
The Parliament of the Commonwealth of Australia

Same country: different world

The future of Norfolk Island

Joint Standing Committee on the National Capital and External Territories

October 2014
Canberra

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Chair's foreword

The Committee's terms of reference were to focus on the prospects for economic development in the wake of a marked decline in tourist visitors, a serious budget deficit, and ongoing financial management concerns. There is an ever increasing reliance on the Commonwealth Government for financial and other assistance, just to keep basic services going for Norfolk Islanders. A consistent theme throughout the inquiry, from witnesses and experts, was that economic development is simply not possible without the establishment of new governance arrangements.

The Norfolk Island Act 1979 (Cth) established self-government. Over the years, a number of reviews and reports have assessed the effectiveness of self-government and questioned whether it has best served the interests of Norfolk Island residents. Some 35 years on, it is clear that this model has failed and on many levels.

The Joint Standing Committee on the National Capital and External Territories has a long standing history and interest in the welfare of Norfolk Island and Norfolk Islanders, as Australian residents. Norfolk Islanders should have the same rights and responsibilities as all Australian residents. The priority therefore must be what is in the best interests of the people, and not a defence at all costs of governance arrangements that have not been able to provide a social or economic existence that equates to the rest of the nation.

Bringing Norfolk Island into the Australian system will require legislative reform, a period of transition and resolve. Seizing the new opportunities and concomitant prospects for growth and prosperity will be dependent on the will of the Commonwealth Government to proceed with bold reforms. It will also depend on

the fortitude and willingness of the Norfolk Island community to work with the Commonwealth to ensure their future sustainability. Vested interests must now be put aside for action that is in the best interests of every man, woman and child resident on Norfolk Island.

Mr Luke Simpkins MP
Chair



Membership of the Committee

Chair Mr Luke Simpkins MP

Deputy Chair Senator Carol Brown

Members Senator Chris Back

Mrs Natasha Griggs MP

Senator the Hon Kate Lundy

The Hon Bruce Scott MP

The Hon Warren Snowdon MP

Senator Gavin Marshall (from 7/7/14)

Ms Gai Brodtmann MP

Senator Sarah Hanson-Young

Senator Stephen Parry (to 7/7/14)

Senator Zed Seselja

Mr Ross Vasta MP

Committee secretariat

Secretary	Dr Alison Clegg
Inquiry Secretary	Ms Sara Edson
Administrative Officers	Mrs Fiona McCann
	Ms Kathy Blunden



Terms of reference

The Norfolk Island Roadmap has as one of its aspirational goals under Economic Development:

- Positive action to encourage diversification and broaden the Island's economic base.

The Committee will inquire into and report on:

- redressing barriers to tourism, with particular regard to air services, facilities for cruise ships, roads and other infrastructure;
- complements to tourism, such as agriculture, other industry or small-medium enterprises; and
- proposals and opportunities for niche industries.



Abbreviations

ANAO	Australian National Audit Office
ASCOT	Australian Standing Committee on Tourism
ATDW	Australian Tourism Data Warehouse
CITA	Christmas Island Tourism Association
Cth	Commonwealth
DIRD	Department of Infrastructure and Regional Development
GBE	Government Business Enterprise
IOTs	Indian Ocean Territories
JSCNCET	Joint Standing Committee on the National Capital and External Territories
KAVHA	Kingston and Arthur's Vale Historic Area
MLA	Member of the Norfolk Island Legislative Assembly
NIA	Norfolk Island Administration
NICESC	Norfolk Island Convention, Entertainment and Sports Centre
NIG	Norfolk Island Government
NSW	New South Wales
OH & S	Occupational health and safety
RTOs	Regional Tourism Organisations

STOs	State Tourism Organisations
TA	Tourism Australia
TAG	Tourism Action Group
TMM	Tourism Ministers' Meeting
TTF	Tourism Transport Forum
WA	Western Australia



Recommendations

3 Governance: a new model

Recommendation 1

The Committee recommends that, as soon as practicable, the Commonwealth Government repeal the *Norfolk Island Act 1979* (Cth) and establish an interim administration, to assist the transition to a local government type body, determined in line with the community's needs and aspirations. This will require the development of a new legislative framework.

Recommendation 2

The Committee recommends that formal mechanisms for community consultation be established which allow for regular and ongoing communication between any transitional administration and the community about the reform process and new governance arrangements.

4 Infrastructure: investment required

Recommendation 3

The Committee recommends that the Commonwealth Government assume responsibility for the Cascade and Kingston Pier upgrades and that the Commonwealth Government expedite the works in line with Australian standards and occupational health and safety requirements, as soon as practicable.

Recommendation 4

The Committee recommends that the Commonwealth Government purchase multi-purpose barges for use on Norfolk Island in conjunction with upgrades made to Cascade and Kingston Piers. Barge use must be integrated into the design and functionality of the upgrades.

Recommendation 5

The Committee recommends that the Commonwealth Government ensure that, as part of the new governance arrangements, the public road infrastructure on Norfolk Island is assessed against current Australia-wide design, building and engineering standards and, where needed, work is undertaken to remedy deficiencies.

5 Framework for new economic opportunities

Recommendation 6

The Committee recommends that the Commonwealth Government appoint officers in the transitional administration to strengthen Norfolk Island's economic and human resource capacity. Officers from Commonwealth agencies like Tourism Australia and Austrade should be tasked to provide advice and support to define the tourist market, develop the tourist product and promote and market tourist and other products and services, including new ones.

Recommendation 7

The Committee recommends that the Commonwealth Government provide a dedicated officer to assist Norfolk Island cottage industry owners and operators to brand their products, set up a cooperative shopfront, and look at ways to market and export their products.

Recommendation 8

The Committee recommends that the Commonwealth Government take charge of the psyllid eradication effort on Norfolk Island, and that responsibility for quarantine control matters be transferred to the Commonwealth Department of Agriculture, Fisheries and Forestry.

Introduction

Norfolk Island - a history of reports and reviews

- 1.1 The need to reform Norfolk Island, a self-governing external territory of Australia since 1979,¹ has long been a subject of discussion. Over the decades, there have been numerous reports and reviews on governance arrangements and economic development on Norfolk Island, completed by this Committee, and others, including the Commonwealth Department of Infrastructure and Regional Development (which has portfolio responsibility for Australia's external territories, hereafter referred to as DIRD) and experts.²
- 1.2 In March 2014, the Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP (hereafter referred to as the Minister) referred to the abundance of reports and reviews produced to-date:

Over the last four decades there has been a plethora of reviews and reports looking at these arrangements, including a royal commission conducted in 1976, 12 separate parliamentary inquiries and the commissioning of more than 20 reports from experts in various fields including outgoing reports from former

1 Norfolk Island was established as a self-governing territory by the *Norfolk Island Act 1979*. (Cth). See the Department's website for details, including the island's history and administrative arrangements: http://regional.gov.au/territories/norfolk_island/index.aspx.

2 See for example: Joint Standing Committee on National Capital and External Territories reports such as *Report of the visit to Norfolk Island 29-30 April 2013* (June 2013) and *Inquiry into Norfolk Island Governance Part 2: Sustainability of Government* (December 2005); the consulting firm ACIL Tasman's *Norfolk Island Economic Development Report* (March 2012); and the Deloitte work (still in draft form) *Norfolk Island Government Business Analysis* (2014).

administrators. All of these reviews, reports and audits have been unanimous in recommending significant changes and reforms.³

Three years on from the Road Map little progress made

1.3 This inquiry into economic development on Norfolk Island comes three years after the Norfolk Island Road Map was introduced in March 2011. The Road Map was a partnership agreed to by both the Commonwealth and Norfolk Island Governments (the latter hereafter referred to as NIG). Its reform objectives included:

- **Governance** through providing a stronger, more open and transparent form of government, building on the reforms in the *Territories Law Reform Act 2010*; and
- **Economic development** through quick action to address barriers to tourism, particularly reform of air services, access to the Island, and facilities for cruise ships;
- Enabling the Norfolk Island Public Service to provide good financial and policy advice and effective services to the Norfolk Island Government and community;
- Social services including immigration ... removing barriers to business investment ...;
- Access to the benefits provided by the Australian tax system and a fair contribution to the tax system in return for the benefits; and
- Extend[ing] Commonwealth laws to the Island to promote improved economic growth and diversification.⁴

1.4 In March 2014, the Minister said that while the Australian Government had been working with the NIG to introduce public sector and immigration reforms, as well as land valuations ahead of the introduction of municipal rates on island, progress has been disappointingly slow. He acknowledged the steps that previous Australian Governments had taken to help the Norfolk Island community, including the provision of emergency financial assistance on an annual basis and ensuring certainty for the tourism industry by agreeing to underwrite the airline services to the island.⁵ Yet, despite all these measures, he observed:

3 The Hon Jamie Briggs MP, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 25.

4 *The Norfolk Island Road Map* (2 March 2011), p. 4.

5 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 25.

... the Norfolk Island Government seems to lack the capability to address many of the key sustainability issues facing the island.⁶

Minister's visit

1.5 The Minister visited Norfolk Island in February 2014. During the visit he made a speech where he restated the Commonwealth Government's intention to integrate the Norfolk Island community into the broader taxation and welfare system of Australia. He spoke about the challenges facing the island and emphasised the positive opportunities ahead:

Lots of chances for a better future, a stronger economy, more jobs, higher wages, better outcomes. I think if we work together on some of the unique challenges you have, we can achieve that.

It seems to me quite absurd that we have got a different system in one part of Australia than we do in the rest of it, and I think we have to address that quickly. We are going to work away at addressing that, and in doing so now is also the time, to have a good look at how else we can make Norfolk work better for the community and work better for the country.⁷

Community views sought on reform

1.6 On his return to Australia the Minister wrote to Norfolk Island residents noting that almost everyone he met during that visit believed that things need to change. The Minister sought the community's views on the best ways to deliver real changes that will make a difference, including the identification and promotion of economic opportunities, best delivery of essential services and best governance model for the future. The Minister said the input would inform government policy going forward.⁸

Australian National Audit Office report

1.7 In March 2014, the Minister tabled an Australian National Audit Office (ANAO) report on Norfolk Island's financial statements. The independent report outlines the pervasive extent of Norfolk Island's growing debt and

6 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 26.

7 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, 'Speech-Official Reception, Norfolk Island', *media release*, 14 February 2014.

8 Copy of Minister's letter to residents provided to Committee as private correspondence.

associated problems. The Delegate of the Auditor-General paints a picture of the Norfolk Island Administration failing to keep economically afloat:

... the Administration is currently experiencing financial difficulty, associated with a continuing economic downturn and a decline in tourism, and continues to incur losses.

The Administration has prepared cash flow forecasts that estimate that the Administration will not hold sufficient cash and cash equivalents as at 30 June 2014 to cover net cash outflows from operations in the 2014-15, 2015-16 and 2016-17 financial years of approximately \$7.4 million, \$7.4 million and \$7.8 million respectively. In addition these forecasts do not make any provision for any repayments of the outstanding balance of \$11.4 million of a loan from the Commonwealth...

... the forecast significant negative net cash flows and the end of the Commonwealth's current funding commitment to June 2014 give rise to a material uncertainty that may cast significant doubt upon the Administration's ability to continue as a going concern. ... in the event that the Administration does not obtain additional funding from the Commonwealth and/or reduce expenditure in line with available revenue, the Administration may not be able to continue its operations as a going concern ...

However, I have not been provided with sufficient appropriate audit evidence by the Administration of how the Administration and the Consolidated Group's ⁹funding requirements will be met to enable the Administration and Consolidated Group to operate in 2014-2015 and later years. Consequently, I am unable to ... remove significant doubt of the Norfolk Island Administration's and Consolidated Group's ability to continue as going concerns.¹⁰

- 1.8 The Minister spoke about the lack of proper financial controls and poor financial management practices within the Norfolk Island Administration. He emphasised the gravity of the financial situation and the worsening state of the island's infrastructure:

9 The Consolidated statements include the Norfolk Island Administration (including the Kingston Arthur Vale Historic Area, workers compensation and healthcare) as well as the Norfolk Island Government Tourist Bureau and Hospital. Source: Department of Infrastructure and Regional Development, private communication, 13 August 2014.

10 Covering letter in Australian Government Department of Infrastructure and Regional Development, *The Australian National Audit Office Independent Report of Norfolk Island's Financial Statements 2012/3*, (10 December 2013).

These issues identified by the ANAO are longstanding ... but these problems are becoming more critical as deficits increase and essential infrastructure on the island further deteriorates.

There has been no significant infrastructure investment since the 1970s ... The roads are deteriorating. Broadband services are poor. And the island's electricity network is extremely fragile and at risk of collapse.¹¹

Referral of inquiry and terms of reference

- 1.9 Soon after his visit, the Minister referred the inquiry into economic development on Norfolk Island on 25 March 2014, asking the Committee to focus on positive action to encourage diversification and broaden the island's economic base.
- 1.10 The Committee was asked to inquire into and report on:
- redressing barriers to tourism, with particular regard to air services, facilities for cruise ships, roads and other infrastructure;
 - complements to tourism, such as agriculture, other industry or small-medium enterprises; and
 - proposals and opportunities for niche tourism.

Conduct of the inquiry

- 1.11 The inquiry received 34 written submissions from a range of stakeholders including the Commonwealth and NIG, business owners, community groups, former public servants and Norfolk Island residents. The submissions are listed at Appendix A.
- 1.12 The inquiry was advertised in *The Australian* on 9 April 2014, 14 May 2014 and 11 June 2014 and *The Norfolk Islander* on 29 March 2014.
- 1.13 The Committee held five public hearings: four in Canberra and one on Norfolk Island. As part of the proceedings on Norfolk Island, the Committee held two hour-long sessions of community statements during which individuals and organisations were given the opportunity to address any of the terms of reference in a dedicated time slot. The five-minute community statements were an effective way for the Committee to hear from a large number of residents in the time available to it. Members

11 The Hon. Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 25.

listened to different views within the community, key priorities and recurrent themes.

- 1.14 Details of the hearings and witnesses are listed at Appendix B. The transcripts of the hearings are available from the Committee's website.¹²

Visit to Norfolk Island in April 2014

- 1.15 The Committee visited Norfolk Island from 28-30 April 2014. Apart from the public hearing and community statement sessions on 29 April 2014, the Committee undertook a diverse range of inspections, visiting staff at tourist sites, and meeting business owners including farmers, tourist and retail operators, accommodation providers and boutique producers. The visit program is included at Appendix C.
- 1.16 The Committee acknowledges the valuable contribution of all those it met with and the effort put into facilitating an excellent visit program, including by the former Norfolk Island Administrator, The Hon Neil Pope, and staff.
- 1.17 The Committee was impressed with the passion and enthusiasm that local resident, Ms Rachel Nebauer, together with Ms Ginny Maidment, put into organising a comprehensive site visit program that focused on the island's small commodity-based industries which complement tourism and/or have export potential. This was a highlight of the visit and instrumental to members gaining insights into the limitations faced by and possibilities for small business owners on the Island.

Bipartisan support for future direction and best outcome for all Norfolk Islanders

- 1.18 During his visit to Norfolk Island, the Minister indicated that there is a bipartisan commitment to:
- ... making sure [that] Norfolk [Island] is as good as can be.¹³
- 1.19 This sentiment was endorsed a month later by the Shadow Parliamentary Secretary for External Territories, The Hon Warren Snowdon MP, when the Minister tabled the ANAO report in the House of Representatives. Mr Snowdon said:
-

12 The Joint Standing Committee on the National Capital and External Territories website, Public hearings, http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Capital_and_External_Territories/Norfolk_Island/Public_Hearings

13 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, 'Speech-Official Reception, Norfolk Island', *media release*, 14 February 2014.

I commend the Assistant Minister for Infrastructure and Regional Development for his statement on the governance and finances of Norfolk Island and say that we agree with the direction in which the government is heading.

We support the development of a discussion paper but I think those of us on this side of the chamber, with experience of Norfolk Island, which we have had over many years, would say to you: let's expedite the process ...

I am sure the Member for Canberra and I can attest to the strong feeling of support for change ...

It is very important that we actually address the needs of the community on Norfolk Island. Your observations and the examples that you provided about those people that are missing out is a salutary reminder of what we need to do in this place as parliamentarians to make sure all Australians are treated fairly and equally.¹⁴

Scope of inquiry

- 1.20 The Committee sees little point in this report simply repeating the findings of the numerous previous reports undertaken on economic development and governance.
- 1.21 Whilst the Committee's original intention was to focus on economic development and leave governance matters aside – not least because they were not spelled out in the terms of reference – it soon became apparent that sound governance underpins any discussion of economic development.
- 1.22 This is especially the case given the increasingly dire fiscal situation that the Norfolk Island Administration finds itself in.
- 1.23 The Minister asked the Committee to focus on positive action to encourage diversification and broaden the island's economic base. Certainty and confidence is contingent on the introduction of a form of mainstream government. This is a prerequisite for investor confidence and growth.

14 The Hon Warren Snowdon MP, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 28.

Report outline

- 1.24 The report consists of five chapters.
- 1.25 Chapter two provides an overview of the economy and governance on Norfolk Island. The purpose of this chapter is not to explore all the failings in full, because few are new ones, but rather to paint a clear and frank picture of the reality today and why change is required.
- 1.26 Chapter three addresses governance reform and what form that might take. Without it, economic development will not be possible.
- 1.27 Chapter four focuses on infrastructure because it is so vital to the economy and a recurrent theme of the inquiry. The focus is on the stalled Cascade Pier upgrade which is expected to deliver two key economic benefits: a greater successful offload rate of cruise ship passengers; and containerised freight.
- 1.28 Chapter five looks ahead to what Norfolk Island's economic prospects might look like once the reforms in chapter two get underway, and Norfolk Island is brought into the Australian system. Reform of the nature described in chapter three should deliver better essential services and provide a framework for new economic opportunities.

Economy and governance: time to end the stalemate

2.1 The tourist sector has traditionally been the main economic driver on Norfolk Island. A marked decline in tourist revenue has contributed significantly to the current financial crisis. However, it is but one of many fiscal and other challenges facing the Norfolk Island Government (NIG) and Norfolk Island Administration (NIA).¹ Most residents want to see the downward trajectory reversed.

Economy

2.2 The previous Committee visited Norfolk Island in April 2013 and reported that the economic situation there has continued to deteriorate. Specifically:

- Economic activity was down 24% on the previous year;
- Approximately 40% of shops had closed;
- Approximately 25% of the male population aged 25-50 had left the island since August 2011;
- Overall population had dropped by 9.4% since August 2011; and
- Tourism trends were variable ...²

2.3 One year on, the current Committee visited again, and it is clear that economic conditions have not improved.

1 The Norfolk Island Government refers to the Norfolk Island ministry. The Norfolk Island Administration refers to the Norfolk Island public service. The two appear to be used interchangeably, and sometimes confused with, the Norfolk Island Legislative Assembly. This reflects a blurred delineation of powers and responsibilities that is a feature of the territory's self-governing model.

2 The Joint Standing Committee on National Capital and External Territories, *Report of the visit to Norfolk Island 29-30 April 2013*, June 2013, p. 9.

2.4 Mr Bruce Walker, Norfolk Island resident and businessman, painted a grim picture:

Economic activity has dropped off, businesses have closed, real estate sales stalled, and consequently a good number of residents have had to move to other jurisdictions to gain employment that will sustain their families and mortgages. The domino effect on island is very evident without drilling too deep. A good deal of remaining private sector businesses are only marginally viable and on the brink of closing down. You might describe the community outside the public sector as depressed.³

2.5 Ms Elva Leaming, a visitor, observed ‘a noticeable decline’ during a trip she made this year, comparing it with an earlier one in 2011:

- Many properties and good land for sale.
- Many empty shops and the brewery closed.
- Decline in the number of shops selling quality goods.
- Decline in the bulk of goods in quality ware shops e.g. lack of range in shoe sizes.⁴

Unemployment and underemployment - ‘people doing it tough’

2.6 It is common practice for Norfolk Islanders to hold down several different jobs in order to make ends meet. Norfolk Island resident, Mr Peter Wilson described a modest lifestyle and increasing cost of living pressures:

Norfolk Island is about sidelines ... most Norfolk Islanders have at least three jobs. I myself have five ... Many families here still live quite a self-sufficient lifestyle. They grow their own vegies, meat and eggs, and of course catch their own fish. These other incomes then provide us with a sustainable lifestyle. However it is becoming increasingly difficult to survive on our island home as the cost of living rapidly rises, and these sidelines are not producing enough for a reasonable standard of living.⁵

2.7 Mr Neil Pope, Administrator of Norfolk Island from 1 April 2012 to 30 June 2014, pointed to the high cost of living too. He said that residents pay 43 per cent more for their food and groceries. There is also a growing number of ‘people doing it tough’:

... that is witnessed in a number of different ways, not just issues of food parcels but departures from the island – the emigration.⁶

3 Mr Bruce Walker, *Submission 29*, p. 1.

4 Ms Elva Leaming, *Submission 7*, p. 1.

5 Mr Peter Wilson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 33.

6 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 6.

2.8 Mr Julian Yates, a retired senior level public servant with years of experience on territory issues, referred to cases he knew of, individuals struggling on Norfolk Island, people without access to social security benefits. He said:

... the individuals who are in a bad state - and I know of some really tragic stories here – [need to] start getting proper support.⁷

Decreasing population and family dispersal

2.9 Mr Dick Massicks, a local business owner, stated that ‘the permanent population is down to about 1, 300 people.’⁸

2.10 Mr Pope indicated that the population was continuing to decline and that there was a new phenomenon of fly-in- fly-out workers:

You notice every time you fly in and out of mainland Australia to Norfolk Island the number of people on the plane. That was not the case a number of years ago.⁹

2.11 Mr Pope added that family members were having to leave the island in search of employment, and this has an adverse impact on family networks:

You have many people on the island where the primary breadwinner or indeed the children, be it adult children, leave the island to seek work on mainland Australia or in New Zealand. There is a breakdown in the whole fabric of the extended family. That is very hurtful to many people on the island, including the Pitcairn descendants.¹⁰

2.12 Mr Yates also talked about the economic and cultural ramifications for the island of ‘the kids leaving’:

The most productive people are leaving because they can get much better paid work elsewhere. This will inevitably cause [the Norfolk Island] ... culture to fade and degrade as people leave.¹¹

7 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 12.

8 Mr Dick Massicks, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 32.

9 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 6.

10 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 4.

11 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10.

Decline in tourism

2.13 Tourism accounts for 41 per cent of Gross National Product on Norfolk and is the island's principal economic activity.¹² Mr Glen Buffett, General Manager of the Norfolk Island Government Tourist Bureau (also known as and hereafter referred to as Norfolk Island Tourism) told the Committee that there had been a spike in tourist numbers since the Committee last visited:

In the last 10 months we have seen growth year on year in tourism figures ... Month on month we are seeing the differences in seasonality still affecting us, but we are definitely seeing growth.¹³

2.14 Mr Buffett provided a table titled 'Visitor numbers in comparison to previous year' that contrasts visitor numbers, on a month by month basis of 2012-2013 with 2013-2014. According to these figures there was a 9 per cent increase in visitors from 19, 513 in 2012/13 to 21, 204 in 2013/14.¹⁴

2.15 Mr Buffett said there was now more market confidence, related to the stability afforded by the airline contract with Air NZ, growth in Australia and New Zealand and the bureau having implemented 'a whole range of different marketing formats to see that growth realised'. He added:

... I cannot see any reason why that growth will not continue, albeit at a slower rate ...¹⁵

2.16 Mr Michael Prentice, tour company operator, informed the Committee that his daytime tours, shows, feature dinners and events on island are growing and he believes that trend will continue.¹⁶

2.17 However, the Tourism and Transport Forum (TTF) says that visitor numbers have reduced markedly in the last decade:

... declined from a recent peak of almost 40, 000 in 2003 to around 23, 500 in 2013-14 according to visitor data on the Norfolk Island Government website.¹⁷

2.18 Others agreed¹⁸ and voiced their concern about the overall industry trend, which is a decline in tourist numbers. Owner operator of the Gallery Guava and Fletcher's Mutiny Cyclorama. Ms Sue Draper said:

12 Tourist and Transport Forum, *Submission 2*, p. 1.

13 Mr Glen Buffett, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 12.

14 Norfolk Island Government Tourist Bureau, *Supplementary Submission 6.1*, p. 2.

15 Mr Glen Buffett, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 12.

16 Mr Boo Prentice, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 34.

17 Tourist and Transport Forum, *Submission 2*, p. 1.

When I first moved here we had around 15,000 more visitors per year and that number made quite a difference in terms of money coming to the island and circulating a flow on effect through the community and government.¹⁹

Barriers to growth in tourism

2.19 There are a number of barriers to tourism growth on Norfolk Island. The NIG has little or no control over some of these. Austrade explained that there are external contributing factors, such as the global financial crisis, and natural constraints around the size of the industry:

Its small population means that it cannot support commercially sustainable aviation services and does not have the infrastructure to support large tourism numbers.

It is less than 35 square kilometres ... it has one of the smallest populations of any country or dependency in the world.²⁰

2.20 There is also 'a number of internal factors' which have accelerated the decline of the tourism industry. According to the Department of Infrastructure and Regional Development (DIRD) these include:

- High accommodation and event costs when compared to other overseas holiday locations close to the mainland (i.e. South-East Asia);
- Difficulty in identifying as a destination of choice for the masses of Grey-Nomad groups travelling in regional Australia in mobile homes and caravans;
- Attracting new visitors and providing an ongoing variety of activity and entertainment to generate repeat visitation;
- Ageing infrastructure (e.g. tourism, roads, telecommunications); and
- A lack of new investment and inadequate product offering in all areas, including accommodation, retail, hospitality and events.²¹

2.21 Norfolk Island Tourism listed barriers identified by its stakeholders to tourism growth, new tourism investment and development of new tourist markets, including:

- Lack of clarity on future governance for Norfolk Island;

18 See also Mr Dick Massicks, *Submission 17*, p. 3, and Mr Julian Yates, *Submission 3*, p. 2.

19 Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 1.

20 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 1.

21 DIRD, *Submission 30*, p. 7.

- Inconsistent regulatory environment;
- Uncertainty on taxation regime;
- No business development incentives;
- Restricted Commonwealth tourism grant access;
- High duty on capital items;
- High air and sea freight costs;
- Limited private sector industry group leadership;
- Lack of available industry and business statistics;
- Reduced tourism budget allocations;
- Lack of suitable Convention, Entertainment or Sports Centres;
- Limitations in skilled workforce;
- Need for Australians to have valid passports;
- Inability of Australian visitors to utilise Medicare rebates on island;
- Insurance costs;
- Longer term Air Service stability;
- Waste management practices;
- Private/ government partnership policy; and
- Outdated legislative regulations.²²

2.22 Submitters reiterated the above concerns, and elaborated on additional obstacles including:

- planning requirements and zoning that makes it difficult to change residential dwelling to registered tourist accommodation;²³
- restrictions on and opposition to immigration;²⁴
- high cost of the Norfolk Island GST²⁵;
- expensive electricity and telecommunications²⁶;
- high Norfolk Island import duty²⁷;
- lack of appropriate roads maintenance²⁸ and adequate footpaths;
- an old sewerage system, which only serves part of the Island;²⁹

22 Norfolk Island Tourism, *Submission 6*, p. 6.

23 Tourism Action Group, *Submission 19*, p. 1.

24 See for example: Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3; DIRD, *Submission 30*, p. 2; and Mr Dick Massicks, *Submission 17*, p. 5.

25 See for example: Mr John Brown, *Submission 32*, p. 2; and Mr Steven Brooks, Tourism Action Group, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27.

26 See for example: Mr Brad Forrester, *Submission 28*, p 2, Ms Charisse Clarke, Norfolk Island Liberals; *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20; Mr Steven Brooks, Tourism Action Group, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27; and Tourism Action Group, *Submission 19*, p. 3.

27 Tourism Action Group, *Submission 19*, p. 1

28 See for example: Mr Brad Forrester, *Submission 28*, p 2; and Mr John Brown, *Submission 32*, p. 2.

- [ineffective and malfunctioning] Government Business Enterprises (GBEs)³⁰ – charging higher than desirable fees as a general revenue measure to cross-subsidise other activities, rather than charging on a cost-recovery/fee for service basis;³¹
- reduced money available for and spent on marketing;³²
- reluctance or inability to adapt the tourist product; and³³
- limited engagement with Tourism Australia and exclusion from the Australian Tourism Data Warehouse (ATDW).³⁴

Committee comment

- 2.23 Many of the barriers to growth in tourism will only be satisfied by a change in governance arrangements.
- 2.24 Taking just one of the significant barriers – limited engagement with Tourism Australia³⁵ – illustrates how the self-governance model does not serve the best interests of Norfolk Island’s tourist sector and economy.

A significant barrier: Norfolk Island’s limited association with Tourism Australia

- 2.25 Submissions from Norfolk Island Tourism and Christmas Island Tourism Association (CITA) referred to their exclusion from the traditional tourism structures that operate on the mainland as a major limitation.
- 2.26 CITA explained:

29 Mr Julian Yates, *Submission 3*, p. 2

30 Government Business Enterprises on Norfolk Island include the airport, telecom, the electricity undertaking, the philatelic post office, water assurance schemes, waste management. Source: The Hon Tim Sheridan, Norfolk Island Minister for Finance, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 10.

31 See for example: Mr Dick Massicks, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 32; DIRD, *Submission 30*, p. 5; and Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

32 See for example: Mr Dick Massicks, *Submission 17*, p. 3; Ms Elva Leaming, *Submission 7*, p. 3; and Tourism Action Group, *Submission 19*, p. 1.

33 Mr Julian Yates, *Submission 3*, p. 2.

34 The Australian Tourism Data Warehouse is a joint initiative of Tourism Australia and all Australian State and Territory Government tourism organisations that markets Australian tourist products. See the website: <http://www.atdw.com.au/>. See Christmas Island Tourism Association, *Submission 13*, Tourism Action Group and *Submission 19*, Norfolk Island Government Tourism Bureau, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 13.

35 Tourism Australia is the Australian Government agency responsible for attracting international visitors to Australia for leisure and business events. The organisation is active in around 30 key markets and activities including advertising, PR and media programs, trade shows and industry programs, consumer promotions, online communications and consumer research. See Tourism Australia website for details: <http://www.tourism.australia.com/>.

This limits opportunities for promotion, partnerships, investment and planning available to destinations and operators across mainland Australia.

As Australia's Island Territories do not fall into the recognised systems of Regional Tourism Organisations (RTOs) and State Tourism Offices (STOs) we do not have access to many of the programs and services offered by these organisations and Tourism Australia.³⁶

- 2.27 Tourism Australia does not undertake specific marketing activities for Norfolk Island and implied that its member organisations make a financial contribution in return for receiving its member services:

It is worth noting that the cooperative marketing campaigns TA undertakes with State and Territory Tourism Organisations (STOs)³⁷ are paid from TA's appropriation from government, with direct monetary contributions from STO partners - all sourced from Australia's taxpayers.³⁸

- 2.28 Norfolk Island Tourism states it is disadvantaged by not having access to the Australian Tourism Data Warehouse (ATDW) - a joint initiative of Tourism Australia and all Australian State and Territory Government tourism organisations that markets Australian tourist products.³⁹ Mr Buffett said:

... if we can get into the Australian Tourism Data Warehouse ... that gives us access to a whole range of distribution that we have never had before.⁴⁰

- 2.29 The Tourism Action Group (TAG) similarly wants to see Norfolk Island part of the ATDW, and seeks additional support from Tourism Australia:

We need the experience and assistance of Tourism Australia to help profile Norfolk Island as a destination of choice. Currently, we do not receive recognition or assistance in any way from this extremely important part of Australia's marketing group.⁴¹

36 Ms Karen Singer, Christmas Island Tourism Association, *Submission 13*, p. 1.

37 Each state and territory in Australia has its own government tourism agency that works with industry. The role of the state tourism organisations (STOs) is to: support the development and marketing of sustainable tourism destinations and experiences within their state, to increase awareness and attract visitors. Source: Tourism Australia website, <http://www.tourism.australia.com/contact-us/state-tourism-offices.aspx>.

38 Tourism Australia, *Submission 33*, p. 1.

39 See the ATDW website for details, <http://www.atdw.com.au/aboutus/>.

40 Mr Glen Buffett, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 13.

41 Tourism Action Group, *Submission 19*, p. 4,

- 2.30 Ms Charisse Clarke, representative of the Norfolk Island Liberals voiced concerns about Norfolk Island's exclusion from Tourism Australia:

We can neither attend not participate in any of their promotional activities, nor gain access to their resources.⁴²

- 2.31 According to Tourism Australia, Norfolk Island does have observer status on the Australian Standing Committee on Tourism (ASCOT) and the Tourism Ministers' Meeting (TMM), and through this the opportunity to participate in the implementation of the national long-term tourism strategy, *Tourism 2020*.⁴³ Austrade advised the Committee that despite having observer status, Norfolk Island last attended a meeting, nearly three years ago, in October 2011.⁴⁴

- 2.32 Tourism Australia continues to send Norfolk Island material related to these meetings:

Having said that though, even though they did not attend those particular meetings ... they are sent all the materials that come from the meetings, including the minutes, all the papers and the products that come out of the Tourism 2020 process.⁴⁵

- 2.33 The Committee wanted to know what other contact and engagement Tourism Australia has had with Norfolk Island. Mr Tim Mahony, Government and Media Relations Manager, said he was aware of meetings held with Mr Glen Buffet and Mr Andre' Nobbs, then Minister for Tourism in 2011-2012, and suggestions Tourism Australia had made about marketing Norfolk Island with them, including:

... very low cost-stuff that they could achieve through leveraging our social media channels ... You can get great reach by linking and going through our Facebook page, for example. It has \$ 5.8 million followers around the world.⁴⁶

42 Ms Charisse Clarke, Norfolk Island Liberals, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20.

43 Tourism Australia, *Submission 33*, p. 1. See the Tourism Australia website for details of *Tourism 2020*, Australia's national strategy for the growth and competitiveness in the tourism industry, focusing on 6 strategic areas: <http://www.tourism.australia.com/statistics/tourism-2020.aspx>.

44 Mr Nicholas Dowie, General Manager, Austrade, Canberra, *Committee Hansard*, 26 June 2014, Canberra, p. 2.

45 Mr Nicholas Dowie, General Manager, Austrade, *Committee Hansard*, 26 June 2014, Canberra, p. 2.

46 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

2.34 Mr Mahony told the Committee he was unaware whether any of Tourism Australia's suggestions had been followed up.⁴⁷

2.35 Mr Buffett referred to delays with online marketing:

Certainly the progression for us has been moving towards online marketing and stuff. ... understand that the skill base required to do that needs to be established too. That is the stuff that we have been working through in the last year to get people within our organisation to understand how social media works and we have developed a social media strategy. It all takes time but we are definitely now in a position to take that forward.⁴⁸

2.36 It is difficult to get a complete picture of tourism on Norfolk Island given it does not participate in Australia's International Visitors' Survey or National Visitors' Survey. These are key surveys undertaken by Tourism Research Australia – 'Australia's leading provider of quality tourism intelligence across both international and domestic markets.'⁴⁹ Tourism Australia summarised:

There is no primary source of data for Norfolk Island available to Tourism Research Australia.⁵⁰

Committee comment

2.37 It is true that Norfolk Island Tourism is outside the mainstream Australian tourism system, although it does have opportunities to participate and leverage off Tourism Australia resources, which it has not fully utilised.

2.38 Its own resources are limited.

2.39 It is undoubtedly harder for Norfolk Island to resource and promote itself than if it were part of a state tourism association, affiliated with the national tourist body, Tourism Australia and able to access the ATDW and other forms of assistance, including grants.

The deficit — revenue and expenditure

2.40 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, confirmed that the Island's deficit for the next three

47 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

48 Mr Glen Buffet, General Manager, NIGTB, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 17.

49 Tourism Research Australia, <http://www.tra.gov.au/>.

50 Tourism Australia, *Submission 33*, p. 3.

years is estimated at between \$7.4 and \$7.8 million a year.⁵¹ He elaborated:

In our current budget we have a total income of just under \$30 million and our total expenditure is just over \$34 million. This financial year we were granted a \$4.4 million assistance package from the Commonwealth but that is dependent upon meeting certain milestones within the funding agreement. To date we have only received something like \$1.3 million or \$1.4 million out of the \$4.4 million ... From revenue from taxes we get \$9.5 million from taxes include[ing] customs duties [and] \$6.5 million on GST.

... Revenue from charges is \$320,000. Other revenue sources is \$19 million. Those are mainly our business enterprises through the airport, telecom, the electricity undertaking, the philatelic post office, water assurance schemes, waste management.

Salaries and wages are \$10.375 million; recurrent expenditure is \$23.3 million, and this year we have allowed some \$400,000 for capital expenditure. That is the area that suffers the most ... we fund our recurrent expenditure only and very little on capital expenditure.⁵²

Insolvency

2.41 According to DIRD 'the condition of infrastructure on the island is not far from critical failure' and 'without Australian Government emergency funding Norfolk Island would be bankrupt.' In sum, revenue has fallen dramatically, there is limited measuring data, services are below standard, Norfolk Island has far too many responsibilities for its capacity and a recalcitrant attitude toward diversifying its economy and amending legislation to attract investment and immigration:

Norfolk Island is currently experiencing a severe economic downturn with the Gross Territory Product falling by approximately \$20-30 million (in 2011 dollars) between 2009 and 2010 ... in contrast, the wider Australian economy saw more than 5% growth in economic output over the same period ...

There is limited up-to-date economic data available on the Norfolk Island economy and the Norfolk Island economy lacks both the

51 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 6.

52 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Government, *Committee Hansard*, Norfolk Island, 29 April 2014, pp. 9-10.

capacity and resources to source economic data, which makes the extent and effect of the downturn difficult to measure. That said its economy has stagnated and continues trending downwards. The drivers of this decline are a mix of external factors beyond the control of the Norfolk Island Government coupled with inefficient and ineffective internal arrangements (governance and operational).

... the Norfolk Island Government's delivery of national and state type services [are] measured well below Australian standards.

Norfolk Island's revenue base is presently too small to fund the breadth of its responsibilities [including its own legislature, hospital, school, services, customs, immigration and quarantine].

The Island's ability to diversify economically and attract new investment has been limited by the closed culture and monopolistic role of the Norfolk Island economy and the associated protectionist legislation that supports this role (ACIL Tasman 2012).

Although the Norfolk Island Government has amended some legislation to encourage economic investment this has largely been driven by the Australian Government. Changes to legislation aimed at increasing immigration and investment have to date been only partially successful due to ongoing issues with Norfolk Island Administration's interpretation and management of the Immigration Act.

Apart from the poor quality of infrastructure and lack of capital investment, further impediments to business investment include the high price of some utilities, including electricity, which is almost four times more expensive on-island, compared with the mainland; the current telecommunications network which is only equipped to handle 2G services and is inadequate for e-commerce or anything other than telephone or texting services; and the high cost of freight due to the island's remoteness and lack of adequate port facilities.⁵³

2.42 The Norfolk Island Finance Minister indicated that Norfolk Island cannot sustain itself financially:

We have no ability to raise [the deficit amount] locally. We are going through some endeavours to change our local tax raising base through the introduction of municipal rates ... [but] we will

53 DIRD, *Submission 30*, pp. 1-2.

be continuing to request financial support from the Commonwealth on a year-to-year basis.⁵⁴

2.43 Mr Pope said that he thought the lack of available finance is:

... overwhelmingly the problem with the utilities and the infrastructure on the island.⁵⁵

2.44 Mr Yates agrees that the Norfolk Island funding base is inadequate and Commonwealth assistance imperative because:

... there was little, in my view, that they could do to change themselves.⁵⁶

Transparency, accountability and tax practices

2.45 A lack of transparency and accountability – and its protectionist tax regime – is another long-standing criticism levelled at the Norfolk Island Administration and Government. This concern was raised in evidence and testimony from a number of witnesses who commented:

Norfolk Island's biggest problems are:

The continued lack of transparency and accountability on the part of the Administration and the Norfolk Island Government.⁵⁷

It does not matter what initiatives are given to this island to get it out of the mire ... they will be ... corrupt in who gets the benefits out of it.⁵⁸

- Reluctance of a well-positioned minority on the Island to truly open up the Island and its economy; and
- Vested interests not wanting the Australian tax system.⁵⁹

My first visits showed significant problems ... They had a tax regime that produces significant behavioural distortions; it was not allowing for innovation and new industry to come in. It was actually promoting a tax haven.⁶⁰

54 The Hon Tim Sheridan MLA, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 5.

55 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

56 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

57 Mr John Brown, *Submission 32*, p. 6.

58 Mr Dick Massicks, *Submission 17*, p. 2.

59 Mr Neil Pope, *Submission 34*, p. 5.

60 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

Lack of on-island expertise for the scale of the fix

- 2.46 One of the Road Map's key elements is reform of the Norfolk Island public service.
- 2.47 DIRD acknowledged changes made to improve Norfolk Island public sector legislation, however progress is slow:
- ... to enact appropriate policies, procedures and practice to give practical effect to these changes.⁶¹
- 2.48 DIRD states that capability is limited and it is beyond the ability of the Norfolk Island Administration to govern all the matters in its remit:
- Capacity and succession planning ... remains an ongoing challenge.
- The ability of the Norfolk Island Government to implement reforms to its public service is constrained due to a lack of appropriate skills and funding and it is unlikely to achieve meaningful change without significant Australian Government assistance.⁶²
- 2.49 Mr Yates agreed:
- The expectation for a community around 2000 people to have the governance, financial, and the skills base to run a semi-sovereign state, more or less, is just not practical. It cannot be done. They probably have not been financially viable from day one.⁶³
- 2.50 Local resident, Mr Rick Kleiner, describes the NIG's inability to realise important and substantive capital works projects. He said:
- My concern is that Norfolk's track record for delivering projects on time and on budget and in a way that meets what the customer expects and fulfils the technical specifications is close to zero, in my experience.⁶⁴
- 2.51 Mr Massicks referred to the inefficacy of the works department, the Government Business Enterprises and the whole NIG:
- Poor maintenance and rebuilding decisions by the Works Department.⁶⁵
- I believe that the local Norfolk Island Government should sell all of its GBEs or get rid of them or hand them over to Australia- do

61 DIRD, *Submission 30*, p. 6.

62 DIRD, *Submission 30*, p. 6.

63 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

64 Mr Rick Kleiner, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 28.

65 Mr Dick Massicks, *Submission 17*, p. 4.

something with them immediately-including the works department and everything else. There is far too much featherbedding in these organisations, and I do not think that they are working effectively and with good business sense.⁶⁶

- 2.52 Mr Pope praised the work of certain individuals (and progressive people in a previous 13th Legislative Assembly). However, in his assessment, by-and-large, the Norfolk Island Administration lacks the expertise required to meet the complex challenges it faces:

The Chief Executive Office, Jon Gibbons, and the deputy chief executive officer, Bruce Taylor, I think, do a terrific job, and it is an extremely time-consuming job for them. You will find them working seven days a week. There is not much back-up to them.

Consequently, we do not have the intellectual capacity to start looking at these issues of infrastructure and how you are going to get out of the economic depression they have currently been in.⁶⁷

The capability of the Norfolk Island Government and, more so, the capability of the Norfolk Island Administration of Norfolk Island, cannot deliver the required change and I think in some ways would stymie any real change into the future.⁶⁸

Committee comment

- 2.53 The Commonwealth Government and NIG are in an unenviable situation of having to negotiate annual 'emergency funding arrangements' in order to stave off bankruptcy. Having compliance and co-contribution conditions put on that agreement that the NIA is ever hard-pressed to meet is nonsensical.
- 2.54 The unfortunate economic reality is that Norfolk Island is now dependent on the Commonwealth for survival.

Self-government just not working

- 2.55 Mr Yates described self-government as an experiment that has failed:

There have been periods when they have been able to cover their operational costs, but I do not see any evidence that they really have been able to cover their capital investment or replacement costs. This is why we see the poor condition of the roads, the

66 Mr Dick Massicks, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 32.

67 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, pp. 3-4.

68 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

difficulties they have with the new hospital building, their inability to pay the runway refurbishment loans and the continual Commonwealth bailing out. ... I do not see how a community of that size will ever be remotely self-sufficient in a funding sense, which is what the current governance model requires.⁶⁹

Norfolk Island should not continue as a self-governing territory; the experience has not worked.⁷⁰

2.56 Mr Pope endorsed Mr Yates' comments. He added:

Self-government in 1979 was ill-conceived. To have an island of approximately 1600 permanent residents elect a parliament of nine members and a Government or Chief Minister that has carriage of all three levels of government responsibility, that is federal, state and local, is ludicrous.⁷¹

2.57 Mr Pope alluded to escalating costs:

In my 27 months as Administrator, I oversaw a funding commitment of in excess of \$40 million in Australian taxpayers' money.⁷²

2.58 Local resident, Mr Peter Wilson, summarised the present impasse:

The Australian Government have given us significant amounts of money over recent years. For that, we are truly grateful. However, not one cent has gone into rebuilding this broken economy. If you truly want to help us, stop paying out money to maintain a broken government. They have had their time and it is time to shut them down. This community will only grow if you help retrieve our struggling private sector. I believe your money would be better spent building a stable and vibrant economy. The Norfolk Island community will always cost the Australian Government money, as do all small Australian communities. However the stronger our private sector is, the stronger our economy will be and the less money the Australian government will have to outlay for this community ...

The time has come for change, and this community is fed up with watching the light at the end of the tunnel drive further and further into the distance.⁷³

69 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

70 Mr Julian Yates, *Submission 3*, p. 3.

71 Mr Neil Pope, *Submission 34*, p. 1.

72 Mr Neil Pope, *Submission 34*, p. 3.

73 Mt Peter Wilson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 33.

2.59 Mr Pope emphasised that that the Norfolk Island Government is letting their own community down:

... the majority of the community are extremely well-meaning and it is a terrific community. However they are not well served by their government ... in fact I believe the Norfolk Island Government are letting down their community in a way which needs to be rectified, and needs to be rectified sooner rather than later.⁷⁴

2.60 Mr Massicks alluded to the wider community's frustrations with both the NIG and the Commonwealth Government:

Many people on Norfolk Island are unhappy that Canberra has failed in its duty of care to look after this territory and its people, and feel that no substantial changes are occurring. Even now with the funding packages the Norfolk Island Government is failing to perform and Canberra keeps paying: occasionally delaying a payment but still paying. We have often hoped that you would refuse payments entirely, forcing the public servants to be laid off and the Norfolk Island Government to resign giving Canberra a great opportunity to have the island come in under your own rules.

The Norfolk Island Government is continually increasing charges to an embattled and impoverished community. Winston Churchill once said that to try and tax your way to prosperity was like a man trying to pick up a bucket while he had one foot in it.⁷⁵

Community in limbo

2.61 Residents expressed multiple frustrations at perceived inaction on the part of both governments:

Norfolk Island has been both politically and economically in limbo for close on four years now ... very little action has occurred and the uncertainty regards the island's future hangs in the balance.

I love living on Norfolk Island but we feel trapped in a system that has taken away our cash flow and devalued our assets to the point where we must give consideration to moving off island should it not improve. At the same time imposts are rising and the only

74 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

75 Mr Dick Massicks, *Submission 17*, p. 2.

news out of Kingston⁷⁶ is that there is more to come. The continued uncertainty of our future is placing our business interests in doubt, our cost of living exorbitant, and the continued indecision of the Norfolk Island and Federal Government to resolve the political status is depressing to say the least.⁷⁷

2.62 Mr Massicks said Norfolk Island needs certainty:

Investment decisions are being delayed, our work force and population is dwindling and we are going in ever decreasing circles. At this stage most of us don't care what happens as long as something does and we have certainty.⁷⁸

2.63 Mr John Brown concurred that Norfolk Island's biggest problem was uncertainty:

Uncertainty caused by the inaction of both governments. There needs to be a decision about income tax, social services etc and the two governments need to sit down and reach an agreement on any changes to the structure of government in Norfolk Island.⁷⁹

2.64 The Norfolk Island Finance Minister emphasised the impact that not knowing Norfolk Island's future governance arrangements has on his ability to do his job, and the economy:

... without knowing what type of model the island will be governed by into the future it is virtually impossible to accurately forecast the expenditure requirements for which budgets need to be set into the future, without knowing what transfer and equalisation payments Norfolk Island would be eligible for under an Australian taxation arrangement. And the current restrictive budgets do not allow for the Norfolk Island Government to provide for economic stimulus to the private community. This matter of knowing the ongoing fiscal relationship with the Commonwealth is vital for economic development on Norfolk Island. Without the certainty that this brings, it is difficult to provide to the community that which is needed.⁸⁰

76 Kingston is the administrative headquarters on Norfolk Island.

77 Mr Bruce Walker, *Submission 29*, pp. 1-2.

78 Mr Dick Massicks, *Submission 17*, pp. 2-5.

79 Mr John Brown, *Submission 32*, p. 5.

80 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 4.

Support from the community for change

- 2.65 Business owners informed the Committee that it was increasingly difficult for them to continue in the current environment. Mr Brad Forrester said:

Let me state quite categorically it is only due to our family's extreme perseverance that our businesses are surviving. There have been a few exceptions in years gone past of support from NI Government but none to draw on in recent years as times have not only got tougher but we see no evidence of important structural change necessary to put the island on a sustainable path.⁸¹

- 2.66 Mr Pope said there is widespread support on the island for reform:

I think you will find that tomorrow week in *The Norfolk Islander* that you will have the same characters coming out talking about Neil Pope is a 'colonial overlord'... I have no doubt that those same vested interests will be making those same noises.

Overwhelmingly it is unfortunately a case of the silent majority because there are some bullies.

While some might disagree with the way it has been put forward ... there is still this overwhelming need that we have to do something. I think that the starting point is we have to look at governance.⁸²

- 2.67 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD said there has been a shift in her time in the job, towards an acceptance that change is inevitable:

... even amongst the Pitcairn community there is a growing understanding, however culturally undesirable to them, that there is a need for reform.⁸³

- 2.68 Mr Yates agreed:

... my sense from my time in the role over several years was that there was an increasing acceptance by a lot in the community of the need for change.⁸⁴

- 2.69 Mr Andrew Wilson, Deputy Secretary, DIRD endorsed Ms Fleming's comments:

81 Mr Brad Forrester, *Submission 28*, p. 1.

82 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 7.

83 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD, *Committee Hansard*, Canberra, 19 June 2014, p. 5.

84 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10.

All of the information garnered by Minister Briggs, by Ms Fleming and Mr McInnes and the officers that we have on the island indicate that there is less resistance to the concept of a change and there is an acceptance that the current arrangements are, if not completely broken, certainly questionable as to the capacity for them to deliver ongoing, stable and efficient government.⁸⁵

- 2.70 Even the proponents of retaining the territory's self-governance acknowledge the need for decisive action.
- 2.71 Mr Ron Nobbs is of the view that the Road Map has been a failure and that practical solutions are required to 'create a robust economy.'⁸⁶
- 2.72 Mr Brett Sanderson said there is no point talking about the economy without due consideration of governance, and 'the bigger picture':
- The bigger picture needs to set the broader political and economic policy settings and framework before we talk too much about economic diversification. Tourism has sustained this island since the 1950s and 1960s. So I think it is really a waste of your time, which is extremely valuable, to talk about economic diversification without looking at the bigger picture, which is the governance structure and the broader economic policy settings.⁸⁷
- 2.73 The Hon Lisle Snell MLA, Chief Minister and Minister for Tourism, Norfolk Island Legislative Assembly said Norfolk Island wants certainty:
- After a period of some four years it is quite obvious that Norfolk Island is in a state of limbo and we need some definite aims and goals to work towards. And we need a finalisation of how we can achieve those.⁸⁸

Committee comment - change the status quo

- 2.74 Australian taxpayers are footing an ever increasing bill without a clear objective. Norfolk Island residents, business owners and investors have no certainty whatsoever and are living their lives in limbo.
- 2.75 After the Committee's visit to Norfolk Island in April 2014, it appears there has been a shift and resignation, if not full acceptance, of the need for reform, including amongst the Pitcairn descendants. Residents can see 'the

85 Mr Andrew Wilson, Deputy Secretary, DIRD, *Committee Hansard*, Canberra, 19 June 2014, p. 4.

86 Mr Ron Nobbs, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 25.

87 Mr Brett Sanderson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 23.

88 The Hon Lisle Snell MLA, Chief Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 1.

writing on the wall' and that reform is the only way to save their island from insolvency and put it on a path towards economic development.

- 2.76 It is time to end the stalemate on Norfolk Island through serious consideration of new governance arrangements, for the sake of the economy and the community. What form this might take is the subject of the next chapter.

Governance: a new model

- 3.1 There was more discussion on the need for reform than detail provided about what the new governance arrangements could or would look like, and how they might actually function. That said, some fundamental principles emerged as critical considerations for any new governance model.

Repeal the *Norfolk Island Act 1979* (Cth) and appoint a transitional administration

- 3.2 Witnesses argued for repealing the *Norfolk Island Act 1979*¹ (the Act) which established self-governance. Former Norfolk Island Administrator, Mr Neil Pope said:

The removal of self-government should be a prerequisite, not at the time of bringing in the Australian taxation and social security net but before we go down the track of bringing in Australian taxation and social security.²

- 3.3 Mr Pope advised:

Repeal the *Norfolk Island Act of 1979*, abolish the Norfolk Island Assembly, eventually establishing a local government body.³

- 3.4 Local businessman, Mr Dick Massicks, agreed that the Act should be repealed, and administrators appointed:

... remove the Norfolk Island Act, sack the NIG, and appoint an independent commissioner/administrator to take over implementation of changes.

1 *Norfolk Island Act 1979* (Cth), <http://www.comlaw.gov.au/Details/C2013C00674>.

2 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

3 Mr Neil Pope, *Submission 34*, p. 1.

... I believe that under that Act you have the ability to do this where finance problems are an issue.⁴

- 3.5 Mr Pope argued that an independent administration should be installed at the outset of the process, with experts from state governments put in place to sort out Norfolk Island's finances, administration and service delivery:

Initially having an administration team of four or five for a few years before establishing a far more appropriate governance arrangement.⁵

Initially what is required is dissolution of the Norfolk Island Assembly and to bring in a team of professionals which would include the following skill sets: finance, economic development, legal, contract management, health/community services and project management. Preferably they would come from state government ranks.⁶

I think that you need to have some transitional period where you bring in these experts in these various areas ...

... state governments know how to deliver on these issues far better.⁷ [than the federal government]

They would work to the Administrator and the Administration of Norfolk Island would in turn report to this team.⁸

- 3.6 Mr Pope suggested that experts would need to be in place for a few years, in order to try and turn the place around, including reform of the Government Business Enterprises (GBEs).⁹ The Department of Infrastructure and Regional Development (DIRD) commissioned Deloitte consulting to review the GBEs on Norfolk Island. That report is not yet publicly available. On that subject, Mr Pope said:

I think that Norfolk Island could be turned around, before going into the Australian taxation and social security net, with the

4 Mr Dick Massicks, *Submission 17*, pp. 2-5.

5 Mr Neil Pope, *Submission 34*, p. 1.

6 Mr Neil Pope, *Submission 34*, p. 2.

7 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 5.

8 Mr Neil Pope, *Submission 34*, p. 2.

9 The Norfolk Island Government operates a number of Government Business Enterprises to provide a range of utilities and services that are wholly or partially provided by the private sector on the mainland, including liquor supply, electricity, telecommunications and lighterage. The Norfolk Island Government operates these are unregulated monopolies. The revenue from these GBEs pooled in a consolidated revenue fund are then used to cross-subsidise other government activities, including loss-making GBEs (see DIRD *Submission 30*, p. 5).

proper management, and by looking at those government business enterprises or business units, as I would call them, and looking at how you might bring in management contracts. I think the Deloitte work was excellent.¹⁰

3.7 On the findings of the Deloitte review, DIRD said:

Early indications from an Australian funded review of the GBEs indicates that they are highly integrated with the Norfolk Island public service and have rundown assets, meaning they are not in a position to be privatised at this stage. However, there is potential for a process of restructuring of GBEs to improve efficiency and services with a view to preparing some GBEs for privatisation in the medium term.¹¹

3.8 Witnesses emphasised the importance of the transition period, that one system cannot be turned into another overnight¹², and that the appointment of commissioners is an integral component.¹³ This might take time:

... you are looking at maybe three to five years of having an administration team in there to actually turn the economy around and, during that period, hopefully formulate exactly what sort of government you want for the future.¹⁴

Options

Traditional local government

3.9 Mr Julian Yates, a retired public servant with years of experience of territory issues at the first assistant secretary level, including on development and implementation of the Road Map, spoke to the alternative to self-government. He proposed that:

The government on Norfolk Island should become a local government with some enhanced responsibilities given its remote location, but it ought not to provide services beyond its financial and technical competence.¹⁵

10 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 5.

11 DIRD, *Submission 30*, p. 5.

12 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10; and Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 9.

13 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 5.

14 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 9.

15 Mr Julian Yates, *Submission 3*, p. 3.

3.10 Mr Yates expanded on the benefits of a traditional local government model. He said it will:

... enable the government to focus on those local government things that are important, like rates and typically the roads. A lot of local governments also do power and sewerage so they can deliver those things fairly effectively. I think the style of government needs to be very closely linked to how you fund it; most local governments in small communities in Australia have a rate base, but it is not sufficient to fund all of their activities and they receive a significant Commonwealth funding as well as some state stuff, through a local governments grants scheme. One model to normalise Norfolk Island which would have an economic benefit would be to have that government operate a lot like a normal local government in most of Australia and receive similar benefits to those a normal local government receives.¹⁶

Local government— type authority — no template

3.11 Australia's other external territories have local government models that are unique to each territory. Lord Howe has an advisory body¹⁷ and Christmas and Cocos Keeling Islands have shire councils.¹⁸ Another non-traditional governance model that might be instructive is the Torres Strait Regional Authority.¹⁹

3.12 Mr Yates spoke to the variety of local government models across Australia and said 'it is not a case of one-size fits-all.' He suggested that Norfolk Island:

... is a local government that could do more than some of the others that really only relate to purely municipal matters.²⁰

3.13 Mr Pope proposes the establishment of what he calls 'a local government-type authority.'²¹ This might look like a regional authority, which could give residents more of a say beyond just local government issues:

16 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10.

17 Lord Howe Island Board website, <http://www.lhib.nsw.gov.au/>.

18 Shire of Christmas Island website, <http://www.shire.gov.cx/>; and Shire of Cocos Keeling Islands website, <http://www.shire.cc/en/>.

19 Torres Strait Regional Authority website, <http://www.tsra.gov.au/the-tsra>.

20 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10.

21 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 5.

So, yes, I think that some sort of regional authority would be probably appropriate. But I think it is a few years down the track.²²

3.14 Mr Pope said he was open about the form the new government might take:

... whether it is a regional authority-type government that Mr Snowden was talking about, whether it is a local government authority per se or whether it is indeed merely an advisory board. But there needs to be some democratically elected body on that island and looking after the sort of local government issues that we all appreciate back on the mainland.²³

State-level services — under New South Wales or Queensland jurisdiction

3.15 Under its self-governing Act, the Norfolk Island Government (NIG) replicates federal, state and local government responsibilities.

3.16 This is a completely unique arrangement. No other community in Australia, including its other external territories, attempts all these functions on its own. Lord Howe Island is part of the state of New South Wales (NSW) and NSW law applies. The Indian Ocean Territories has state-type services provided through contractual arrangements with the Western Australian Government (WA) and covered by WA jurisdiction.

3.17 Norfolk Island will need to be aligned to, and an agreement made with, one of the states for state-level services. Mr Yates suggested that NSW was the most appropriate state to develop a similar arrangement to that of the IOTs with WA:

Most state-level services ought to be provided from a competent state government, most probably NSW or possibly Queensland, on a contracted fee for service basis funded by the Commonwealth, but with local participation in determining the service level and performance. This model has delivered appropriate state-level government services to the Indian Ocean Territories at an affordable cost to residents.²⁴

22 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 5.

23 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 9.

24 Mr Julian Yates, *Submission 3*, p. 3.

Transitional issues

Impact of taxation and introduction of Australian standards

3.18 The NIG reiterated its commitment to the introduction of Australian taxation and social security on Norfolk Island, but as part of its preferred model for territory self-governance. See Appendix D for a copy of the NIG's preferred model for territory self-governance.

3.19 The Hon Robin Adams MLA, Minister for Cultural Heritage and Community Affairs, Norfolk Island Legislative Assembly, stated:

The government's position is quite clear. The motion passed both in the previous parliament and in this parliament is the territory model of self-government's entry into the Australian taxation system and social welfare system.²⁵

3.20 The Norfolk Island Finance Minister said:

The intent of this government – as it was the last government's intent – is that we would still like to participate in the Australian taxation system as well as the social services system.²⁶

3.21 Mr Pope said he was not sure that this was actually the government's intent:

I think there is a lot of hot air at the moment in saying that we really want the Australian taxation system and social security net and I think a number of people who are voicing that think exactly the opposite and are doing things to ensure it does not occur. I think that the lack of working with the federal government in looking at ways of reform is not a matter of saying 'we don't have the capacity'. I think it is because they don't want to.²⁷

3.22 Mr Ron Nobbs indicated that he wishes to see the introduction of taxes delayed:

I have given a nine page submission on a plan ... For the next seven years there would a moratorium on introduction of all taxation, Australian regulations and the like.²⁸

25 The Hon Robin Adams MLA, Minister for Cultural Heritage and Community Affairs, Norfolk Island Legislative Assembly, *Committee Hansard*, Canberra, 29 April 2014, p. 5.

26 The Hon Timothy Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 6.

27 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 6.

28 Mr Ron Nobbs, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 25.

3.23 Residents and business owners expressed their concerns about the additional burden of the introduction of Australian taxation on already struggling individuals, families and businesses. Mr Brett Sanderson said:

And, while we are talking about the introduction of municipal rates and federal taxes we need to look at the ability of the community to pay it.²⁹

3.24 An anonymous submitter summarised fears:

Changes to the current governance model will have consequential changes to the local tax regime, creating another layer of taxes to be met by businesses and individuals. The additional taxes will cause a period of hyper-inflation within the Norfolk Island economy, reinforcing and accelerating the current downward spiral, an example of 'the cure being worse than the disease.'

Norfolk's current tourism industry will become less competitive due to a combination of income tax, compliance costs, higher wages (plus the superannuation surcharge), OH & S regulations, and the cumulative costs of goods and services.³⁰

3.25 Ms Sue Draper, owner of Gallery Guava and Fletcher's Mutiny Cyclorama said that income tax would impact heavily on her business and she may have to lay off staff. She also worries about an increase in the cost of living:

Income tax will mean we need to find the additional money to pay increased wages to cover staff taxes so that they can maintain their current living standard. Alternatively we would have to make them take tax out of their current pay and reduce their living standards and consequently they may earn more money on the dole.

Taxation will no doubt increase the cost of living for everyone as it did when local GST was introduced making it more challenging all round.³¹

Taxing multiple income sources as one

3.26 Local resident, Ms Mera Martin, alluded to the concern islanders have about the impact of taxation on those with several income streams - a common scenario on a small island with limited employment avenues. She said:

29 Mr Brett Sanderson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 23.

30 Name withheld, *Submission 10*, p. 1.

31 Ms Sue Draper, Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 4.

At present people can supply their income from many different sources. They will complicate their returns by having several sources of income. Labour is such that there are no other options on a small island.³²

3.27 Mr Pope acknowledged that this is a real issue:

We are talking about some people who have got more than three jobs. It is either because they are the only person who has the expertise to do those jobs, or within a limited number of people, or they have to do it to make ends meet-because the average wage over there ... around \$35, 000 tax-free. There is no way you could use the marginal tax rate when you bring in the taxation system, unless you had an island with a lot more people and you were paying them a lot more money for the single job that they may do. This is not going to occur in the short-term.³³

Mitigate worst of the impacts of taxation through the introduction of social benefits first and other supports

3.28 Mr Yates said the impact of taxing the low income base on Norfolk Island was something he considered during his time working on the Road Map. The introduction of the social security system ahead of taxation is one way forward:

One of the things we looked at was that, as you transition from their very low wage system with virtually no social security, you would lead with the Australian social security system so that people start getting the normal benefits that all Australian citizens receive through the Commonwealth social security system, and have some of the tax side of things lag by a year or two so that there is that period of adjustment.³⁴

3.29 Mr Yates said an unfortunate reality is that some businesses may not endure once Australian taxation is brought in:

There would have to be significant support provided to the community, because some businesses will go broke, as they do in all communities. This is part of the renewal process.

... sadly, some go broke and are replaced with new ones. That is the innovation-creation side of things – which is very important.³⁵

32 Ms Mera Martin, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 30.

33 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 8.

34 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10.

35 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, pp. 10-11.

3.30 That said, Mr Yates reminded the Committee that there is no social security at present:

Norfolk does not have that side pretty much at all at the moment, other than by delivering food and vegies to people's front doors, which in 2014, is probably not a way I would find acceptable as a social security network.³⁶

3.31 Mr Pope argued that social security is a necessity:

Bringing in the social security system is also complex. But there is such a need.³⁷

3.32 Mr Yates agreed. He said 'get the social security in so that the individuals who are in a bad state ... start getting proper support':

Benefits and taxation are two sides of the same coin. You have to have both.³⁸

3.33 Mr Pope mentioned the cohort of retirement-aged people who are continuing to work out of economic necessity on Norfolk Island and the potential to better assist them with benefit entitlements:

Introducing the Australian pension system on the island may actually increase the number of people who should not be working because they may be in their mid-70s and have all their lives, and worked pretty hard, to retire and get a pension benefit and allow employment for more people on the island.³⁹

Welfare dependency

3.34 There is a concern by some, that Norfolk Island could become a welfare dependency once social security benefits are introduced.

3.35 Mr Ron Nobbs compared Norfolk Island with other remote parts of Australia and cautioned against welfare dependency:

The Roadmap has the potential to make Norfolk Island yet another member of the scrap heap of welfare dependents.⁴⁰

3.36 Mr Andre' Nobbs said:

Ultimately the Norfolk Island community would seek a productive future, rather than a welfare dependency or contingent liability on the Australian system.⁴¹

36 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 11.

37 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 6.

38 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 12.

39 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 9.

40 Mr Ron Nobbs, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 25.

41 Mr Andre' Nobbs, *Submission 14*, p. 7.

- 3.37 Mr Pope said that he thought it an unlikely scenario that Norfolk Island would become a haven for dole recipients:

I think also a majority of people are hard working on [Norfolk Island]. Some of the vested interests will use the issue of unemployment benefits ... that it is going to bring, in their words, 'surfie bums' to the island. ... It is not going to be a haven for people to go and expect to have an easy life, because it is an expensive place to live with respect to everyday life. That is usually the line that the vested interests, who do not want a taxation system, say, 'You get social security and you are going to get all these people coming to the island. We'll get the druggies, etc.' It is a nonsense argument.⁴²

- 3.38 Mr Yates added that the Australian social welfare system has its own guards against welfare dependency.⁴³

Australian government to take the lead

- 3.39 Mr Yates reiterated Mr Massicks' call for the Commonwealth Government to take charge of the situation, to make a decision and to commit long-term to supporting change:

I think the Australian government needs to be saying that this is the direction. Norfolk Island is a subordinate part of Australia—they might not like it. In the end the government has to take the lead on this because I am not sure you can get a complete lead from the community.⁴⁴

... start getting the right services and environment on the island for business activity.

Timing of introduction of new arrangements

- 3.40 Mr Andrew Wilson, Deputy Secretary, DIRD advised changing the administrative arrangements of Norfolk Island 'as quickly as you possibly could':

My experience with all of the territories is that the longer time frame you get, the more uncertainty you create. If you were to try to do it, you would do it over a six to 12 month period of transition. It would require significant investment by my department in regards to changing administrative arrangements and going through the books, but my advice would be to do it as

42 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 8.

43 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 11.

44 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 14.

quickly as you could. Long transition periods create higher degrees of uncertainty and create tension and stress for the individuals involved in it. There is a touch of that uncertainty that then feeds upon itself. I would think six to 12 months.⁴⁵

3.41 Mr Pope agreed. In his view, dissolving the present Norfolk Island Government should happen soon:

Absolutely – and it should occur this year.⁴⁶

Cabinet submission on reform

3.42 Minister Briggs confirmed in a letter to the Chief Minister published in the *Norfolk Islander* in July 2014 that ‘the Cabinet will be considering reforms on Norfolk Island in the coming months.’ He emphasised that this is something that the community-at-large endorses:

A majority of responses received [to his letter seeking the community’s views earlier in the year] supported governance reform as an important step in securing the island’s future.⁴⁷

Committee comment

3.43 The Committee appreciates the complexity, nuances and to-some extent enormity of the task ahead for the Commonwealth Government to transition Norfolk Island from a self-governing territory to a modern local government type authority. One that is fiscally responsible and accountable to its elected representatives, and delivers services of a suitable standard. However, the alternative of continuing to prop up the NIG budget and NIA or ‘business as usual’ approach is not an option that ultimately serves Norfolk Island residents well.

3.44 The NIG may wish to retain state and local government level responsibilities. However, the reality is they are in the red and have long-struggled to maintain infrastructure and deliver services to mainland standard.

3.45 Whilst consultation with the NIG and community is important, the Committee recognises that there has already been extensive consultation.

45 Mr Andrew Wilson, Deputy Secretary, DIRD, *Committee Hansard*, Canberra, 19 June 2014, p. 4.

46 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 9.

47 Correspondence from The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, undated, published in *The Norfolk Islander*, vol.49, no. 21, Saturday 5 July 2014.

- At this point there can be no resile from the difficult decisions that need to be made for Norfolk Island’s future.
- 3.46 The Committee cautions against merely adopting another external territories model, be it the IOTs or Lord Howe’s and applying it to Norfolk Island. That said, and at this critical juncture, the next ten years cannot be spent working out the perfect model.
- 3.47 The Commonwealth, supported by the resources and expertise of DIRD, can work out the best model to proceed with, in accordance with the community’s needs and aspirations. The community must be brought on board throughout a transition process to a new governance model. Community support is integral to its success.
- 3.48 The Committee did not receive sufficient evidence to determine the ideal timeframe for the transition period, nor the introduction or exact form that the new model should take. These are details to be worked out carefully. However, it is clear that a transitional team with the appropriate expertise and resources behind it needs to be put in place, as soon as practicable, to effect reform.
- 3.49 It is important that mechanisms for community consultation be established from the outset that allows for regular and ongoing communication between the transitional administration and the community about the reform process and new governance arrangements. The consultation might take the form of an elected consultative body, community meetings or other, but it should encourage and facilitate input and feedback from the community.

Recommendation 1

The Committee recommends that, as soon as practicable, the Commonwealth Government repeal the *Norfolk Island Act 1979 (Cth)* and establish an interim administration, to assist the transition to a local government type body, determined in line with the community’s needs and aspirations. This will require the development of a new legislative framework.

Recommendation 2

The Committee recommends that formal mechanisms for community consultation be established which allow for regular and ongoing communication between any transitional administration and the community about the reform process and new governance arrangements.

Infrastructure: investment required

4.1 The deteriorating state of Norfolk Island’s infrastructure and the Norfolk Island Government (NIG)’s inability to finance its repair and upkeep is outlined in chapter two.

4.2 The ACIL Tasman report highlights the critical relationship between infrastructure investment and economic growth:

Infrastructure investment is a core determinate of economic growth. The sustained low level of public structure investment on Norfolk Island has acted as a constraint to economic development. Failure to invest in shipping access facilities has restricted the ability of the tourism industry to expand into servicing the cruise shipping industry...¹

4.3 The status of the long-awaited Cascade Pier upgrade, as well as other sea access proposals, namely, a safe or deep harbour and alternative landing sites are infrastructure priorities for residents.

4.4 Mr John McCoy, Chairman of the Cascade Port and Marina Development Inc. explained Norfolk Island’s dependence on good sea access:

Norfolk Island does not enjoy the benefits of a natural harbour or lagoon capable of accommodating large ships, moorings or safe anchorage. The geographical isolation and being surrounded by ocean means that reliable and safe access from the sea is intricately woven into the financial well-being of the economy.²

1 Norfolk Island Economic Development Report, *Infrastructure Investment*, p. 56, in Norfolk Island Government, *Submission 21*, p. 7.

2 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27.

- 4.5 Sea access is the first issue explored in this chapter. This will be followed by short sections on other infrastructure priorities: air services; roads; and telecommunications.

Condition of current landing facilities: Kingston and Cascade Piers

- 4.6 Norfolk Island has two landing facilities for the transfer of people and goods. Kingston Pier is on the southern side of the island and Cascade Pier is on the northern side.³
- 4.7 Cruise ship passengers are unloaded at both landing sites, depending on the prevailing weather conditions. All goods are unloaded via traditional stevedores at Cascade Pier.
- 4.8 Mr Glen Buffett, General Manager, Norfolk Island Tourism acknowledged that work is required to redress infrastructure deficits that exist at both Kingston and Cascade piers.⁴
- 4.9 Witnesses described how Kingston Pier needs dredging because it is too shallow for use at low tide.⁵
- 4.10 Mr Duncan Evans, Transam Argosy provider of shipping agency services, elaborated:
- At low tide the ship tenders often strike the seabed, and it is necessary to severely restrict the number of passengers being carried in each tender so as to safely navigate the Kingston boat harbour. The Kingston harbour needs dredging to remove a build-up of silt that has washed down from Flagstaff Hill.⁶
- 4.11 According to Transam Argosy, the problem with Cascade Pier is that it is too short to handle the ship tenders. The NIG purchased a shore pontoon in 2010 that extends the pier, however it is rarely used because it is

3 Some say Cascade Pier is on the north-east side of the island and others say it is on the east side of the island. DIRD refers to Cascade Pier as being on the northern side, and Kingston and Cascade as 'piers' and 'jetties': the terms jetties, wharves and even harbour are used interchangeably, as illustrated in the quotes. Cascade Pier will be deemed to be on the northern side of the island and the terms Cascade and Kingston piers used in this report, for consistency.

4 Mr Glen Buffett, Norfolk Island Tourism, *Submission 6*, p. 3.

5 The Hon Lisle Snell, MLA, Chief Minister, Norfolk Island Government, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 2; and Transam Argosy, *Submission 9*, p. 8.

6 Mr Duncan Evans, Transam Argosy, *Submission 9*, p. 4.

cumbersome to launch and retrieve, and a prevailing north-easterly swell pushes the tenders away from the pontoon.⁷

4.12 On the state of the Cascade Pier, Mr Jim Tavener, Norfolk Industries (a rock supplier) said:

The present jetty is dangerous. It is hollow underneath and, if we get another cyclone, we will have no jetty.⁸

4.13 Mr Andre' Nobbs, local resident, referred to a lack of access ramps, safety and security, and toilet and first aid facilities.⁹

4.14 Occupational Health and Safety standards are sub-par. Mr Duncan Evans, Manager of Transam Argosy said there is 'virtually no requirement to wear any safety equipment.' In his 2012 Churchill Fellowship comparative study on the methods used to load and unload of containers from supply ships at small isolated islands, he recommended that Norfolk Island introduce the following occupational health and safety standards:

- That all the Norfolk Island stevedores (including lighterage) should be qualified in an appropriate training course such as the Certificate in Stevedoring;
- That all workers be required to wear appropriate personal protective equipment, such as hard hats, high-visibility vests, boots and gloves, and that this equipment be provided by the stevedoring operator; and
- That in addition to the wearing of personal protective equipment, all workers aboard launches and barges must wear inflatable life vests.¹⁰

Committee comment

4.15 The Committee acknowledges the concerns about the condition of the two piers, and the lack of Australian occupational health and safety standards in operation. These are deficiencies which clearly need to be rectified. The Committee examines these matters in more detail later in this chapter.

7 Mr Duncan Evans, Transam Argosy, *Submission 9*, p. 4.

8 Mr Jim Tavener, Norfolk Industries, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 31.

9 Mr Andre' Nobbs, *Submission 14*, p. 3.

10 Mr Duncan Evans, Transam Argosy, *Submission 9*, p. 9.

Complementary or alternative sea access

Safe deep water harbour/port facilities — prohibitive cost

4.16 The Norfolk Island Finance Minister, the Hon Tim Sheridan MLA stated that the best infrastructure investment would be the provision of a safe harbour:

... for the importation of goods and to provide a safe landing site for visiting cruise ship passengers.¹¹

4.17 He suggested that building a safe harbour has the potential to stimulate the Norfolk economy significantly, even:

... to a degree of financial sustainability.¹²

4.18 Others endorse the establishment of a deep water harbour. Mr David Porter, MLA, speaking in a private capacity, said studies point to Cascade as the obvious location for a deep water harbour¹³. In his view, it would be a 'prime motivator [of the economy]' and 'calm water will allow the safe transfer of passengers as well as the unload reload of containers.'¹⁴ He emphasised the long-term benefit:

... to achieve meaningful, sustainable growth for the island our only real option is a harbour.

4.19 Mr Glen Buffet, General Manager, Norfolk Island Tourism said the lack of a port per se was 'the biggest barrier to growth of the cruise industry:'

Although attempts have been made in the past to provide better landing facilities via a portable solution, more permanent solutions are required for a long-term success.¹⁵

4.20 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc. advocates for a deep water harbour too. His Cascade port and marina proposal goes beyond facilitating regular cruise ship visits and reliable sea freight delivery to include 'marina facilities for ocean-going vessels and construction of a six-start tourist accommodation resort.'¹⁶

4.21 The cost of establishing a deep water harbour is very expensive. The Norfolk Island Finance Minister acknowledged that its construction

11 The Hon Timothy Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 5.

12 The Hon Timothy Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 5.

13 Mr Dave Porter, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20.

14 See Mr Dave Porter MLA, Norfolk Island Legislative Assembly, *Submission 20*, p. 2.

15 Mr Glen Buffett, Norfolk Island Tourism, *Submission 9*, p. 3.

16 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 28.

would be in the realm of many millions of dollars, which he said was beyond the scope of the NIG to provide for.¹⁷

- 4.22 Mr McCoy concurred that the project would cost in the region of 'many millions of dollars.'¹⁸
- 4.23 Retired public servant, Mr Yates indicated that he understood adequate port facilities to allow containerisation would require an investment in the order of \$100 million.¹⁹

Alternative landing sites on western and southern sides of the island

- 4.24 Others advocated for additional or alternative, safer landing sites on different sides of the island to Kingston (south) and Cascade (north).
- 4.25 Proponents of an additional landing site at Jacob's Rock (or Headstone or Puppies Point) on the western side of the island include Mr John Christian-Bailey,²⁰ Norfolk Island Tourism²¹ and former Administrator Mr Neil Pope.²²
- 4.26 The Hon Ronald Ward MLA, Minister for the Environment, Norfolk Island Legislative Assembly explained the benefits of having a more sheltered western side port option:
- One of our problems has been that we have fairly prevailing south-easterly winds. When those winds kick up they put the northern and southern side ports out ... [a west side port] would mean that you always have one point of the island in the shelter, in the lee, of the island, where you can unload in relatively calm conditions.²³
- 4.27 Proponents of establishing a landing site at Headstone on the western side of the island include Mr Jim Tavener. According to him, advantages of the Headstone site include it being in the lee of the prevailing wind that comes from the South East that currently prevents use of the Cascade and Kingston wharves; Headstone has deep water offshore of

17 The Hon Timothy Sheridan, MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 5.

18 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 29.

19 Mr Julian Yates, *Submission 3*, p. 2.

20 Mr John Christian Bailey, *Submission 5*, p. 1.

21 Norfolk Island Tourism, *Submission 6*, p. 3.

22 Mr Neil Pope, *Submission 34*, p. 3.

23 The Hon Ron Ward MLA, Minister for Environment, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 1.

the cliff edge; and a close mooring ability would allow faster offloading of cargo and cruise ships.²⁴

Cascade Pier project the most developed

4.28 DIRD said that the development of alternative landing sites on island was impractical owing to challenges varying from heritage concerns to difficult terrain. According to DIRD the most appropriate site for improvement of landing facilities remains Cascade Pier:

... for increased volumes of freight and goods, a variety of uses (including passenger cruise ships) and improved access.²⁵

4.29 Residents support the Cascade upgrade proposal. They said:

Let's go with Cascade. 'If the money is set aside, let's not waste time.'²⁶

We need anything that can stimulate the economy and that seems to be the only funded project that is ready to go. So in that sense it needs to work.²⁷

Cascade Pier upgrade

4.30 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd described the consultancy work he completed for the Commonwealth and Norfolk Island governments respectively, to support the introduction of barges (see multi-purpose barges section below) at Cascade and Kingston, but with a primary focus on Cascade Pier.²⁸

4.31 In its first report, Worley Parsons Services Pty Ltd concluded that the Cascade Pier in its current configuration could not launch and retrieve the proposed barge as the pier is too small geometrically to accommodate a 50 or 100 tonne mobile crane with a safe perimeter to allow personnel space to move around the crane. There is also insufficient water depth adjacent to Cascade Pier to safely accommodate the proposed barges at all times and under swell. The first report stated that the structural condition of Cascade was 'unknown and questionable' with 'many voids around the perimeter underwater.' If Kingston Pier

24 Norfolk Industries, *Submission 27*, p. 2.

25 DIRD, *Submission 30*, p. 8.

26 Mr Jim Tavener, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 31.

27 Mr Rick Kleiner, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 28.

28 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 1.

were to be dredged there would be adequate water there for the proposed barges.²⁹

4.32 The second report was completed in 2013. Its remit was the detailed design and documentation for the widening of and a 20 metre extension to the Cascade Pier - in order to accommodate the 100 tonne crane, and a cost estimate.

4.33 Worley Parsons Services estimate came in at \$13.2 million with an accuracy of minus or plus 30 per cent contingency. Mr Batt said this estimate excluded:

- procurement of barges, including trailers; procurement of a new mobile crane;
- construction of a storage shed to house the new crane and barges;
- modification to the road leading to Cascade Pier as well as strengthening the bridge; and
- The cost of the rock required should that need to be brought into the island.³⁰

4.34 Subsequent to the Worley Parsons' reports, the Commonwealth dedicated \$13 million from a Community Development Grants program towards Cascade Pier's upgrade, its strengthening, widening and extension. The upgrade will:

- Allow for the use of a mobile crane to be situated on the jetty to unload cargo from barges and to raise and lower the barges into and out of the sea; and
- Include steps to allow large volumes of passengers to disembark from the barges to the jetty safely and efficiently while also reducing transport costs for cruise ship operators.³¹

Works stalled

4.35 DIRD referred to hold-ups with the project, concerns about project management and financial capacity (issues outlined in chapter two) and the availability of sufficient raw material on island:

I think there are some concerns still with the Norfolk Island Government's capacity to implement the project that we are still working through with the Norfolk Island Government. One of the concerns is around the quantity of rock that they have available to

29 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 2.

30 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 2.

31 DIRD, *Submission 30*, p. 8.

supply that project and other costings. We are encouraging them to continue to develop up the proposal such that it can be progressed under the funding agreement where they meet their preconditions. That is still a work in progress.

As we work with them, we are finding more aspects which we think probably need to go to a more detailed plan as part of that implementation.³²

- 4.36 Mr Duncan Evans from Transam Argosy shared DIRD's concerns about the Norfolk Island Government's capacity to deliver the upgrade:

My biggest concern is the ability of the Norfolk Island Government to undertake this project. I urge the Commonwealth Government to take over responsibility for this project to ensure it is completed as soon as possible.³³

- 4.37 The NIG said that the grant is 'now conditional upon the implementation of municipal rates' and the cost of the pier upgrade exceeds \$13 million. The Norfolk Island Government says there is provision in its budget for the additional infrastructure required for barges and cranes.³⁴

- 4.38 DIRD responded that the introduction of a municipal rates regime is a condition of Australian Government funding, and also a milestone in the 2013-2014 emergency funding agreement to which Norfolk Island is a signatory.³⁵

- 4.39 Further, the \$13 million grant that was initially agreed to noted contingencies of around 20 per cent and Norfolk Island's own funding commitment of around \$5.8 million.³⁶

Committee comment

- 4.40 It is not clear how the NIG can honour its initial commitment of \$5.8 million, accompanying contingency provisions or pay for additional infrastructure. Norfolk Island is, to all intents and purposes insolvent (see chapter two). Their municipal rates scheme is yet to be introduced and unlikely to generate sufficient revenue for a project of this magnitude in any case.

- 4.41 The \$13 million upgrade cost estimate is a conservative one given its exclusion of core project components such as the barges, new crane,

32 DIRD, *Committee Hansard*, Canberra, 19 June 2014, p. 2.

33 Transam Argosy, *Submission 9*, p. 5.

34 Norfolk Island Government, *Supplementary submission 21. 1*, p. 5.

35 DIRD, *Supplementary Submission 30.1*, p. 6.

36 DIRD, *Supplementary Submission 30.1*, p. 6.

- storage, road and bridge strengthening works around Cascade and core materials.
- 4.42 Improvements need to be made to Cascade, extending and widening the pier, and to Kingston, namely dredging. Introducing OH & S standards commensurate with the Australian mainland is imperative.
- 4.43 The reality is that a deep water harbour is not an option for the Norfolk Island or the Commonwealth Governments. A cost estimate of hundreds of millions is again, probably a conservative one. The alternatives at Jacob's Rock or Headstone appear to be expensive and difficult options. The Cascade proposal seems the most developed and best value for money, at this point.
- 4.44 If the Cascade Pier upgrade is to progress the Commonwealth Government will have to fund and project manage it, or pay someone else to deliver it.
- 4.45 Realistically the project and supports will cost more than \$13 million. In light of chapter three's conclusions and the Committee's recommendation to replace Norfolk Island's system of self-government, it seems inevitable and appropriate that the Commonwealth Government take the project over, accepting it may cost more than \$13 million. In so doing it will demonstrate to the Norfolk Island community that the Commonwealth Government is committed to investing in Norfolk's economic future.

Recommendation 3

The Committee recommends that the Commonwealth Government assume responsibility for the Cascade and Kingston Pier upgrades and that the Commonwealth Government expedite the works in line with Australian standards and occupational health and safety requirements, as soon as practicable.

Multi-purpose barges

- 4.46 Several witnesses recommended that the Commonwealth purchase three to four new dual purpose barges for use on Norfolk Island. These are estimated to cost about \$800, 000 each³⁷ and intended to more efficiently

37 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 4

transfer people and goods to and from Cascade and Kingston piers.³⁸ Benefits are purported to include an increase in the successful offload rate of cruise ship passengers, boosting the tourism industry, and greater efficiency and safety.

4.47 Carnival Australia owns and operates seven cruise ship lines that visit Australia and represents 80 per cent of the cruise market in the region. Carnival alluded to the difficulties it has currently in getting passengers to Norfolk Island.³⁹ It cannot land approximately 60 per cent of its intended visits owing to inclement weather and the operational limitations of normal cruise ship tenders. Carnival indicates that the high failure rate means it has all but removed Norfolk Island from future itineraries.⁴⁰ Transam Argosy said that over half of the P & O Cruises (Australia) that have attempted to land since 2010 have had to be aborted owing to Norfolk Island's basic port facilities and sea/swell/weather conditions on the day.⁴¹

4.48 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia explained that when visiting Norfolk Island, a ship drops anchor about half a mile out from the island and uses the ship's lifeboats to move about 90 passengers at a time to and from the ship. He explained the risks of using the lifeboats:

When conditions are unfavourable, we risk damaging the lifeboats and then we have to abort the port.⁴²

If there is any damage to one of the life craft we have to leave passengers on the island because there is a set number of life-craft passengers per ship.⁴³

4.49 The appeal of using the proposed barges is their durability and not having to risk the ship's life-saving vessels.⁴⁴

Increase off-load rate

4.50 According to Carnival Australia's modelling, the success of the offshore unload rate will increase from 25 per cent to 75 or 80 per cent, should the

38 See for example: Tourism and Transport Forum; *Submission 2*, Carnival Australia, *Submission 24*; Norfolk Island Liberals, *Submission 15*; and Mr Dick Massicks, *Submission 17*.

39 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

40 Carnival Australia, *Submission 24*, p. 2.

41 Transam Argosy, *Submission 9*, p. 4.

42 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

43 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 3.

44 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

barges be purchased. For Carnival Australia, a 70 per cent success rate is required to 'put Norfolk Island back on itineraries'.⁴⁵

- 4.51 In Transam Argosy's view, if the unload rate is increased as a result of the improvements to Cascade and Kingston piers and the use of barges, it is likely that other cruise ship lines will follow Carnival Australia's lead and add Norfolk Island as a destination to their itineraries.⁴⁶

Ideal cruise ship stop

- 4.52 Carnival Australia says while few ships currently visit, it has big aspirations for Norfolk Island as a cruise destination. Mr Taylor spoke about a growing domestic cruise ship market. He said that some 800, 000 Australians took a cruise last year. And, that cruising has a 50 per cent repeat passenger rate.

... 50 per cent will cruise again within 18 months. So, it is really important for us to pioneer new destinations.⁴⁷

- 4.53 According to Mr Taylor of Carnival Australia, Norfolk Island is a unique destination with interesting attractions and would work well on itineraries as a day-trip:

We think Norfolk Island is perfect for the cruise market. Its diversity, history and quirks as well as ability to see so much in one day... the Kingston historic site, the Cook Monument, the Emily Bay glass-bottom boat ride, which is hosted by one of the Fletcher Christian descendants. The shopping at Burnt Pine is surprisingly popular ... Lego is a big seller... there are visits to some of the quirkier places like the distilleries, the mazes and the opportunity to live like a local for lunch or part of the day. A growing area is the soft-adventure activities like four-wheel drives, horse-riding, hiking and golf.

... [each cruise] brings about 2, 000 passengers plus 800 crew. All the passengers would disembark and visit the island. They do not require hotel rooms. The ship arrives in the morning and departs in the early evening. It utilises existing tourism assets and does not require significant infrastructure spend, but the dollars it brings are significant.⁴⁸

45 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

46 Transam Argosy, *Submission 9*, p. 5.

47 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, pp. 1-3.

48 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

- 4.54 Mr Zimmerman, Deputy Chief Executive and Director, Transport Policy, Tourism and Transport Forum (TTF)⁴⁹, supported Mr Taylor's assertions about the growth of the cruise-shipping industry, describing it as 'the stand-out performer in relation to Australian tourism in the past decade,' and agreed that the addition of Norfolk Island on the itinerary would enhance cruise ship companies' offerings. Moreover, there is potential for other companies, including expedition cruise-shipping companies.⁵⁰
- 4.55 For international ships, Norfolk Island is potentially a stop between New Zealand and Australia. Mr Taylor described it as 'beautifully placed between the two.'⁵¹
- 4.56 Mr Taylor emphasised that Norfolk Island is a much sought after inclusion in its itineraries:
- We know that the satisfaction rates from Norfolk Island are amongst the highest of our destinations. We know it works, we know it sells.⁵²

Economic benefits of growing visitor numbers

- 4.57 Mr Taylor suggested that the barges will deliver a substantial economic pay-off to the island. Each cruise ship visit can reap the island \$200, 000:
- We are talking about \$200,000 per visit ... through landing fees but, predominantly, through passenger spend. Most passengers would book tours and an activity- that is about \$100 spend per passenger ...⁵³
- 4.58 Transam Argosy confirmed that each call of a P& O Cruise ship contributes around \$200, 000, including about \$24, 000 in GST revenue to the Norfolk Island Government.⁵⁴ Mr Dave Porter agreed with the estimation:

49 The Tourism and Transport Forum (TTF) is the peak industry body for the tourist, transport and infrastructure sectors in Australia. See the TTF website for details:

<http://www.ttf.org.au/>.

50 Mr Trent Zimmerman, Deputy Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

51 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

52 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 3.

53 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

54 Transam Argosy, *Submission 9*, p. 4.

... when we have been fortunate enough to have a ship disembark up to 2000 passengers and crew during the course of a day the result is in excess of \$200, 000 injected into the local economy.⁵⁵

- 4.59 Carnival Australia has invested money in designing the barges costed at \$800, 000.⁵⁶ Carnival says they are an affordable solution, if you consider that each time a cruise ship visit there is an injection of \$200,000 into the local economy. Carnival Australia indicated its willingness to pay a landing fee, as it does elsewhere in Australia:

... we would be happy to pay to use the vessels ...

This is not dissimilar to the arrangements we have in places like Tangalooma on Moreton Island and many other regional locations.⁵⁷

- 4.60 At the same time, Carnival Australia advised that it would not be willing to purchase the vessels outright:

It would not be commercially viable, nor has Carnival done that anywhere else in the world.⁵⁸

- 4.61 TTF said that Commonwealth Government support for the purchase of the vessels should be considered in light of international cruise shipping being a growing and lucrative market, precedent in other parts of Australia and the need to boost the economy on Norfolk Island:

... we see governments in ports and other jurisdictions investing considerable money and import facilities to try and attract cruise shipping.

The fact that cruise ships are not going to Norfolk Island at the moment points to the need for some form of government support, and a charging regime.⁵⁹

- 4.62 According to Carnival Australia, the economic benefits would accrue. Mr Taylor described how cruise itineraries are published 18 months ahead of a cruise sail date meaning there is plenty of lead time to grow the numbers of visiting ships. Mr Taylor said, in time, there could be as many as 50 cruise ship visits a year, on average, one a week.⁶⁰

55 Mr Dave Porter MLA, *Submission 20*, p. 1.

56 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

57 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

58 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 4

59 Mr Trent Zimmerman, Deputy Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

60 Mr Peter Taylor, Vice-President, Corporate Affairs, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 7.

Modern freight handling

4.63 Carnival Australia emphasised the dual-purpose nature and advantage of the barge design, which in addition to transferring passengers, will be able to transfer goods:

... the vessels would be used for passengers on cruise days but their seating can be removed so that the vessels can then be used to move freight to and from the cargo ships. That would be of huge benefit to the island.⁶¹

4.64 The high cost of freight on Norfolk Island has long been a concern to many residents.⁶²

4.65 Mr Bruce Walker said:

... we remain an open roadstead discharge port limited to break-bulk cargo methods and with shipping freight rates of \$600+ per tonne.⁶³

4.66 Mr Dave Porter summarised the impact:

The current sea freight system has served the island for generations however the labour intensive nature of this operation is seeing the cost of living on Norfolk Island under tremendous pressure.⁶⁴

4.67 Transam Argosy outlined the current cargo handling practices on Norfolk Island:

... the cargo ship anchors approximately 1km offshore, with the cargo being unloaded by ships derricks into lighters, which are towed ashore by motorised launches. The lighters are modelled on whaleboat chasers used earlier in the last century. Due to the small size of the lighters standard 20' and 40' shipping containers cannot be handled at Norfolk Island. All cargo is handled as breakbulk, and must be packed into pallets or crated.⁶⁵

4.68 The potential economic benefits of a more efficient containerised freight system are many, including:

- Exports of Norfolk Island products to international markets;
-

61 Mr Trent Zimmerman, Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

62 See for example: DIRD *Submission 30*, p. 2; Mr John Brown, *Submission 32*, p. 4; Mr Brad Forrester, *Submission 28*, p. 1; Mr Ian Anderson, Vice-President, Chamber of Commerce, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20; and Mr Boo Prentice, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 34.

63 Mr and Mrs Walker, *Submission 29*, p. 2.

64 Mr Dave Porter, MLA, *Submission 20*, p. 1.

65 Transam Argosy, *Submission 9*, p. 7.

- Greatly improved transshipment arrangements for imports of products from international markets;
 - Significantly improved quarantine protocols to prevent the introduction of unwanted pests;
 - Reduction in packaging requirements and a reduction in packaging going to the Waste Management Centre for disposal;
 - Reduction in damage to cargo, and a resulting reduction in marine insurance premiums;
 - Improved purchasing arrangements for the Norfolk importers by being able to purchase full container loads of a product.⁶⁶
- 4.69 Transam Argosy calls for the following infrastructure supports:
- Kingston jetty- maintenance dredging
 - Cascade jetty-20 m extension
 - Provision of motorised barges
 - Shore crane capable of lifting 30 tonne containers.⁶⁷
- 4.70 Transam recommends the following container handling equipment:
- Barges similar to those used at Christmas Island for unloading containers;
 - Additional equipment such as forklifts to move containers around at the jetty, and swinglift truck/trailer units; and
 - a container packing/unpacking, storage and cleaning depot ... in a central location [possibly provided by the private sector if the Australian or Norfolk Island governments commit to the shore infrastructure improvements and provision of the barges].⁶⁸

Australian accreditation and standards

- 4.71 Carnival Australia indicated that the barges would need to be fully accredited and its operators appropriately trained, to Australian standards:

Staff would be required to travel to Norfolk Island to train the locals or the locals would need to travel to Queensland or to Tasmania to have the training.⁶⁹

- 4.72 Mr Taylor noted that the owner of the vessel, if that were to be the Commonwealth, would have liability and be responsible for insurance.⁷⁰

66 Transam Argosy, *Submission 9*, p. 7.

67 Transam Argosy, *Submission 9*, p. 7.

68 Transam Argosy, *Submission 9*, pp. 8-9.

69 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

70 Mr Peter Taylor, Vice-President, Corporate Affairs, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

Are the barges the best solution for increasing tourist numbers and containerisation?

4.73 Mr Andrew Wilson, Deputy Secretary, DIRD observed that Carnival Australia has been successful in generating commercial activity in a number of challenging island locations. He stated:

I would be fairly certain that Carnival will have done their homework in regard to what would work on Norfolk Island.⁷¹

4.74 Mr Yates emphasised that tourist industry reform would need to go hand in hand with the barges. An increase in cruise ship passengers per se is not ‘a silver bullet.’ He said:

Cruise ships will help: they will not be the total economic solution.⁷²

4.75 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD acknowledged Carnival’s proposed tourism advantage but said the question for the Norfolk Island Government is ‘whether containerisation can be equally met by barges.’⁷³

Redesigning the project scope to include barges

4.76 The \$13.5 million Cascade upgrade does not include the barges. Mr Wilson said it is possible to see whether there is capacity to redesign the project to enable purchase of the tenders. However, that may not be permissible under the grant guidelines:

There is also the question as to whether or not under the guidelines for the program, purchase of what is operating equipment as opposed to capital equipment would fit within the project guidelines. It is something that we would have to look at.⁷⁴

4.77 DIRD added that requests for a change of scope may be considered by the Minister in certain circumstances, if formally raised by the proponent, i.e. the NIG.⁷⁵

Barges instead of upgrade?

4.78 Carnival Australia asserted that, in their view, the purchase of the vessels is a priority, over the Cascade Pier upgrade:

71 Mr Andrew Wilson, Deputy Secretary, DIRD, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

72 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 12.

73 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

74 Mr Andrew Wilson, Deputy Secretary, DIRD, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

75 DIRD, *Supplementary Submission 30.1*, p. 6.

In terms of the hierarchy of needs, it is these vessels to begin with. The existing pontoon, the existing crane-based on our understanding with discussions with the engineers-would be sufficient. Long-term we see benefit in the upgrade to Cascade jetty but the most pressing demand is for the vessels so we can actually being to put Norfolk back on the itineraries and see the dollars being injected into the community, and perhaps that can go towards longer -term improvements.⁷⁶

- 4.79 TTF went so far as to suggest 'you do not need the pier upgrade to operate these tenders.'⁷⁷
- 4.80 Mr Pope disagreed. He says the upgrades are essential to support the introduction of the barges, referencing Worley Parsons' work.⁷⁸
- 4.81 Mr Batt's advice to the Committee was that neither Cascade nor Kingston Piers could be used by the proposed barges in their current states, and that infrastructure upgrades are in fact needed to support their operation (see paragraph 4.31).⁷⁹

Committee comment – barges as part of a reform package that includes pier upgrades

- 4.82 It was suggested that the barges be provided by the Commonwealth to Norfolk Island, in the context of a reform framework with strings attached, as has been done in the past with other funding.⁸⁰
- 4.83 A 'strings attached' strategy is not a particularly successful one. Witness the current situation where the Commonwealth places conditions on the NIG with its emergency funding agreement and withholds a proportion of the funding when the mutually agreed-to conditions are not met.
- 4.84 The reality is that the Commonwealth will need to decide whether there is a good business case for providing the barges, as a boost to tourism and, particularly, an effective solution for containerisation.
- 4.85 The NIG has neither the resources nor the technical or practical capacity to provide the barges and manage the jetty upgrades itself.

76 Mr Peter Taylor, Vice-President, Corporate Affairs, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 7.

77 Mr Trent Zimmerman, Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 7.

78 Mr Neil Pope, *Submission 34*, p. 3.

79 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 1.

80 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 14.

- 4.86 DIRD told the Committee it had recently purchased barges – in a similar price range to those proposed for Norfolk Island, in the Indian Ocean Territories⁸¹ – so there is precedent for the Commonwealth to take the lead.
- 4.87 The case for purchasing the barges as a cost-effective solution for increasing the successful offload rate of cruise ship passengers is compelling, as is the capability to containerise freight with the same vessels.
- 4.88 Worley Parsons’ advice is that the pier upgrades are essential to bring them up to standard, and to support the use of the barges.
- 4.89 The upgrades and purchase of barges should go hand-in hand.

Recommendation 4

The Committee recommends that the Commonwealth Government purchase multi-purpose barges for use on Norfolk Island in conjunction with upgrades made to Cascade and Kingston Piers. Barge use must be integrated into the design and functionality of the upgrades.

Air services

- 4.90 The tourist industry on Norfolk Island requires a reliable air service.
... with an ability for global bookings to ensure that Norfolk Island remains an easy destination to visit. In addition, tickets need to be reasonable and affordable.⁸²
- 4.91 Since 2011, the Commonwealth Government has underwritten an air services contract with Air New Zealand, to ensure a regular commercial air service between Norfolk Island and the mainland. This provides certainty to tourism operators and other businesses that rely on tourism, and the economy in general.⁸³

81 Ms Robyn Fleming, Executive Director, Local Government and Territories, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

82 DIRD, *Submission 30*, p. 7.

83 DIRD, *Submission 30*, p. 7.

Air New Zealand contract

4.92 The Hon Lisle Snell MLA, Chief Minister, Norfolk Island Legislative Assembly, said the introduction of an underwritten air service has had a very positive impact on the economy:

... the security of an airline system to Norfolk Island is of the utmost importance for tourism to Norfolk Island. It has returned confidence to the industry, and we appreciate very much the Commonwealth assisting us in providing that security of airline service.⁸⁴

4.93 Others agreed wholeheartedly. The Tourism Action Group (TAG) said the service was 'extremely reliable' and had 'resulted in some lower airfares.'⁸⁵ Mr Dick Massicks said there is a 'good air service'.⁸⁶ Mr Buffett, General Manager, Norfolk Island Tourism said the airline services had certainly provided it with stability.⁸⁷ Mr Buffett said:

Since the commencement of the Air New Zealand Australian air services contract in March 2012 Norfolk Island has experienced a period of airline stability in schedules, service consistency and industry policy which has not been present for a number of years.⁸⁸

4.94 Witnesses expressed concerns that the contract might not be extended.⁸⁹

4.95 The contract with Air New Zealand has been extended until 31 July 2016.⁹⁰

4.96 Mr Pope said the extension of the contract benefits Norfolk Island enormously:

It gives security to the tourism industry and also a clear indication to potential competitive carriers that an international airline will be in place for the next two years.⁹¹

84 The Hon Lisle Snell MLA, Chief Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 2.

85 Tourism Action Group, *Submission 19*, p. 2.

86 Mr Dick Massicks, *Submission 17*, p. 3.

87 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 12.

88 Mr Glen Buffet, Norfolk Island Tourism, *Submission 6*, p. 1.

89 See for example: Mr and Mrs Walker, *Submission 29*, p. 1; and Mr John Brown, *Submission 32*, p. 2.

90 Mr Neil Pope, *Submission 34*, p. 4.

91 Mr Neil Pope, *Submission 34*, p. 4.

Additional airline

- 4.97 Prior to the Air New Zealand service, Norfolk Island was serviced by Norfolk Air, run by the Norfolk Island Government and Norfolk Jet Express, owned and operated by Mr Gregg Prechelt. Both those airlines went bankrupt.
- 4.98 Mr Prechelt has formed a new company called Norfolk Island Airlines with the intention of resuming services to Norfolk Island. The service would be in competition with the Air New Zealand service. Mr Prechelt says he wishes to cater for the overflow (as apparently there is a high seasonal demand for seats on the Air New Zealand service):
- Norfolk Island Airlines is not principally just offering competition into the air service to Norfolk Island ... Its principal interest is providing the capacity that the Air New Zealand arrangement does not provide.⁹²
- 4.99 Mr Buffett said of the extra seats that the new airline might offer:
- The things that extra capacity always hides on Norfolk are the seasonality issues that we have.⁹³
- 4.100 He added that Air New Zealand was responsive, having taken up Norfolk Island Tourism's suggestion of dropping a flight in low season, during July, and shifting that capacity to October, a period of greater need for seats.⁹⁴
- 4.101 Mr Buffett said if the new airline markets to the same customer base as Air New Zealand's that may affect the Air New Zealand service.⁹⁵
- 4.102 Witnesses referred to the terrible impact that failed airlines had on the Norfolk Island community in the past. Local resident, Mr Bruce Walker referred to 'a disastrous hiatus in bookings experienced in 2011/2012 when the [cessation of services] from Norfolk Air was announced.'⁹⁶
- 4.103 As a result of this past experience, some expressed concerns about establishing a new airline to service the island, particularly in view of the risks associated with two airlines trying to be viable at the same time, and not having a reliable service.
- 4.104 Mr Pope emphasised:
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92 Mr Gregg Prechelt, Norfolk Airlines, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 24.

93 Mr Glen Buffett, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 15.

94 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 15.

95 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 15.

96 Mr Bruce Walker, *Submission 29*, p. 2.

I am fearful of a recently announced re-emergence of an airline service that has previously failed the Norfolk community.⁹⁷

Committee comment

- 4.105 The Committee is pleased that the underwritten Air New Zealand contract works, by-and-large well for the Norfolk Island community and that its extension is guaranteed for the next two years. Certainty beyond that period will be important for continued stability. The Committee shares residents' reservations about establishing a new airline to service the island when the current arrangement with Air New Zealand affords stability.

Roads

- 4.106 The poor state of Norfolk Island's roads is mentioned in chapter two. The roads have been of concern to residents and visitors alike for years:

The roads on Norfolk Island have deteriorated to the point that it is adding huge costs to our people with vehicle maintenance of suspensions, brakes and tyres.⁹⁸

Visitors with disabilities and elderly visitors are put at risk by the footpaths in much of the area from the Airport to the Governor's Lodge and Heritage Hill Hotel.⁹⁹

Road conditions do feature as one of the common visitor complaints and impact negatively on the touring service delivery through shortening bus life, diminishing passenger experience and additional maintenance costs.¹⁰⁰

- 4.107 During its visit to the Island in April 2014, the Committee experienced for itself the poor state of some of the roads. The Committee saw how drivers were forced to deviate, sometimes onto the wrong side of the road, to avoid potholes and overhanging branches. The dangers and risks for drivers and pedestrians are unacceptable at any time of day, but exacerbated at night when visibility is compromised.
- 4.108 DIRD stated that 'the general condition of Norfolk Island's roads is poor and the damage often takes years to repair.'¹⁰¹

97 Mr Neil Pope, *Submission 34*, p. 4.

98 Mr Dick Massicks, *Submission 17*, p. 4.

99 Mr John Brown, *Submission 32*, p. 2.

100 Norfolk Island Tourism, *Submission 6*, p. 3.

101 DIRD, *Submission 30*, p. 8.

- 4.109 The NIG responded:
- Roads are subject to inspection and maintenance but major capital upgrades have been beyond the fiscal capacity of the Norfolk Island economy.¹⁰²
- 4.110 The NIG says that the roads are owned by the Commonwealth and that insufficient funding has been provided for their maintenance.¹⁰³
- 4.111 DIRD responded that roads are a Norfolk Island responsibility under Schedule 2 of the Act, and have been since 1979.¹⁰⁴
- 4.112 Mr Yates linked an issue like the state of the roads directly to the failure of self-governance:
- ... I do not see any evidence that they have really been able to cover their capital investment or replacement costs [of roads].¹⁰⁵
- 4.113 Mr Yates said, by contrast, a traditional local government model would serve the community better in respect of servicing the roads, and other vital infrastructure:
- ... would enable the government to focus on those local government things that are important like rates and typically the roads. A lot of local governments also do power and sewerage so they can deliver those types of things fairly effectively.¹⁰⁶
- 4.114 There are various standards and guidelines applicable to road design, building and engineering in different jurisdictions across Australia. Austroads is the association of Australasian road transport and traffic agencies. Its membership includes representation from every state and territory transport authority, as well as the Commonwealth Department of Infrastructure and Regional Development, the Australian Local Government Association, and the New Zealand Transport Agency. Austroads' purpose is to improve Australian and New Zealand transport outcomes by:
- providing expert technical input to national road and transport policy development and their membership;
 - improving the practices and capability of road agencies; and
 - promoting operational consistency by road agencies.¹⁰⁷
- 4.115 Austroads publishes a range of Guides which cover the design, construction, maintenance and operation of the road network in

102 Norfolk Island Government, *Supplementary Submission 21.1*, p. 4.

103 Norfolk Island Government, *Supplementary Submission 21.1*, p. 4.

104 DIRD, *Supplementary submission 30.1*, p. 8.

105 Mr Julian Yates, *Committee Hansard*, 6 June 2014, Canberra, p. 9.

106 Mr Julian Yates, *Committee Hansard*, 6 June 2014, Canberra, p. 10.

107 For more information see the Austroads website, <http://www.austroads.com.au/>.

Australia and New Zealand. These Guides have been broadly adopted by road agencies across Australia.

Committee comment

- 4.116 The Committee recognises that responsibility for roads is one shared across the three tiers of government in Australia, and there are a range of guidance materials and standards to draw upon in relation to road design, building and engineering standards.
- 4.117 The Committee cannot be prescriptive about who undertakes the necessary roadworks, and to what standards, ahead of changes in governance arrangements.
- 4.118 However, the Committee is certain that the roads on Norfolk Island require investment to bring them up to an acceptable standard, particularly to address safety concerns. This may be something that the Commonwealth Government does as part of a reform package, or devolves to a state or new local government type authority, depending on the urgent nature of repairs and upkeep.

Recommendation 5

The Committee recommends that the Commonwealth Government ensure that, as part of the new governance arrangements, the public road infrastructure on Norfolk Island is assessed against current Australia-wide design, building and engineering standards and, where needed, work is undertaken to remedy deficiencies.

Telecommunications

- 4.119 Telecommunications is one of the Government Business Enterprises (GBEs) on Norfolk Island, currently under review by Deloitte.
- 4.120 The Norfolk Island Finance Minister highlighted the importance of good telecommunications, saying it is 'vital infrastructure required in this day and age'.¹⁰⁸
- 4.121 Some of the current telecommunications woes were flagged in chapter two. DIRD summarised:

108 The Hon Tim Sheridan, MLA, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 5.

... the current telecommunications network is only equipped to handle 2G services and as such is inadequate for e-commerce and anything other than telephone or texting services.¹⁰⁹

- 4.122 Mr Dick Massicks confirmed in his submission that it was difficult to do business on Norfolk Island with the current level of internet service, which is neither reliable nor fast:

Many internet based businesses and individuals who could work from Norfolk via the internet have tried to establish themselves here with huge problems over the service ... We need satellite or cable access to give us more broadband width and new opportunities to progress.¹¹⁰

- 4.123 Mr Buffet said there is a need to replace the outdated internet to better serve the visitor market and to support 'the digital capabilities required in marketing and distribution.'¹¹¹

- 4.124 The Norfolk Island Finance Minister advised that the NIG has recently signed a 5-year deal with the telecommunications provider O3b to be its new internet carrier replacing Telecom New Zealand, from 1 September 2014. He talked up the benefits, including bringing high-speed bandwidth to Norfolk Island, and said there are minimal risks:

This new carrier will see virtually optic-cable speeds via satellite, with an increased band width, which will place Norfolk Island in a great place to take advantages of business which rely on fast, reliable communications for their business.¹¹²

The only thing that will hold it up is if O3b themselves cannot provide the equipment that we need on island to receive the signal. That is only very minimal ... We believe that it can be achieved and on time. Once it is on island, it will only take a few days to install.¹¹³

For our current telecommunications, we only have a bandwidth of 20 megabytes. It will be increased to 50 megabytes for the first 12 months, with the ability to increase whichever way we go...it just depends how much we can make use of it.¹¹⁴

109 DIRD, *Submission 30*, p. 2.

110 Mr Dick Massicks, *Submission 17*, p.4.

111 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Submission 6*, p. 4.

112 The Hon Tim Sheridan MLA, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 5.

113 The Hon Tim Sheridan, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 10.

114 The Hon Tim Sheridan, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 10.

- 4.125 Mr Buffett says this should ‘provide a positive solution to internet requirements.’¹¹⁵

Committee comment

- 4.126 Improved telecommunications is another important infrastructure investment to be made on Norfolk Island.
- 4.127 The Committee is unsure who is paying for the new service given the Norfolk Island Government’s financial situation, and if the project is tracking to schedule.
- 4.128 It remains to be seen whether replacing the Telecom New Zealand service with the new O3 carrier can deliver the desired changes to residents, visitors and business operators.
- 4.129 Whether or not it does – and there is a good chance its implementation will be delayed – there are implications for the Commonwealth if there is a move to a new governance model.

115 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Submission 6*, p. 4.

Framework for new economic opportunities

- 5.1 The Norfolk Island Finance Minister calls for certainty on governance into the future, for the sake of the economy:

The main item that would see the economy of Norfolk Island enhanced would be certainty around the governance model that is intended for Norfolk Island. This is vital for industry and prospective investors to know the sort of economic environment they are investing in. At the moment, there is a reluctance for any major investment in Norfolk Island due to this unknown factor and, in particular, the financial taxation arrangements that will be introduced over a period of time.¹

- 5.2 Placing Norfolk Island into administration and replacing self-governance with an alternative form of governance can provide a new framework for moving forward, and a number of opportunities for economic growth.

Benefits of being in the Australian system

Taxation, social security, and access to grants

- 5.3 The advantages of introducing social security together with, or ahead of taxation were outlined in chapter three.
- 5.4 Once Norfolk Island is part of the Australian system and contributing taxes it will be eligible for a range of grants that it is not otherwise entitled to.
- 5.5 Mr Yates referred to the benefit of 'simply normalising' the island's tax arrangements thereby [giving] the community access to significant

1 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 4.

funding streams', either through the obligation on the Australian Government to maintain capital assets to mainland standards (as is the case in the Indian Ocean Territories) or being able to access the many grants run by the [Commonwealth] Government.²

- 5.6 Ms Sue Draper, owner operator of the Gallery Guava and tourist attraction Fletcher's Mutiny Cyclorama, said there is potential to stimulate the local economy with building projects that are funded by grants:

Access for Norfolk Island into Australian Grant funding schemes would certainly provide stimulus to the economy while creating long-term amenities for the island which would be used for locals and visitors alike.³

- 5.7 Ms Draper described a project she has been working on for the last five years, that she says could be assisted with a grant. Ms Draper spoke of establishing a cultural centre on the Island which could be 'a vibrant hub' for residents, students and visitors to engage with local culture:⁴

This project would create a wide range of opportunities for the community as we have observed in other parts of Australia where these centres are established. Grant funding would enable this project to happen.⁵

Committee comment

- 5.8 The Committee notes that the Commonwealth Government has committed to the introduction of taxation and social security on Norfolk Island as part of ongoing reforms. The Committee supports the introduction of taxation and social security on Norfolk Island, as soon as practicable.

- 5.9 It is essential that Norfolk Island be able to access a range of Commonwealth and state grants and programs, as equivalent remote communities around Australia can.

Retirement amenity, accessing retirement benefits and superannuation portability

- 5.10 The Park Land Estate Villas submission described delays experienced with the planning approvals needed to progress their building of a retirement

2 Mr Julian Yates, *Submission 3*, p. 4.

3 Ms Sue Draper, Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 4.

4 Ms Sue Draper, Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 3.

5 Ms Sue Draper, Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 3.

home (planning issues being something discussed later in this chapter), and a need on Norfolk Island for a dedicated retirement village facility.⁶

- 5.11 Mr Craig Anderson, Vice President, Norfolk Island Chamber of Commerce also advocated for investment in a retirement industry on Norfolk Island:

... for the progression, into retirement homes right through to full care. I think there is a lot of opportunity there and it is something that is worth looking into. It is obviously going to be non-government investment, but the government could assist in making it attractive to one of the large groups on the mainland to investigate its possibilities here. It is certainly the right place, the right type of environment for retirees- and it would obviously have all the services required to support that industry.⁷

- 5.12 Ms Charisse Clarke, President, Norfolk Liberals similarly called for 'further Australian and overseas retiree investment, accommodation and supporting services.'⁸

- 5.13 Local businessman, Mr Dick Massicks agreed that there is potential for retirees to move from New Zealand and the Australian mainland to Norfolk Island, and for that to boost the Norfolk Island economy, particularly if benefits are transferable:

One of the things that would assist is self-funded retirees who could guarantee that they would get their Australian pensions and benefits if they moved over here. That in itself would stimulate the economy.⁹

- 5.14 Mr Massicks raised the issue of his pension entitlement from the New Zealand Government not necessarily being transferable to Norfolk Island in the same way that it would be, had he moved to mainland Australia instead.¹⁰

Committee comment

- 5.15 More will be said below on encouraging immigration more generally to Norfolk Island, in order to boost the population and economic output. What is not clear is the extent to which New Zealand and Australian citizens who move to Norfolk Island to retire can claim their retirement or

6 Park Land Estate Villas, *Submission 1*.

7 Mr Ian Anderson, Vice President, Norfolk Island Chamber of Commerce, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20.

8 Ms Charisse Clarke, President, Norfolk Liberals, *Submission 15*, p. 3.

9 Mr Dick Massicks, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 32.

10 Mr Dick Massicks, *Submission 17*, p. 5.

superannuation benefits – given the alternative tax regime on Norfolk Island. It appears to be highly dependent on individual circumstances. Once Australian taxation and social security comes into force on the Island these issues may be resolved for Australians and New Zealand citizens too, through the usual arrangements that are in place for New Zealanders living in Australia.

- 5.16 The Committee has reservations about the opportunity for retirees to move to Norfolk Island without additional supports in place. In addition to retirement benefits not necessarily being portable at this time, there are other pertinent issues to consider such as access to adequate health care in a small remote community. Norfolk Island's government-run hospital service has been the subject of review and there is concern about its financial viability. Furthermore, Medicare does not yet extend to the Island.

Immigration

- 5.17 Witnesses spoke about the need to open up to more immigration on Norfolk Island. The Department of Infrastructure and Regional Development (DIRD) explained:

Previously, Norfolk Island's immigration policy was to ensure that Norfolk Island is closed and difficult for potential migrants to live and work on the island. The 2011 Norfolk Island Census found that the permanent population had fallen by 12% and 4% since 2001 and 2006. The population decline exacerbates the economic situation as it reduces spending, decreases the tax base, lowers house prices and worsens skill shortages. The 2012 Economic Development Report highlighted the need for open immigration to support innovation and economic growth on the island.¹¹

- 5.18 Mr Yates stated that for many years Norfolk Island had significant restrictions on residency requirements, making it difficult for Australian citizens to move there and to invest in innovative industries:

The residency and tax systems resulted in behaviour distortions: high worth people in Australia seeking to reduce their tax liability could buy a business on Norfolk Island and so gain residency and go outside the Australian tax system, but have no particular incentive to make the business viable. Once residency was obtained, the business could be sold to the next applicant or just allowed to wither on the vine. The key factor was the requirement to buy an existing business, with new businesses being discouraged or

11 DIRD, *Submission 30*, p. 7.

prevented (an example was the restriction on new tourist accommodation). The effect was to stymie innovation and competition.¹²

5.19 DIRD and Mr Yates acknowledged that some progress has been made. Mr Yates stated:

It must be acknowledged that the Island has or is removing many of these [immigration] restrictions ...¹³

5.20 Norfolk Island has amended its immigration legislation to remove restrictions on Australian and New Zealand citizens residing and operating businesses on Norfolk Island, with a view to reversing population loss. DIRD also noted that the Commonwealth Government has funded an Investment and Immigration Promotional Strategy as a complementary measure.¹⁴

5.21 These reforms are a start. However, DIRD points to the Norfolk Island Government's apparent ongoing reluctance to implement robust mechanisms to effectively support immigration reform:

Changes to legislation aimed at enhancing immigration and investment is only partially successful due to ongoing issues with the Norfolk Island Administration's interpretation and management of the Norfolk Island Immigration Act.¹⁵

5.22 Mr Dick Massicks agreed:

... the Minister and her department here consistently only give lip service to the changes and still make it difficult for new residents.¹⁶

5.23 Former Norfolk Island Administrator, Mr Neil Pope concurred:

The changes to immigration have been vitally important, but unfortunately have only occurred through the various funding agreements, not by the initiative of the present government on Norfolk Island. However the implementation of those changes are still being stymied by those opposed to opening up Norfolk to mainland Australians.¹⁷

12 Mr Julian Yates, *Submission 3*, p. 3.

13 Mr Julian Yates, *Submission 3*, p. 3.

14 DIRD, *Submission 30*, p. 7.

15 DIRD, *Submission 30*, p. 8.

16 Mr Dick Massicks, *Submission 17*, p. 5.

17 Mr Neil Pope, *Submission 34*, p. 4.

- 5.24 Austrade said that Norfolk Island's restrictions on immigration have the effect of making it harder to attract the kind of skilled workers who can manage and staff high-end tourism industry, and foreign investment.¹⁸
- 5.25 Mr Yates argued that removing restrictions on residency and business ownership (apart from those found in all Australian jurisdictions) needs to continue until Norfolk Island is no different to any other comparable community, and one:
- ... where everyone is welcome, and all are subject to laws common to the whole of Australia.¹⁹
- 5.26 Austrade questions whether, even with the immigration reforms to date, the investment climate is sufficiently welcoming and flexible enough for global investors – and not just Australians and New Zealanders. Mr Nicholas Dowie, Assistant General Manager said:
- ... I am not quite sure how far those reforms have gone through to residents of other nations ... [and] tourism is a global industry [with] global investors. You need to have an investment regime that is appropriately welcoming of that investment and facilitate some of the influx of that capital, but also the influx of the skilled labour that you would need to develop a product to give the investor confidence that they will get a return on their investment.²⁰
- 5.27 Mr Massicks made a case for a larger permanent population of between 3 000 and 5 000 people on Norfolk Island. In his view, this would stimulate the economy:
- If we could get 1 000 people to move here they would soak up all the empty houses and give work to trades people as our housing stock is in poor shape and the owners would renovate. This would have a magnifier in that local tradespeople who have left would have a reason to return.²¹
- 5.28 Mr Pope agrees that Norfolk Island should aim to increase its population to around 2 500, and would benefit from strengthening intellectual capacity.²²
- 5.29 Ms Draper calls for incentives that encourages people to move to Norfolk Island and create new businesses:
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18 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 1.

19 Mr Julian Yates, *Submission 3*, p. 4.

20 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 6.

21 Mr Dick Massicks, *Submission 17*, p. 5.

22 Mr Neil Pope, *Submission 34*, p. 1.

There are so many potential opportunities for new businesses on Norfolk. The range of what we have on offer here has expanded to the limits, finances and abilities of its small population We need new people with new ideas and skills to create and run businesses that have a wider range than what we currently have in tourism, and other areas. It would be great if... a funded assistance scheme could enable business operators with a proven track record to relocate here.²³

Committee comment

- 5.30 Having the same immigration and investment laws on Norfolk Island as in the rest of Australia will potentially bring new people and ideas into the community and generate economic activity.

Investment

- 5.31 Several ideas were put forward for ways to stimulate economic growth through greater foreign investment.
- 5.32 Austrade said Norfolk Island could move into developing and operating a six-star eco-lodge. This would play to one of the Island's strengths, namely its beautiful natural environment. It could also attract high-yielding visitors – that is visitors who spend more than average.²⁴ This is something that the NIG itself says it wishes to pursue. According to the Norfolk Island Minister for the Environment:
- Norfolk Island is not suited to ... hordes of low-yield visitors. I believe that as a government we need to focus on ... developing key infrastructure that will encourage private sector investment, particularly to attract investment in the higher yield areas: conference facilities, five-star accommodation etc.²⁵
- 5.33 Mrs Louise Tavener spoke on behalf of the Norfolk Island Convention, Entertainment and Sports Centre (NICESC) Working Group that advocates for a new multi-purpose building to:
- ... accommodate conventions, entertainment needs, school utilisation and events, indoor sports capability and community

23 Ms Sue Draper, Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, pp. 2-3.

24 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, pp. 2-3. See page 3 of the transcript for more about what constitutes a high-yielding tourist.

25 The Hon Ron Ward MLA, Norfolk Island Minister for the Environment, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 4.

needs [and] ... allow for bigger festivals, conferences and corporate events.²⁶

- 5.34 Austrade indicated that the conference market is another potential avenue for Norfolk Island to pursue, to attract high-yielding visitors:

Evidence shows us that conference attendees spend more than the average tourist, partially because their attendance is paid for by someone else. They tend to actually eat at the more expensive restaurants and they tend to do more leisure activities on the side of the formal business of the conference.²⁷

- 5.35 Austrade advised that it is important to 'build the right facility to do that,' and to target the market:

... ensuring it is in the right position and then marketing that to those who determine where conferences are located, particularly with the size of it and the size of the conference that Norfolk Island would be seeking to target. By definition, you would imagine that Norfolk Island would not be seeking the large conferences that Melbourne and Sydney get, where there are the likes of 14, 000 people coming, but a much smaller and more refined one that could be targeted to a range of Australian businesses and executives looking for an off-site retreat.²⁸

- 5.36 Austrade emphasised that the Norfolk Island Government and Norfolk Island industry need to define their tourist market. Austrade can provide advice to help them do that, 'but that is a decision [Norfolk Island] needs to lead,' and this is not something that Austrade had been invited to advise on to-date.²⁹

Partnerships with Tourism Australia and state tourism organisations—marketing

- 5.37 In chapter two, Norfolk Island Tourism and others cite Norfolk's inaccessibility to Commonwealth tourism grants and the Australian Tourism Data Warehouse as significant barriers to tourism growth.³⁰
- 5.38 Ms Charisse Clarke, Secretary, Norfolk Island Liberals raised Norfolk Island's exclusion from Tourism Australia as a concern. She said:

26 Mrs Louise Tavener, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 31.

27 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, pp. 4.

28 Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 4.

29 Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 4.

30 Norfolk Island Tourism, *Submission 6*, p. 5.

... our destination is not showcased on the Tourism Australia website. We can neither attend nor participate in any of their promotional activities, nor gain access to their resources.³¹

5.39 Austrade acknowledged that Norfolk Island is the only territory with its particular self-governing status and that this has placed them 'in a different place from other areas in the country.'³²

5.40 However, Austrade emphasised that there are supports available to Norfolk Island under the current model – as outlined in chapter two – namely, observer access to ASCOT and TMM meetings- and free resources on their website. Norfolk Island Tourism could also choose to buy-in support from the private sector. Austrade repeated that Norfolk Island has not attended ASCOT meetings for several years but that assistance was available on request:

All that work that has been going on under Tourism 2020 is available to them and we are happy to engage more directly with them if they have any questions on anything we are doing under Tourism 2020.³³

5.41 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia said he thought Norfolk Island Tourism becoming part of an State Tourism Organisation (STO) or reaching an agreement with a STO would be beneficial because it would:

... give them access to some of the things they are looking for in terms of representational websites and the Australian Tourism Data Warehouse.³⁴

5.42 Mr Glen Buffett, General Manager, Norfolk Island Tourism stated that he thought the Commonwealth Government could better assist them and play a bigger role in marketing the Kingston-Arthur's Vale Historic area (KAVHA) and the national park on Norfolk Island.³⁵

31 Ms Charisse Clarke, Secretary, Norfolk Island Liberals, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20.

32 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 7.

33 Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 8.

34 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia, *Committee Hansard*, Canberra, 26 June 2014, p. 9.

35 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 17.

Improving the quality and diversity of the tourist product

- 5.43 Austrade pointed out that as much as marketing a destination is important, it is equally important to have a high quality product to sell:

You have to have the high quality product that consumers are looking for and that engenders that sort of word-of-mouth discussion and advocacy, which I think is the strongest thing that influences people in their holiday decision-making ... social media ... products like Trip Advisor. It is pretty much a network of advocacy of people's experiences, and you want that to be good, positive experiences and value-for-money experiences.³⁶

- 5.44 This view was shared by others who claimed that Norfolk Island's tourist offering has shortcomings (some of which have already been documented in chapter two). Mr Yates summarised:

... a contemporary visitor is left with the impression that Norfolk Island's tourism industry has not moved beyond a cottage industry focused on honeymooners and retired couples. Unfortunately, too many of the retired couples appear to have passed on and no longer visit whilst the newly wed market has moved to cheaper and more exotic venues in Asia and beyond. Little effort has been made to access the growing experience seeker market ... the market demands value for money and quality in the accommodation and experiences.³⁷

- 5.45 Mr Yates emphasised the potential for new tourist offerings:

Norfolk Island has enormous potential here but a major change is needed in the offer made to the market.³⁸

Kingston and Arthur's Vale Historic Area

- 5.46 Submitters proposed that more be made of Norfolk's major tourist attraction and world-heritage listed convict settlement site, the Kingston and Arthur's Vale Historic Area (KAVHA).³⁹

- 5.47 Norfolk Island Tourism suggested establishing a dedicated website to foster linkages to other heritage programs and groups and developing

36 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

37 Mr Julian Yates, *Submission 3*, p. 2.

38 Mr Julian Yates, *Submission 3*, p. 2.

39 For more information see: <http://www.environment.gov.au/heritage/places/national/kavha>.

unique experiences, including food and beverage, accommodation, leisure and touring options.⁴⁰

- 5.48 Local business owner, Ms Draper said KAVHA is much under-utilised for business opportunities. She said that the museums were excellent but other buildings on the site could be 'put to better use than they are now:'

There are so many possibilities for them to be opened up for lease, allowing locals and visitors much more access to experience the historic area, as occurs in tourism destinations throughout the world. Having accommodation, dining and functions opportunities in these areas would be an excellent use of these resources.⁴¹

- 5.49 DIRD indicated that a cultural tourism strategy and site master plan will be developed with a view to improve the tourism experience and explore commercial opportunities. DIRD also noted that there is currently a review underway of the KAVHA Conservation Management Plan.⁴²

Ecotourism — the Great Norfolk Walk

- 5.50 EcoNorfolk Foundation made a case for instigating ecotourism on Norfolk Island and specifically, establishing a Great Norfolk Walk, which would comprise a walking track that circumnavigates the coastline of Norfolk Island.⁴³

- 5.51 Ms Megan Resler of EcoNorfolk alluded to the various economic, social and environmental benefits that could ensue from the establishment of the Great Walk:

... [It] has the potential to add significantly to the ecotourist attractions of Norfolk Island. If implemented, this project would facilitate visitor enjoyment and understanding of the island's unique natural endowments, would be free for all to use and would generate employment opportunities for Norfolk Islanders and attract development, ongoing maintenance and tour guiding. Lastly, this type of destination has the potential to attract an entirely unrepresented tourist demographic: young people - namely, discovery seekers.⁴⁴

40 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 4.

41 Ms Sue Draper, Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 4.

42 DIRD, *Submission 30*, p. 9.

43 EcoNorfolk Foundation Inc, *Submission 16*, p. 2.

44 Ms Megan Resler, EcoNorfolk Foundation Inc, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 26.

Improving the supply chain

- 5.52 In Austrade's assessment 'more marketing is likely to be of limited use unless the supply side issues relating to product development are addressed.' Mr Dowie referred to the zoning system on Norfolk Island as one example. Norfolk Island land is zoned as rural or rural-residential and may not even allow for a mixed-use development such as an eco-lodge or convention centre.⁴⁵
- 5.53 The Tourism Action Group indicated that planning requirements and approvals are an issue:
- We would like to see a review of some of the planning requirements for changing residential dwellings into accommodation and tourist accommodation properties.
- We would like to see a more level playing field in relation to this and fewer barriers for people who have not been able to enter this market before to do so.⁴⁶
- 5.54 In the context of a discussion on infrastructure improvements and a possible increase in population, Mr Yates emphasised the importance of Norfolk Island needing a good town planning scheme. Such a scheme he emphasises is something that local governments typically do all around Australia, with 'heaps of expertise available [on how to achieve that].'⁴⁷

Committee comment

- 5.55 Realistically, Norfolk Island Tourism does not have the financial resources to commission global consultancies to assist with its tourist strategy. It has not attended the aforementioned tourism meetings in the last three years, nor proactively sought assistance available from Austrade and Tourism Australia. Arguably, it has been slow to fully embrace online and social media.
- 5.56 Unlike the states and territories, Norfolk Island does not make a financial contribution to Tourism Australia. Mr Tim Mahony says Tourism Australia considers itself 'a partnerships marketing organisation.'⁴⁸ Norfolk Island needs to actively partner with Tourism Australia in order for the partnership to work.
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45 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 6 June 2014, p. 6.

46 Mr Stephen Brooks, Member, Tourism Action Group, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27.

47 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 11.

48 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia, *Committee Hansard*, Canberra, 26 June 2014, p. 8.

- 5.57 The sooner Norfolk Island Tourism is part of a state tourism organisation and making a financial contribution like everyone else – the sooner it can fully leverage the support services of Australia’s peak tourist body. This should happen as soon as Norfolk Island is aligned with a state as part of the new governance model (as recommended in chapter three).
- 5.58 In the meantime, the Committee is of the view that consideration be given to placing officers from Commonwealth departments and agencies like Tourism Australia and Austrade into any transitional administration. Their purpose would be to offer in-house specialist advice and capacity-building with regard to market definition, tourist product development and the promotion and the marketing of tourist and other products and services on Norfolk Island, including new ones.
- 5.59 Other experts may also be required: for instance town planners such as zoning specialists.

Recommendation 6

The Committee recommends that the Commonwealth Government appoint officers in the transitional administration to strengthen Norfolk Island’s economic and human resource capacity. Officers from Commonwealth agencies like Tourism Australia and Austrade should be tasked to provide advice and support to define the tourist market, develop the tourist product and promote and market tourist and other products and services, including new ones.

Complementary and emerging export and niche industries

- 5.60 Chapter four referred to the potential for Norfolk Island to export products once containerisation is introduced, thereby complementing tourism with export and niche industries.
- 5.61 Local resident, Mr Peter Wilson suggested that a number of cottage industries could be pursued and products produced ‘organically with ease’:
- Some of the industries could include pure bees honey, tung oil, coffee, avocado oil, olive oil, environmentally friendly palm sugar, macadamia nuts and products from yellow-red guavas to name a few.⁴⁹

49 Mr Peter Wilson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 33.

- 5.62 Kentia Propagation Nursery is an example of a successful business which, over the years, has managed to develop a sustainable export market, with palm seed seeds sent to Europe. It also provides employment for a small number of Norfolk Island residents.
- 5.63 Brad and Lorraine Forrester's businesses, Norfolk Liqueurs and Cascade Soft Drink Factory is another local employer, that mails products off-island.

Committee comment

- 5.64 As part of its cottage industry tour (see Appendix C for the full itinerary) the Committee visited Doug Clarke at the Kentia Propagation Nursery, the Forresters and other businesses including Farmer Lou's fruit and vegetables farm and piggery, and the Norfolk Blue restaurant and cattle farm.
- 5.65 The Committee also visited the Hilli goat farm which is being established to produce goat's milk, and ultimately goat's cheese.
- 5.66 The Committee tasted an array of locally made chocolate, guava and coffee and soft drink products as well as locally grown fruits such as feijoas, bananas and strawberries. The quality of the products was excellent and there certainly seems potential to expand businesses, with product development, marketing and promotion assistance.
- 5.67 Apart from the kentia palm seeds, liqueurs and soft drinks all the other products are made to be distributed and sold locally. These products are not especially visible to visitors moving around town.
- 5.68 In addition to deploying tourism and marketing experts as part of the transitional administration for the purpose of capacity building, it would be very useful to place an officer on the ground specifically to help locals form a cooperative. As noted in chapter one the Committee was very impressed with the knowledge and enthusiasm of the local resident who conducted a tour of the cottage industries on Island. Having a dedicated officer with expertise in brand building, distribution and promotional abilities, work with the local producers could really help them to come together and, in time, build a strategic Norfolk brand, for marketing on Norfolk, the mainland and perhaps beyond.
- 5.69 There may also be some lessons to be learnt through comparisons with other broadly comparable communities like King Island, which has built a brand around its cheese production and Lord Howe Island, which has built a brand around its natural environment.

Recommendation 7

The Committee recommends that the Commonwealth Government provide a dedicated officer to assist Norfolk Island cottage industry owners and operators to brand their products, set up a cooperative shopfront, and look at ways to market and export their products.

- 5.70 There are a number of factors to consider before exporting goods from Norfolk Island can even be considered. These include supply, distribution and storage, capital investment capability, and a pest and disease-free environment.
- 5.71 The Committee was told that residents enjoy the locally grown seasonal fruit and vegetables and meat as a supplement to the often expensive, imported goods, but that often, supply does not match demand.
- 5.72 Distribution can be hampered because of supply issues but also a lack of cool-storage facilities, to extend their shelf-life. According to the Norfolk Island Environment Minister, the Hon Ronald Ward MLA:
- This delivers a range and standard way below that enjoyed by our mainland based visitors.⁵⁰
- 5.73 A significant amount of money would also be required to invest in any export ventures. Minister Ward observed this is something also in shortage:
- ... again, limited development capital precludes progression at this time.⁵¹

Pest and quarantine control

- 5.74 Norfolk Island's ability to manage matters normally dealt with by the appropriate state and commonwealth authorities elsewhere in Australia is brought into question with the emergence of the psyllid problem. The psyllid is a small sap sucking insect that has been discovered on Norfolk Island, with the potential to wreak havoc on plant crops. DIRD described the potential impact on Norfolk Island, Australia and the region:
- ... [It] could have significant ramifications on the Norfolk Island agricultural industry and also the broader Norfolk Island food supply and economy.⁵²

50 The Hon Ronald Ward MLA, Minister for Environment, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 4.

51 The Hon Ronald Ward MLA, Minister for Environment, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 4.

The pest carries a bacterial disease and has the potential to impact on Norfolk Island's capacity to produce potatoes, tomatoes and capsicums while also posing a biosecurity risk to Australia and the broader Pacific region.⁵³

- 5.75 The NIG acknowledges that it requires help from the Commonwealth Department of Agriculture in order to fund and manage the psyllid eradication effort.⁵⁴
- 5.76 DIRD is of the view that on-island quarantine is a Norfolk Island Government responsibility. As such, it has advised the NIG to consult with New Zealand authorities to find out how to deal with the issue, and will look to offer in-kind professional advice and funding assistance.⁵⁵

Committee comment

- 5.77 It is a real concern that this pest was discovered through the pest and disease survey funded and conducted by the Commonwealth Department of Agriculture earlier this year. The NIG realises it does not itself have the resources to deal adequately with the problem. Not only is this a food security risk and a biosecurity risk, but should the pest get into mainland Australian crops, it could also potentially jeopardise Australian exports and relationships with trading partners. Any suggestion that Norfolk Island has the capacity to export its agricultural goods as a complement to its tourist industry, once containerisation comes into effect is also in jeopardy if this issue is not dealt with appropriately and soon. The Commonwealth Government must take carriage of this matter immediately.

52 DIRD, *Supplementary Submission 30.1*, p. 1.

53 DIRD, *Supplementary Submission 30.1*, p. 1.

54 NIG *Submission 21.2*, p. 3. See also Mr Neil Pope, *Submission 34*, p. 4.

55 DIRD, *Supplementary Submission 30.1*, p. 2.

Recommendation 8

The Committee recommends that the Commonwealth Government take charge of the psyllid eradication effort on Norfolk Island, and that responsibility for quarantine control matters be transferred to the Commonwealth Department of Agriculture, Fisheries and Forestry.

Domestic rather than international destination

- 5.78 Even though Norfolk Island is a part of Australia it has its own international postal and dialling codes. International travelling arrangements also apply. Travellers to Norfolk Island depart and arrive at international rather than domestic terminals at Sydney and Brisbane airports, require a valid passport for entry and must proceed through Norfolk Island's own immigration and customs.
- 5.79 Witnesses alluded to how much more cumbersome post, communications and travel logistics are under these circumstances.
- 5.80 Local business owner, Ms Draper referred to difficulties she faces with postal issues when she tries to order goods online from suppliers that will only post to Australian addresses. She described the complicated and costly lengths to obtain goods:
- I want to order merchandise with a company who will only post within Australia so I have to pay them to post to a freight company in Australia, pay Australian GST because it's not being exported, then pay freight to Norfolk which apart from the cost per kg charge carries a considerable freight-forwarding fee, and then apply Norfolk GST when I sell it. When they can post direct to me it's so much less.⁵⁶
- 5.81 The Tourism Action Group (TAG) advocates removing the passport requirement for Australians to travel to Norfolk Island.⁵⁷ The Norfolk Liberals say that having flights depart and return to Australian domestic terminals rather than international terminal would remove a barrier to tourism and make it much easier for tourist and business travellers alike to travel to and from Norfolk Island.⁵⁸ Tourism Australia agreed:

56 Ms Sue Draper, Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 4.

57 Tourism Action Group, *Submission 19*, p. 1.

58 Norfolk Liberals, *Submission 15*, p. 2.

Especially for domestic travellers, one of the attractions of a domestic holiday is that you do not have all those administrative hurdles.⁵⁹

- 5.82 Another issue for visitors to the island relates to travel insurance. Unlike any other Australian external territory, Norfolk Island has no Medicare, because it has its own health insurance scheme for residents only. This means expensive overseas travel and health insurance cover is a prerequisite for visitors that wish to have this coverage.
- 5.83 If Norfolk is brought into the Australian system, Australian visitors would at least be covered by Medicare throughout their visit, should that be necessary, and they would not need to take out travel insurance.⁶⁰
- 5.84 Transam Argosy said that the requirement for cruise ship passengers who are not Australians or New Zealanders to have a visa to enter Australia before they can come ashore at Norfolk Island and the practice of Norfolk Island Customs checking the visa status of foreign nationals travelling on cruise ships is a 'time consuming and cumbersome process.'
- 5.85 According to Transam, visa requirements and checking of passengers statuses could be made easier if:
- Norfolk Island was included with cruise ship voyages holding 'Round Cruise Status' from the Commonwealth Department of Immigration and Border Protection; and
 - included in the 'Advanced Passenger Processing' system to facilitate the checking of foreign passport holders.⁶¹
- 5.86 There was a suggestion that if Air New Zealand were to code-share its services to Norfolk Island with an Australian airline it might make it easier for travellers to identify Norfolk Island as an Australian travel destination. Tourism Action Group elaborated:
- Currently the travelling public who want to come to Norfolk Island find it very difficult to find an airline travelling here; they look up all the major airlines in Australia first.⁶²
- 5.87 Mr Andre' Nobbs commented that Norfolk Island does not appear on Australian television weather reports.⁶³ Placing Norfolk literally on the

59 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia, *Committee Hansard*, Canberra, 26 June 2014, p. 3.

60 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 7.

61 Transam Argosy, *Submission 9*, p. 6.

62 Mr Stephen Brooks, Member, Tourism Action Group, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27.

63 Mr Andre' Nobbs, *Submission 14*, p. 2.

map in this way is another way to promote the island as a domestic travel destination.

Committee comment

- 5.88 The Committee acknowledges the additional preparation, time and costs involved in travelling to and from Norfolk Island when it is treated – to all intents and purposes – as an international rather than domestic travel destination. The Committee appreciates that there are distinct practical and other advantages to Norfolk being treated as a domestic destination, including that Australian passport holders would not need to use their passport to travel to an Australian port. This would extend to overseas visitors who have already cleared immigration into Australia at one of Australia’s international entry points.
- 5.89 Should the Committee’s recommendation to replace self-governance be accepted, there will be no rationale to retain the current immigration system.
- 5.90 In the interim, the Committee restates an important point made in chapter four, namely, that it acknowledges the stability that the Air New Zealand contract – and its extension until 2016 – affords Norfolk Island.

Economic modelling of the impact of reforms

- 5.91 The Norfolk Island Administrator, the Hon Gary Hardgrave, writes in an August edition of *The Norfolk Islander* that the Centre for International Economics has been engaged to work with the Department on determining the economic impact on Norfolk Island of reform options. He also notes that he will soon announce members of a new Administrator’s Business Advisory Group, comprised of local business people with a variety of views:
- ... charged to provide views directly to me on ongoing and new economic development opportunities for Norfolk Island.⁶⁴
- 5.92 DIRD advises that it expects the economic modelling work to be completed in coming weeks.⁶⁵

Concluding comments

- 5.93 The Administrator’s Business Advisory Group is an opportunity for Norfolk Island to develop economic opportunities hand in hand with governance reforms.

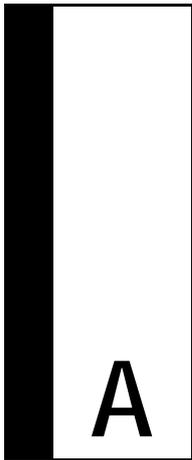
64 ‘Experts engaged on Norfolk Island reforms’ in *The Norfolk Islander*, 9 August 2014, p. 1.

65 Personal communication by email, 15 September 2014.

- 5.94 This inquiry has been part of the conversation about extending opportunities for economic development in tourism and complementary industries. It is clear that Norfolk Island has so much going for it already, and so much more potential.
- 5.95 In the words of local resident, Mr Peter Wilson:
- [Norfolk Islanders] have the land, we have the drive and, more importantly, we have the passion to make the island succeed. The time has come for change.⁶⁶
- 5.96 Reform will certainly challenge the community in a number of ways. However, ultimately, the only way to have a strong culture is to have a strong economy. The changes ahead do not threaten Norfolk Island culture. Rather, by strengthening Norfolk Island's economy and making the island more sustainable, the reforms have the potential to bring people together and to keep Norfolk's special and unique culture alive and vibrant for centuries to come.
- 5.97 Some residents might think Norfolk Island is independent because it is ostensibly a 'self-governing territory'. The reality is that it is ever-more dependent on the Commonwealth for financial handouts and other in-kind assistance. Reforms that introduce Australian rights and responsibilities for all residents and appropriate local governance arrangements are imperative. At the same time as the transitional administration works to these ends, capacity must be built and an environment fostered that is conducive to a wide range of economic opportunities which prepare Norfolk Island for a viable and sustainable future as part of Australia.

Mr Luke Simpkins MP
Chair

⁶⁶ Mr Peter Wilson, *Committee Hansard*, Norfolk Island 29 April 2014, p. 33.



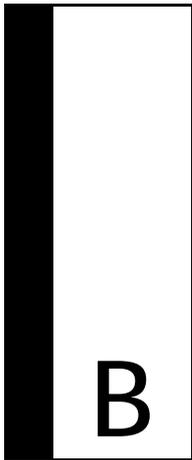
Appendix A - Submissions and other documentary evidence

1. Park Land Estate Villas
2. Tourist and Transport Forum
3. Mr Julian Yates
4. Norfolk Island Convention, Entertainment and Sports Centre Working Group
5. Mr John Christian-Bailey
6. Norfolk Island Tourism
- 6.1 Supplementary to Submission 6
7. Ms Elva Leaming
8. Australian Airports Association
9. Transam Argosy
10. Name withheld
11. Name withheld
12. Gallery Guava and Fletcher's Mutiny Cyclorama
13. Christmas Island Tourism Association
14. Mr Andre' Nobbs
15. Norfolk Liberals
16. Econorfolk Foundation Inc Ltd
17. Mr Dick Massicks
18. Confidential
19. Tourism Action Group
20. Mr Dave Porter MLA
21. Government of Norfolk Island

- 21.1 Supplementary to Submission 21
- 21.2 Supplementary to Submission 21
- 22. Destination Norfolk Island
- 23. Mr Brett Sanderson
 - 23.1 Supplementary to Submission 23
 - 23.2 Supplementary to Submission 23
- 24. Carnival Australia
- 25. Mr Ron Nobbs
- 26. Kallawar
- 27. Norfolk Industries
- 28. Mr Brad Forrester
- 29. Mr Bruce and Mrs Ann Walker
- 30. Department of Infrastructure and Regional Development
 - 30.1 Supplementary to Submission 30
- 31. Norfolk Island Airlines
 - 31.1 Supplementary to Submission 31
- 32. Mr John Brown
- 33. Tourism Australia
- 34. Mr Neil Pope

Other documentary evidence

1. 'Norfolk Island: The Challenge and the Opportunity' in Oceania Economic Development Corporation report, supplied by Mr Andre' Nobbs (*related to Submission No 14*).
2. 'Ministerial briefing on priority matters for reform', supplied by the Norfolk Liberals (*related to Submission No 15*).
3. 'Norfolk Island Economic Development Strategy and Environmental Policies ', supplied by Mr Brett Sanderson (*related to Submission 23*).
4. 'Clause 14.4: Offshore Finance Centre/Offshore Banking Unit/Cyber Centre', 'Clause 15.5: A Special Economic Zone for Norfolk Island' and 'Australia as a Financial Centre: Build on our Strengths Report by the Australian Financial Centre Forum, supplied by the Government of Norfolk Island (*related to Submission 21*).
5. 'Cultural and socio-economic determinants of energy consumption on small remote islands' By Manfred Lenzen et al. in Natural Resources Forum 38 (2014) 27-46, supplied by EcoNorfolk Foundation Inc. Ltd (*related to Submission 16*).
6. 'A misguided, ill-informed, out-dated and ineffective approach: some reflections on the Tasman Norfolk Island Economic Development Report, '(March 2012), supplied by Mr Peter Maywald (*related to Submission 23*).
7. Mr Jon Stanhope, Indian Ocean Territories Administrator's bulletin to Indian Ocean Territories residents, inviting them to put a submission into the inquiry into economic development on Norfolk Island on governance in the external territories (*related to Submission 23*).



Appendix B - Public hearings and witnesses

Tuesday, 29 April 2014 - Norfolk Island

Norfolk Island Legislative Assembly

- The Hon Robin Adams MLA, Minister for Cultural Heritage and Community Services
- The Hon Timothy Sheridan MLA, Minister for Finance
- The Hon Lisle Snell MLA, Chief Minister and Minister for Tourism
- The Hon Ronald Ward MLA, Minister for the Environment

Norfolk Island Tourism

- Mr Glen Albert Buffett, Manager

Community Statements

- Mr Bill Blucher, private capacity
- Mr Steven Brooks, Member, Tourism Action Group
- Mr Duncan Evans, Manager, Transam Argosy Pty Ltd
- Ms Rhonda Evelyn Griffiths, Private capacity
- Mr Richard Kleiner, private capacity
- Mr Richard (Dick) Massicks, private capacity
- Mrs Mera Martin, private capacity
- Mr John McCoy, Chairman, Cascade Port and Marina Development Inc.
- Mr Ronald Nobbs, private capacity
- Mr David Raymond Porter MLA

- Mr Gregg Prechelt, Director, Norfolk Island Airlines
- Mr Michael (Boo) Prentice, Managing Director, Pinetree Tours
- Ms Denise Marie Quintal, Administrator and Founder, EcoNorfolk Foundation Inc. Ltd
- Ms Megan Resler, EcoNorfolk Foundation Inc Ltd
- Mr Jim Tavener, private capacity
- Mrs Louise Tavener, private capacity
- Mr Peter Wilson, private capacity

Thursday, 6 June 2014 – Canberra

Carnival Australia

- Mr Peter John Taylor, Vice-President, Corporate Affairs Department

Tourist and Transport Forum

- Mr Trent Zimmerman, Deputy Chief Executive and Director, Transport Policy

Private capacity

- Mr Julian Yates

Thursday 19 June 2014 – Canberra

Department of Infrastructure and Regional Development

- Ms Robyn Fleming, Executive Director, Local Government and Territories
- Mr Andrew Wilson, Deputy Secretary
- Mr Paul McInnes, General Manager, Local Government and Reconstruction Programmes

Thursday, 26 June 2014 – Canberra

Austrade

- Mr Nicholas Dowie, Assistant General Manager

Tourism Australia

- Mr Tim Mahony, Government and Media Relations Manager

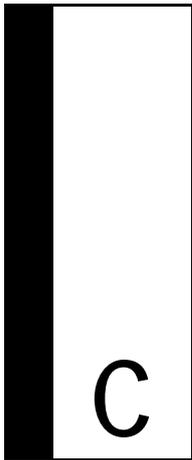
Friday, 18 July 2014 – Canberra

Worley Parsons Services Pty Ltd.

- Mr Simon Batt, Principal Maritime Engineer

Private capacity

- Mr Neil Pope



Appendix C - Committee's visit program

Monday, 28 April 2014

- Inspections
 - ⇒ Kingston Arthur Vale Historic Area; and
 - ⇒ Kingston Jetty
- Official reception at Government House, to which 150 residents were invited to attend
- Dinner hosted by the Norfolk Island Administrator, Mr Neil Pope and Mrs Jen Pope

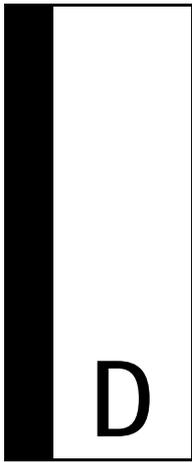
Tuesday, 29 April 2014

- Public hearing and community statements
- Inspections
 - ⇒ Cascade Pier;
 - ⇒ Farmer Lou's market gardens and pig farm; and
 - ⇒ Norfolk Blue cattle farm and restaurant
- Meeting with Burnt Pine Travel

Wednesday, 30 April 2014

- Inspections
 - ⇒ Cyclorama and Guava Gallery;
 - ⇒ Pineridge Crafts (Norfolk Pine Crafts);
 - ⇒ Pullis' Family Kentias;
 - ⇒ Cottage Pottery and Goat Farm;
 - ⇒ Aatuati Art;
 - ⇒ Doug Clarke's Kentia Propagation Nursery; and

⇒ Norfolk Liqueurs and Cascade Soft Drink Factory.



Appendix D - Norfolk Island Government's preferred model for territory self-governance

1. Territory institutions

Current Territory institutions to remain.

Territory Executive comprising an Administrator and Ministry elected from a Territory Parliament;

Territory Legislative Assembly;

Territory public service or Administration;

Territory Courts and Tribunals.

2. Territory Government responsibilities and functions

A. Norfolk Island Government to transfer to the Commonwealth any federal functions in accordance with the process outlined in the Road Map.

Noting the Norfolk Island Government's preference is to defer removal of local permits controls on residents pending review of the efficacy of land and planning controls in achieving the same population management outcomes in the Territory context. A local permit regime can coexist with the federal immigration regime when extended to Norfolk Island.

B. Norfolk Island Government to retain State and Local Government type functions.

C. Funding for Norfolk Island Government's delivery of public infrastructure and State and Local Government type functions to be shared with the Commonwealth, similar to other self-governing jurisdictions within the federal taxation system.

Robin Adams

Minister for Cultural Heritage and Community Services

25 July 2014

Source: The Norfolk ISLANDER Vol. 49, no. 24, Saturday 26 July 2014