Report*, June, Canberra. Available: <http://www.cgc.gov.au/> (accessed 16 August 2006).

- for a period of 15 years commencing in 2004-05, Norfolk Island would require \$0.8 million per annum to service their existing loan arrangements;
 - in 2004-05 Norfolk Island would have required
 - ⇒ \$3.2 million if the Indian Ocean Territory funding model was used; or
 - ⇒ about \$0.15 million if the ACT funding model was used.⁸
- 1.16 During the second stage of its inquiry, the CGC held a conference on Norfolk Island on 17 and 18 August 2006 to discuss the preliminary report with representatives of the NIG and the Island community, as well as representatives from relevant Australian government agencies. At the time of preparing this report, the Committee is unaware of any outcomes from this consultation conference.
- 1.17 The Commission has indicated that its final report, due to be released by the end of September 2006, will provide calculations in relation to revenue capacity and expenditure needed and the basis on which those are determined.⁹

Australian Bureau of Statistics survey

- 1.18 To complement the work being undertaken by the CGC, the Commonwealth Government commissioned the ABS to conduct a survey to assess the nature and size of the Norfolk Island business sector.
- 1.19 ABS staff held preliminary discussions with Norfolk Island businesses between 28 March and 1 April 2006 and returned to the Island from 1 to 12 May 2006 to assist businesses in completing the survey.
- 1.20 On 22 June 2006, the ABS released the document *Norfolk Island Business Statistics 2004-05*. The publication presents estimates of sales of goods and services, employment, wages and salaries and other selected expenses, and profits of private sector businesses operating on Norfolk Island during the year ended June 2005.¹⁰
- 1.21 Some key points of the survey identified by the ABS include:
- This was the first ABS survey of Norfolk Island private sector businesses. As such, there are no comparative data.

8 Commonwealth Grants Commission, 2006, *Norfolk Island Inquiry Documents - Preliminary Report*, June, Canberra. Available: <http://www.cgc.gov.au/> (accessed 16 August 2006).

9 Commonwealth Grants Commission, 2006, *Norfolk Island Inquiry Documents - Preliminary Report*, June, Canberra. Available: <http://www.cgc.gov.au/> (accessed 16 August 2006).

10 Australian Bureau of Statistics, 2006, *Norfolk Island Business Statistics 2004-05*, Cat. no. 8139.0, ABS, Canberra.

- At 30 June 2005 there were 339 private sector businesses operating on Norfolk Island. These businesses had total employment of 1,267 persons and generated \$94.1m in income in 2004-05. The profit of these businesses in 2004-05 was \$13.5m which represents an operating profit margin of 14.3%.
- The industry data highlights the predominance of tourism-related businesses in the Norfolk Island economy. Those tourism-related businesses (i.e. retail, accommodation, restaurants, travel and tour operators, clubs, pubs and taverns) represent 71% of business income and 68% of private sector employment.¹¹

1.22 In addition to the work being undertaken by the CGC and the ABS, Minister Lloyd informed the Norfolk Island community that the Department of Transport and Regional Services (DOTARS) was commissioning an economic impact assessment on the proposed governance changes, which is expected to be submitted in late 2006.¹² The purpose of the study is to identify areas where the application of particular Australian Government legislation may have a transitional impact on the Norfolk Island economy and to develop options to ease this transition.¹³

Relationships

- 1.23 During its stay on Norfolk Island, the Committee was pleased with the cordial and constructive dialogue that took place between the Committee and the Norfolk Island Government and Legislative Assembly. Members on both sides acknowledged the, at times, strained relations of the recent past, but also expressed the need and desire to move forward in a productive fashion. Both the Committee and the members of the Norfolk Island Government and Legislative Assembly marked the current visit as a platform for an ongoing constructive relationship.
- 1.24 The Committee notes that since its visit there has been a significant improvement in relations between the Australian Government and the

11 Australian Bureau of Statistics 2006, *Norfolk Island Business Statistics 2004-05*, Cat. no. 8139.0, ABS, Canberra.

12 Lloyd, J (Minister for Local Government, Territories and Roads) 2006, *Norfolk Island: ensuring a stronger and sustainable future*, Governance information and progress report, Parliament House, Canberra, June.

13 Lloyd, J (Minister for Local Government, Territories and Roads) 2006, *Norfolk Island: ensuring a stronger and sustainable future*, Governance information and progress report, Parliament House, Canberra, June.

NIG, following a meeting between the NIG and Minister Lloyd on 21 August 2006. The meeting concluded with the two governments agreeing to work together towards governance and economic reforms on the Island. The NIG put forward a possible structure based on elements of the Commonwealth model combined with elements of the current governance arrangements and set out measures to ensure ongoing financial sustainability. Minister Lloyd welcomed the positive and cooperative nature of the discussions, describing them as 'a significant breakthrough'. Minister Lloyd further stated:

I will carefully consider the material provided by the Norfolk Island Government and look forward to further constructive discussions in the near future.¹⁴

1.25 The Norfolk Island Chief Minister, the Hon David Buffett, stated:

We acknowledge the issues of concern to the Commonwealth, and have put forward our views on maintaining the fundamentals of the way of life which make Norfolk Island such a special and unique place. We have now established a sound basis for moving ahead in a positive spirit of cooperation and look forward to ongoing dialogue on these important issues.¹⁵

Governance Issues

The need for change

1.26 Prior to the recent discussions between the NIG and Minister Lloyd, the question as to whether or not substantial change in the governance arrangements of Norfolk Island was necessary was a matter of some contention on Norfolk Island, and probably remains so for some sections of the community.

1.27 During the Committee's visit, the NIG indicated that it did not share the Australian Government's views on the need for change. The NIG expressed the view that the changes in governance proposed by Minister Lloyd in February 2006 were not appropriate to Norfolk Island, and were directed at the issues of infrastructure and social welfare arrangements

14 Hon Jim Lloyd MP & Hon David Buffett MLA, Joint Media Statement, 22 August 2006, L104/2006 Joint.

15 Hon Jim Lloyd MP & Hon David Buffett MLA, Joint Media Statement, 22 August 2006, L104/2006 Joint.

rather than the critical issue of economic sustainability. The NIG believed it was addressing the central issue of economic sustainability through its planned reforms to reinvigorate the economy and restructure the public sector. The NIG believed Norfolk Islanders wished to maintain control of their own affairs and that, with the cooperation of the Australian Government, self government on Norfolk Island could be sustainable.

- 1.28 The Committee was told that the Norfolk Island Government and Legislative Assembly took the responsibility of self government very seriously, but they had had only twenty-seven years in which to develop the apparatus of government. Given time, the Committee was reassured, the Government and Assembly would continue to improve.
- 1.29 Most of the Norfolk Islanders engaged by the Committee during its discussions appeared to concur with this point of view, even amongst those who felt that the NIG was underperforming. One individual described the *Norfolk Island Act 1979* as the Norfolk Island community's best protection – the community's way of preserving its unique identity. The majority of those the Committee held discussions with believed that self government could and should be maintained. It was argued that what the situation required was some level of financial support to get Norfolk Island through its current economic malaise. When it was suggested that it was hardly reasonable to expect the Australian taxpayer to bail out the NIG, replies ranged from a belief that withdrawal of self government was an excessive response to a situation that was fundamentally in-hand, to the argument that the Australian Government gave financial aid to others so why not Norfolk Island?
- 1.30 There were several arguments for more substantial change, including the extension of all Commonwealth law to Norfolk Island; total reform of the current franchise and voting system; and Commonwealth supervision of Norfolk Island's financial arrangements.
- 1.31 There was some discussion of particular areas of reform where Australian legislation could improve things on Norfolk Island. To these specific issues there was a mixed response ranging from acceptance of Australian law in specific areas – such as consumer protection, trade practices law, social welfare benefits (especially the aged pension; but not unemployment benefits), Medicare cover, child welfare and domestic violence legislation, and childcare regulation – to a belief that, in time, the NIG and community would address these issues themselves. Several individuals emphasised the benefits of the low level of business regulation; others highlighted the strength of family and community spirit

on Norfolk Island as a more than adequate replacement for a formal system of social welfare.

Norfolk Island Government Finances

- 1.32 In November 2005, economic consultants Acumen Alliance, commissioned by the DOTARS, presented the following appraisal of NIG finances:

The financial analysis and modelling has demonstrated that the current financial position of the NIG is characterised by:

- A relatively stable revenue base;
- Significant increases in the costs of the welfare system and the operation of the public service;
- Increasing salary costs in the GBE sector; and
- The deferral of major capital expenditure.

These characteristics have been in place for a number of years (and under previous administrations) and have now resulted in a clear picture of un-sustainability under current policies and financial strategies. In effect, the current situation has been predicted in previous reports on the financial situation of Norfolk Island.

It is reasonable to conclude that if action is not taken immediately and major fiscal reforms implemented the current standard of living for all Norfolk Islanders will significantly deteriorate within the immediate short term period of two years.¹⁶

- 1.33 In reaching these conclusions, Acumen Alliance made the following observations:

As at 30th September 2005 cash reserves totalled \$11.3m which means that the NIG is not currently insolvent. However, the current financial position of the NIG is forecast to deteriorate considerably within two years. If the NIG undertook the minimal required capital expenditure to maintain the island's living standards, the financial model forecast that cash reserves will be reduced to \$2,762,100 by 30th June 2006 and that the NIG will deplete all operating cash reserves by the end of June 2007;

In terms of implementing remedial strategies it is critical to recognise un-sustainability. It is far easier to develop rescue plans 12-18 months out from a point of insolvency rather than at the point of insolvency;

16 Acumen Alliance, *Norfolk Island Government Financial Advisory Report*, November 2005, p. 4.

The detailed examination of the NIG's revenues, recurrent and other expenditures, liabilities and cash reserves indicates that the NIG is currently at/or approaching the point of un-sustainability. Furthermore, based on its current fiscal management policies, the modelling indicates that the NIG is unable to provide both the level of services to the island that currently exist (or should exist) and maintain the level of assets required to provide for those services;

Technically, from a pure accounting definition perspective, the NIG is not insolvent. This, however, is only because it has the capability to "pull the economic levers" and raise additional income when needed, or, as it has done in the past, asset strip the public utilities and publicly owned enterprises to meet cash shortfalls. Both of these temporary remedies to avoid insolvency have short life spans. The modelling predicts that the NIG will be insolvent within 2–3 years.¹⁷

- 1.34 In discussions with the Committee, the NIG disputed the accuracy of the Acumen Alliance report. The NIG noted that it was meeting its financial commitments, and that additional revenue raising and expenditure reduction levels were expected to return the budget to surplus next financial year. In particular, the NIG questioned the Acumen Alliance report figure for life cycle costings on roads – some \$86 080 240 – by far the largest infrastructure expenditure requirement identified by the report.¹⁸ The NIG did not believe that expenditure requirements for roads were anywhere near this level, or that it would even be possible for them to spend such sums assuming the money was available.
- 1.35 The NIG's view of its own financial situation received support, even from members of the community otherwise opposed to the NIG's methods of economic management. The view was that the NIG was solvent and that Acumen Alliance's findings were predicated on assumptions that did not apply to Norfolk Island – the Norfolk Island community had service and infrastructure expectations based on being a small remote community with limited financial resources, a fact not reflected in the Acumen Alliance report. Nonetheless, serious problems with NIG financial management were identified by members of the Norfolk Island community:
- under-funding of infrastructure and depreciation;

17 Acumen Alliance, *Norfolk Island Government Financial Advisory Report*, November 2005, pp. 1–2.

18 Acumen Alliance, *Norfolk Island Government Financial Advisory Report*, November 2005, p. 45.

- cost shifting rather than cost cutting, such as converting overtime to leave and rearranging the spread of hours of public sector workers; and
 - increasing the cost burden to business, through increased customs duty and the Norfolk Sustainability Levy (NSL), in order to match revenue to expenditure.
- 1.36 The view of the NIG and others is that infrastructure funding shortfalls can be corrected over time without intervention from the mainland, although precisely how this would be achieved was not explained. The cost cutting measures taken to rein-in the cost of the public sector were highlighted by the NIG. The actual impact of these measures in terms of disruption to the public sector was highlighted by others.

Taxation

- 1.37 The question of taxation – both the taxes currently applied on Norfolk Island and the potential impact of Commonwealth taxation – continues to be a major issue within the Norfolk Island community. There was widespread dissatisfaction amongst the Island community with the current taxation arrangements – a variety of levies and duties focussed on business and tourism.
- 1.38 Some Norfolk Islanders advocated a GST to replace this plethora of charges; there was support for an expenditure tax (similar to an income tax, but progressively levied against expenditure rather than income); while it was also suggested that the Australian Government should come in and do away with the lot. However, generally, the notion of a mainland style taxation regime or the introduction of Commonwealth taxation received little support and was not promoted by the Committee.
- 1.39 Most people with whom the Committee held discussions were opposed to income taxes, highlighting the benefits to the community in terms of attracting skilled workers to the Island of the absence of revenue raised this way. Even when the benefits of increased Commonwealth expenditure were highlighted as the *quid pro quo* of mainland taxation, most Norfolk Island residents with whom the Committee had discussions questioned these so-called benefits or rejected them entirely. Most preferred current arrangements to any prospective introduction of income taxes or Commonwealth taxation arrangements.
- 1.40 There was little support outside the NIG for the NSL, described by some on the Island as the ‘Norfolk Suicide Levy’. The NSL was regarded as just another imposition upon the business community, many of whom felt obliged to absorb it rather than pass it on. Without adequate legislative or

administrative underpinning, and having a cascading effect due to the absence of input credits, it was almost universally regarded as a bad tax. The NSL came into effect whilst the Committee was on Norfolk Island.

- 1.41 Another imposition which has attracted criticism within the Norfolk Island community is the increase in customs duty from 10% to 13%. This was introduced as a stopgap for the NSL and requires the approval of the Federal Government (which to date has not been received). Members of the business community saw this as just another imposition in a taxation regime which imposes considerable costs on the importation of goods. Nonetheless, freedom from Australian customs duties was highlighted as one of the attractions of Norfolk Island. It was emphasised that the maintenance of Norfolk's duty free status was essential to the economic viability of the Norfolk Island community.

Tourism

- 1.42 Tourism is the single most important economic activity on Norfolk Island, and it is widely acknowledged that much of Norfolk Island's current economic difficulties are due to a decline in tourist revenue. The collapse of the (then) commercial airline service is regarded as the main cause of this decline. The NIG has addressed this problem by directly chartering an airline service between the Island and the mainland, the costs of which are underwritten by NIG.
- 1.43 It was put to the Committee, however, that while tourist numbers were recovering, business income from tourist dollars was not. The problem, it was argued, was that many of the tourists coming to Norfolk Island were retirees, travelling in package tours, with limited capacity for discretionary spending. A strong case was made for targeting different age cohorts, specifically baby boomers with a desire for independent travel and with large discretionary spending capacities. While the importance of this market was acknowledged by the NIG in discussions with the Committee, the NIG emphasised that maintaining its traditional tourism market among retirees was vital.
- 1.44 Suggestions made for ways to increase tourism revenue included better marketing of Norfolk Island as a tourist destination and the building of a harbour to allow cruise ships to dock at Norfolk Island as part of their regular itineraries. It was argued that this would double visitor numbers directly and boost tourism indirectly by encouraging return visits by air.
- 1.45 Others urged Norfolk Island to diversify its economy. Suggestions included the development of cottage industries, such as the production of

juices and preserves from the red guava; development of game fishing; commercial development of oil and fish resources in the exclusive economic zone; and the development of alternative energy resources to reduce Norfolk Island's heavy dependence on expensive imported fossil fuels.

Infrastructure

- 1.46 The cost and provision of infrastructure on Norfolk Island is an issue that has interested the Committee for some time. It was pleasing to note that considerable improvement had been made to the waste management processes and facilities on Island since the Committee's previous visit in July 2003. It was also pleasing to note that some of the funding for these improvements had been provided by the Commonwealth through the Natural Heritage Trust. It is to be hoped that waste management on Norfolk Island progresses towards environmental sustainability and that co-operation between the NIG and the Federal Government continues on this important issue.
- 1.47 The cost of the recent runway upgrade at the Norfolk Island Airport was raised in discussion between the Committee and the NIG. The NIG requested a renegotiation of the loan agreement with the Federal Government, asking that the NIG meet the cost of loan repayments only, with a view to negotiating new loans for future upgrades rather than putting additional money into a sinking fund for future upgrades. The NIG felt that in effect that meant they were paying for the upgrade twice, a requirement they were struggling to meet.
- 1.48 The Committee also had the opportunity to inspect the Norfolk Island Hospital. The view presented by community members in discussions with the Committee is that the facility is adequate to their needs, and that the standard of health care received by Islanders is superior to that in communities of comparable size. While the Committee is satisfied that the level of health care is adequate, there is no escaping the fact that the hospital buildings on Norfolk Island are old and inadequate. Either the NIG must make provision for a new hospital or this matter must be taken in hand by the Commonwealth as a priority.
- 1.49 During its tour of inspection, the Committee noted that many of the roads on Norfolk Island, while in a useable condition, are in need of repair. Moreover, while acknowledging the low traffic levels to which most roads are subject, the Committee was struck by the poor design of roadside infrastructure, such as the positioning of telegraph poles. While the level of funding required might be debated, there is, in the view of the

Committee, a case for substantial and ongoing funding for road maintenance and the upgrade of roadside infrastructure. This is a matter which must be taken in hand by the NIG, using its own resources and those provided under Commonwealth programmes.

- 1.50 During the Committee's visit, the need for improved port facilities on Norfolk Island was raised on a number of occasions. These ranged from upgrading the existing facilities, to the introduction of containerisation, to the construction of a harbour. Containerisation was seen as a cost effective and relatively straightforward means of reducing the costs of landing goods. Its downside was its impact on the tradition of transferring goods by lighter, regarded as part of the 'Norfolk Way'. The construction of a harbour would allow the landing of goods and passengers in all weathers, giving businesses greater security in the purchase and sale of goods, particularly perishables, and access to seaborne tourism. The downside is the large and, as yet, unknown cost of a substantial feat of engineering. One proponent argued, however, that with increased revenue from cruise ships the harbour would eventually pay for itself.

Social Services

- 1.51 From discussions with residents during the Committee's visit, the differences between social welfare provision on Norfolk Island and social security in the rest of Australia were once again evident. Several retirees questioned their inability to access mainland social security benefits, even when they had spent much of their working lives contributing taxes. Others raised lack of access to Medicare. The lack of clear guidelines and transparent administrative procedures in the determination of pension entitlements on Norfolk Island was also highlighted.
- 1.52 On the other hand, other members of the community argued that the current system of pensions and entitlements available to residents of Norfolk Island was adequate to their needs. There was widespread hostility to the introduction of mainland style unemployment benefits, which it was believed would undermine the work ethic of the community; and positive abhorrence at the prospect of Norfolk Island becoming a destination for unemployed mainlanders looking for somewhere to 'drop out'.

Immigration

- 1.53 During discussions, it was put to the Committee that the current restrictions on immigration to Norfolk Island, and the ability of the NIG to determine who could come and who could stay on Norfolk Island, was

essential to maintaining the unique identity of the community. It was argued with some force that whatever other powers the NIG might surrender in the current reform process, it was essential that the Norfolk Island community retain for itself the right to determine who should come to the Island.

Committee Conclusions

- 1.54 The Committee's visit provided an opportunity for members to engage in candid face-to-face discussions with individuals, interest groups and importantly, members of the Norfolk Island legislature, on a diverse range of matters affecting the Island.
- 1.55 The visit was also an important opportunity to convey directly to the Norfolk Island community the Committee's bipartisan commitment, as a representative body of the Australian Parliament, to ensuring equality of opportunity for all Australian citizens which extends to the people of Norfolk Island.
- 1.56 From the warm reception and positive reaction the Committee received while on Island, the Committee is firmly of the view that the visit was a success and is particularly pleased to have departed the Island having reinforced relations with the Norfolk Island Government and Legislative Assembly.
- 1.57 Most of the issues raised before the Committee during its visit to Norfolk Island are issues that have been raised before and addressed in previous reports. The Committee notes, therefore, that most of the actions it recommended in its previous reports remain relevant to the current process of governance reform currently being undertaken.
- 1.58 The Committee also notes that since its visit, the process of reform has taken a substantial step forward, following a meeting between the NIG and Minister Lloyd in Canberra on 21 August 2006. The meeting concluded with the NIG indicating acceptance of a Territory-type model of self government, and positive indications of compromise for future negotiations on matters of detail.
- 1.59 The Committee believes, as indicated in its previous reports, that the extension of relevant Commonwealth laws to Norfolk Island is essential to the future well-being of the community. The Committee supports the extension of the Australian taxation and social security and Medicare systems to Norfolk Island. It also supports the extension of Australian

business and consumer law and other laws that may be of benefit to the welfare of the community. As Australian citizens, the people of Norfolk Island should have access to the same benefits, and share the same responsibilities as other Australians.

- 1.60 In stating this, however, the Committee is cognisant of the need to implement Australian law in a way that is sensitive to the unique circumstances of Norfolk Island. Time and money will be necessary to bring services up to mainland standards. Some period of adjustment will be required and there may be a case for providing financial support. Social welfare benefits should be brought up to mainland standards.
- 1.61 The Committee is supportive of introducing the Australian taxation system to Norfolk Island. However, as with the Indian Ocean Territories, there is a case for exempting Norfolk Island from certain taxes.
- 1.62 The Committee also supports the idea that while Norfolk Island should come under mainland customs and quarantine laws, it should retain its duty free status.
- 1.63 The Committee does not believe that Norfolk Island should be excluded from Australian migration laws, despite arguments from some in the Norfolk Island community that this is essential to protect their unique identity. Population can be managed through use of planning powers; and the ability of Norfolk Island's unique culture to survive will inevitably depend upon the ability of the community to embrace newcomers and bring them within the fold.
- 1.64 The need for development assistance to Norfolk Island in a range of areas has been obvious to the Committee for some time. As part of the reform of governance process, the Committee believes that a joint funding arrangement needs to be made between the Australian Government and NIG to:
- rebuild the Norfolk Island hospital;
 - upgrade roads and roadside infrastructure;
 - introduce containerisation facilities at Kingston or some other appropriate location; and
 - conduct a feasibility study on the construction of harbour facilities capable of handling freight and passengers.
- 1.65 The Committee endorses current efforts to obtain funding for tourism promotion under the Regional Partnerships Programme. The Committee

also sees scope for such grants to assist in the diversification of the Norfolk Island economy into other niche markets.

- 1.66 The Committee notes that in its December 2003 report it made a number of recommendations to improve accountability and probity in the governance of Norfolk Island. The Committee believes that the Australian Government and NIG must do all in their power to expedite such matters as bringing Norfolk Island within the jurisdiction of the Commonwealth Ombudsman and the NSW Independent Commission Against Corruption.
- 1.67 The Committee also believes that, as per its recommendations in the 2003 report and 2005 findings, Norfolk Island should be included within the Canberra electorate for the purposes of more equitable federal representation and that the voting system for the Norfolk Island Assembly should be changed.
- 1.68 Finally, the Committee observes that Norfolk Island will undoubtedly face a number of significant challenges in the coming months as a range of reforms are introduced to the system of governance. In a previous report the Committee suggested that the challenge confronting the Island was: *'to sink or swim?'* From the nature of its discussions with a cross-section of Islanders, the Committee is confident that the Norfolk Island community has the necessary resilience to overcome these challenges and move on to a more prosperous future as a more integral part of the Commonwealth of Australia, and the manifest benefits that the move will bring.

Senator Ross Lightfoot
Chairman
6 September 2006

