

COMMONWEALTH GRANTS COMMISSION

Report on Norfolk Island 1997



Report on Norfolk Island

1997

**COMMONWEALTH
GRANTS COMMISSION**

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Commonwealth Grants Commission

Chairman C. Richard Rye

The Hon. David Jull MP
Minister for Administrative Services
Parliament House
CANBERRA ACT 2600

Dear Minister

As members of the Commonwealth Grants Commission appointed under the *Commonwealth Grants Commission Act 1973*, we respond in this report to terms of reference contained in your letter of 23 October 1996. It reports on the economic capacity of, financial and administrative arrangements and government services in relation to, Norfolk Island.

The matters which we believe need attention are outlined in the report.

Yours sincerely

C R RYE, Chairman

R D BARNES, Member

K W WILTSHIRE, Member

R J SEARLE, Secretary
August 1997

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TERMS OF REFERENCE

*The Hon. David Jull MP
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Mr C R Rye AM
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
CANBERRA ACT 2601

Dear Mr Rye

I am writing to provide the Commonwealth Grants Commission with terms of reference for an inquiry into the economic capacity of, and financial arrangements and government services in relation to, Norfolk Island.

The *Norfolk Island Act 1979* (the Act) confers a substantial degree of self government on the Island which is broadly comparable to that in the ACT and Northern Territory but includes some matters normally reserved to the Commonwealth. A range of powers have gradually been extended to the Norfolk Island Government since the commencement of the Act and there was an intention that consideration would be given to a review of the powers under the Act within a period of 5 years of its commencement.

The appropriate range of powers and the final form of self government for the Island is an issue which is debated in the Legislative Assembly from time to time. Responsibility for specific powers which are currently 'reserved' to the Commonwealth, such as land, are currently the subject of consideration between the Norfolk Island Government and the Commonwealth.

Norfolk Island essentially has a single industry economy based on tourism. The Norfolk Island Government is actively looking for ways to diversify its economic base and generate

Terms of Reference

capital finance. Other economic prospects which have been raised with the Norfolk Island government include 'high tec' industries.

The Commonwealth and the Norfolk Island Governments believe as a prerequisite, there should be an assessment of the Island's financial and economic capacity to deal with industries of this nature and any expanded range of powers and functions under the Act.

The terms of reference are as follows:

Pursuant to section 16C of the *Commonwealth Grants Commission Act 1973*, I request the Commission to provide independent advice on Norfolk Island's economic capacity, financial and administrative arrangements and government services, including:

- (i) capacity to meet obligations associated with current and future government functions that might be associated with an extension of the degree of self-government;
- (ii) the capacity to fund the Island's current and foreseeable infrastructure requirements (including its ability to service loans); and
- (iii) government services available on Norfolk Island including the contribution of the community towards those services and the capacity of the Island to maintain services at an appropriate level.

The Commission is to complete its inquiry and report by the end of August 1997.

I have provided a copy of this correspondence to the Treasurer, the Minister for Finance, the Minister for Sport, Territories and Local Government and the Head of the Norfolk Island Government, the Hon Mike King MLA.

Yours sincerely

DAVID JULL

MAIN FINDINGS

1. Norfolk Island is unique. In judging the services, infrastructure needs and revenue raising on the Island, account must be taken of the demographic, social and cultural aspects of the community, the location and physical characteristics of the Island and its economic and financial capacities. (Chapter 2, para 19)

The Economy

2. The Norfolk Island economy is vulnerable and exposed to external influences. (Chapter 4, para 3)
3. The output of Norfolk Island's economy is estimated at about \$80 million a year, though this may be conservative. (Chapter 4, para 11 and Table 4-1)
4. The main prospect for developing Norfolk Island's economy seems to be further development and diversification of the tourist industry, although there are environmental limits to this. (Chapter 4, paras 39 to 42)

Public Finance

5. For the three years ending 1995-96, the Norfolk Island Government operated at an average annual surplus of over \$850 000. (Table 5-11)
6. Over the same period, the value of the Norfolk Island Government's assets decreased by ten per cent in real terms, indicating that the level of investment is not maintaining its capital stock. (Chapter 5, para 35 to 37)
7. Norfolk Island's public finances are heavily reliant on income from government business enterprises. (Chapter 5, para 53 and Table 5-9)
8. The Commonwealth's net subsidy to services on or relating to Norfolk Island averaged \$3 million per annum over the three years to 1995-96. (Table 5-15)
9. Norfolk Island's financial dependence on the Commonwealth is comparatively low. (Chapter 5, para 72 and Table 5-17)

Main Findings

Services and Infrastructure

10. Many services on Norfolk Island are at a standard comparable with those found on the mainland and two, Police and National Parks, are provided above the mainland standard. (Table 6-11)
11. Some services provided by the Norfolk Island Government are below mainland standards. (Table 6-12)
12. Vocational Education and Training is at a much lower level than on the mainland and this is a threat to the long term viability of the Island's economy. (Chapter 6, para 31)
13. Health Insurance and social security are at much lower levels than found on the mainland, and we believe this to be inappropriate. (Chapter 6, paras 94-96 and 110-112; Chapter 10, para 6)
14. Waste disposal on Norfolk is very much below the standard expected by the rest of Australia and the international community. (Chapter 6, para 261)
15. There are some areas, such as the harbour, the airport terminal and the electricity supply, where the condition of the infrastructure is below that found on the mainland or will become inadequate in the short term. (Chapter 6, para 396)

Taxes and Charges

16. Norfolk Island imposes a more limited range of taxes and charges than governments on the mainland. (Table 7-1)
17. The taxation system on Norfolk Island is regressive, generally does not tax wealth or income, and falls disproportionately on tourists. (Chapter 7, paras 22 to 25)
18. In the areas that Norfolk Island does tax, its tax rates are high and indicate a revenue raising effort more than twice that found on the mainland. (Chapter 7, para 38)
19. For those taxes not imposed, Norfolk Island has a very large untapped revenue capacity. (Chapter 7, paras 41 to 46)
20. Overall, Norfolk Island is assessed to have a revenue raising capacity about 60 per cent higher than what is actually being raised. (Chapter 7, para 67)

Financial Capacity

21. For several reasons, including the ageing of the population and the deterioration of its infrastructure, the Norfolk Island Government is

- likely to face increased expenditures in the future. (Chapter 8, para 14)
22. For the Norfolk Island Government to bring all its recurrent services up to mainland standards would, on our estimates, require additional annual expenditures of around \$2.5 million. (Table 8-2)
 23. To bring Norfolk's infrastructure up to mainland standards would require expenditures or provisions of perhaps \$5.5 million for each of the next ten years. (Chapter 8, para 23 and Table 8-3)
 24. All mainland service and infrastructure standards could be met by revenue raising efforts at mainland levels. (Table 8-4)
 25. Taking over additional powers suggested during the inquiry should be within the financial capacity of the Norfolk Island Government, provided it increased its revenue raising effort. (Chapter 8, para 49)
 26. Given its present range of revenue sources, Norfolk Island is most unlikely to be eligible for recurrent general revenue grants from the Commonwealth. (Chapter 8, para 56)
 27. There is some justification for the Commonwealth making a contribution to overcome safety problems or to improve items of infrastructure that were known to be inadequate before self government, such as the Cascade Cliff and the harbour. (Chapter 8, para 60)
 28. The Norfolk Island Government has an ability to borrow and can afford to do so. Decisions on whether to finance infrastructure through loans should have regard to the costs and benefits. (Chapter 8, para 64 to 68)

Administrative Capacity

29. Administrative capacity is the main factor limiting the Norfolk Island Government's ability to deliver services. (Chapter 9, para 106)
30. Conflict of interest guidelines should be developed for the Legislative Assembly, the Executive and the Public Service. (Chapter 10, para 40)
31. The Norfolk Island machinery of government needs to be reviewed and clearer lines of responsibility drawn between the Ministers, the Chief Administrative Officer, the Public Service and government enterprises. (Chapter 9, para 108 to 111)
32. A new Public Service Act should be put in place, the skills of the public service upgraded and the structure of the public sector reviewed. (Chapter 9, para 109)

Main Findings

33. A system of forward estimates would facilitate long term planning of recurrent and capital needs and cash flows. (Chapter 9, para 110)
34. There should be regular and timely (annual) reports of the Norfolk Island Administration, covering all service delivery agencies. (Chapter 9, para 111)

Other Matters

35. There is a need for improved communication between the Commonwealth and Norfolk Island Governments. (Chapter 9, para 107)
36. It is essential for the Norfolk Island Government to push on with its proposal to develop a long term strategic plan. (Chapter 10, para 31)
37. A review of the *Norfolk Island Act 1979* is needed to clarify responsibilities, make the Act more administratively useful and strengthen accountability and conflict of interest requirements. (Chapter 10, para 34)

CHAPTER 1

BACKGROUND TO THE INQUIRY

1. On 23 October 1996, the Minister for Administrative Services gave the Commission terms of reference for an inquiry into the economic capacity of, and financial arrangements and government services for, Norfolk Island.

2. The inquiry had been requested by the Minister for Sport, Territories and Local Government following an agreement reached at a meeting on 7 October 1996 between the Commonwealth Government and the then Norfolk Island Government.

THE OBJECTIVES OF THE PARTIES

3. The terms of reference for the inquiry were as follows.

Pursuant to section 16C of the *Commonwealth Grants Commission Act 1973*, I request the Commission to provide independent advice on Norfolk Island's economic capacity, financial and administrative arrangements and government services, including:

- (i) capacity to meet obligations associated with current and future government functions that might be associated with an extension of the degree of self government;
- (ii) the capacity to fund the Island's current and foreseeable infrastructure requirements (including its ability to service loans); and
- (iii) government services available on Norfolk Island, including the contribution of the community towards those services and the capacity of the Island to maintain services at an appropriate level.

4. The letter transmitting these terms of reference to the Commission placed the inquiry in context by noting that:

Norfolk Island essentially has a single industry economy based on tourism. The Norfolk Island Government is actively looking for ways to diversify its

economic base and generate capital finance. Other economic prospects which have been raised with the Norfolk Island government include 'high tec' industries.

It also noted that both the Commonwealth and the Norfolk Island Governments believed that:

there should be an assessment of the Island's financial and economic capacity to deal with industries of this nature and any expanded range of powers and functions under the Act.

5. The Act referred to is the *Norfolk Island Act 1979*, which established a large degree of self government for the Island. It gave the Norfolk Island Government a range of powers comparable to those of the Australian Capital Territory (ACT) and the Northern Territory Governments, plus the responsibility for some functions (including social security benefits, immigration and customs) that are reserved to the Commonwealth in all States¹ and other Territories. Schedule 2 to the Act listed those items over which the Norfolk Assembly and Government were given exclusive legislative and executive authority, and Schedule 3 those over which their authority was subject to veto by the Commonwealth minister. The intention at the time was that the arrangements for self government would be reviewed after five years, but this did not happen.

6. In recent years, the Island Government has indicated to the Commonwealth a wish to increase its range of powers, to include land administration for example, and to broaden its economic base. However, some people on Norfolk Island have expressed concern about their Government's capacity to discharge its existing functions, let alone any new ones.

7. The Commonwealth recognises the need to review the self government arrangements for Norfolk Island, including a review of the *Norfolk Island Act 1979*, and expects this inquiry to provide information that will inform those reviews. For its part, the present Norfolk Island Government, elected in late April 1997, is wary of any review of the Norfolk Island Act. It acknowledges that a review was intended after the first five years of its operation and that the Seventh Assembly and the Commonwealth agreed in October 1996 that it should be reviewed. However, it does not believe that big changes to the Act are necessary. The Commonwealth gave an assurance that any proposals for change arising from the Commission's inquiry or otherwise would be subject to negotiation between the Norfolk Island and Commonwealth Governments before they were implemented.

8. The present Norfolk Island Government expects this inquiry to provide an assessment of the appropriateness of the administrative and financial arrangements and to suggest better ways of providing services and infrastructure. It hopes that:

- the inquiry will lead to the establishment of a database that will better support decision making;

¹ In the rest of this report, the term State(s) includes the ACT and the Northern Territory, unless the context indicates otherwise. The expressions 'mainland' and 'mainland Australia' also have this meaning.

- the Commission's report will be a useful input to the development of a strategic plan for the Island; and
- together with other recent advice commissioned by the Island Government², the report will assist its attempts to diversify the Island's economic base and increase its financial capacity.

9. During the Commission's discussions with the Norfolk Island Government, the Chief Minister noted that, even before the Commission had reported, the inquiry had been of benefit because it had encouraged the new Government to take a more strategic approach to the provision of government services.

HOW THE INQUIRY WAS CARRIED OUT

10. Throughout the inquiry, the Commission placed a high value on consultation and the involvement of numbers of the community and local interest groups.

11. The process commenced with an article in the Norfolk Island press to announce the inquiry and to call for submissions. This was followed by a visit to the Island by the Chairman and Secretary of the Commission in November 1996 for introductory discussions with the then Island Government and other interested people and organisations. In December, two senior Commission staff visited the Island to distribute a discussion paper, to assist parties to make submissions and to begin to collect data. The discussion paper outlined the main issues the Commission thought would arise during the inquiry and the procedures it intended to follow. Submissions were also sought from key Commonwealth Departments and agencies.

12. Initial submissions were due by the end of February 1997. Some parties had difficulty meeting that date but, by the end of April a total of fourteen submissions had been received.

13. In May 1997, the Commission conducted a public conference on Norfolk Island to discuss the submissions. All those who had made submissions were invited to attend and many other Norfolk Island residents also participated. To assist the discussion, the Commission provided an annotated agenda that included issues and background information from the submissions. While most of the conference was conducted in public, some sessions were held *in camera* to allow confidential material to be presented.

14. Since the conference was held only a few days after the election of the Eighth Norfolk Island Legislative Assembly, the new Government and other participants at the conference were invited to present additional written submissions. More than twenty such submissions were received.

² In particular, in January 1997, the then Norfolk Island Government commissioned the consultant economists Access Economics to analyse and report on the Island's economy and economic prospects.

15. After the conference, the Commission undertook workplace discussions, at which it talked with the service providers about the operation of: the works depot; lighterage services; the police station; Norfolk Telecom; the airport; the radio station; the hospital; the school; the childcare facilities at Banyan Park; electricity services; emergency services; the museum; water, sewerage and refuse disposal; and public administration.

16. In June 1997, a draft of the Commission's report, including a preliminary fiscus³ but excluding final recommendations, was provided to all parties who had made submissions and to all others who requested it. Following this, a further conference was held on the Island at the beginning of July 1997 to discuss the Commission's preliminary findings. At the conclusion of the conference, the Commission undertook workplace discussions at the Customs Office, the philatelic section of Norfolk Post and the liquor bond store.

17. Again, more than 20 submissions were received following this conference and additional information was provided by many parties. The feedback from the conference and the additional documentation proved to be very useful in completing this report.

18. Details of Commission's activities relating to the inquiry and a list of all people who participated is at Attachment A. Attachment B contains the media releases on the inquiry and Attachment C lists all other inquiry documents, including papers prepared by the Commission and submissions received.

ACKNOWLEDGEMENTS

19. We are grateful for the ready co-operation extended to the Commission by the Norfolk Island Government and its staff, the Administrator and Deputy Administrator and their staff and the Commonwealth Department of the Environment, Sport and Territories. Without that co-operation, the completion of this report would not have been possible.

20. We also acknowledge with gratitude the extensive participation of the Norfolk Island community, both in our discussions on the Island and by way of written submissions. These contributions added welcome depth and new dimensions to our understanding of the relevant issues.

21. We are also grateful for the efforts of the many Commission staff who contributed to this report.

³ A set of accounts that shows, in the one document, the government revenues of, and expenditures for, the people of Norfolk Island.

CHAPTER 2

APPROACH TO THIS REPORT

1. The terms of reference ask the Commission to report on whether the Norfolk Island Government has the capacity to provide, at an appropriate level, the range of government functions, including infrastructure, for which it is now responsible. They also ask whether it has the capacity to provide a broader range of services.

2. The approach we have taken to answering these questions is to:

- set the scene by describing Norfolk Island's geography, history, demography, and social and political development (Chapter 3), by discussing the nature of its economy (Chapter 4) and by examining its public sector finances (Chapter 5);
- examine levels of service and infrastructure and discuss how, making allowance for Norfolk Island's special circumstances, they compare with services provided elsewhere (Chapter 6);
- discuss the ability of the Norfolk Island Government to raise revenue through taxes, charges and other community contributions, given the Island's economic capacity and the income and wealth of its population (Chapter 7);
- draw conclusions about Norfolk Island's economic and financial capacity to provide services and infrastructure appropriate to its circumstances (Chapter 8);
- examine the Island Government's administrative arrangements and how they affect its capacity to provide services and infrastructure (Chapter 9); and
- summarise our responses to the terms of reference (Chapter 10).

3. This chapter discusses the range of government functions we have considered and how judgements might be made on whether they are, or could be, provided at an appropriate level. It sets out what we mean by the term capacity — economic, financial and administrative — and how we have made judgements about it. It outlines how we have assessed the contribution by the Norfolk Island community to the provision of

services. Finally, it describes how we have used this information to respond to the terms of reference.

Government Functions

4. To make this report as useful as possible, it covers all functions or services normally provided by governments on the mainland, regardless of the level of government providing them — Commonwealth, State or local — and all sources of revenue usually accessed by governments on the mainland. For this reason, the analysis has not been confined to those functions, services or income sources actually in place on Norfolk.

5. Distinguishing the level of government providing the service on the mainland is not relevant to the situation on Norfolk Island because, under Sections 51 and 122 of the Constitution, the Commonwealth can legislate to give the Norfolk Island Government whatever powers it wishes. While some distinctions based on level of government have been made to assist the analysis, they should not be interpreted as indicating the division of responsibilities that we see as appropriate for Norfolk Island.

6. We have considered what Government services are provided on the Island, at what standard they are currently provided, how these compare to services provided elsewhere and whether they are needed and at what level. We have made these judgements against the special circumstances of Norfolk Island, taking into account its physical, demographic, economic, social and cultural characteristics. The extent to which a service is presently provided on the Island may not be the best indicator of the need for that service. It may or may not reflect a decision that this is the appropriate level of service.

7. In general, revenue collections depend on both capacity and choice. We have considered what the contribution of the Norfolk Island community to service provision (mainly revenue raised by the Island Government) is at present, and what it could be if the efforts made by other communities were applied to the income and wealth characteristics of the Norfolk Island community. The present approach to revenue raising on the Island may or may not be the most appropriate.

Comparing Government Services

8. We think that to inform future decision making, the Norfolk Island and Commonwealth Governments and the Norfolk Island community might find it useful to have the following questions answered in relation to each function.

- What is the service and how is it provided on Norfolk and elsewhere — what are the facts?
- How does the service on Norfolk compare with that provided in similar Australian communities?

9. For services on Norfolk that are provided on the mainland by the Commonwealth, the comparisons have been made with the level of those services on the mainland. For services that are provided on the mainland by either the State or local

government sector, the task of comparison becomes a little more difficult. Comparisons have been made with whatever area or areas we think best provide a starting point. As the Island's circumstances are unique, such points of comparison may be inappropriate in some way and any comparison will invite judgements about its usefulness.

10. We are mindful that some members of the Norfolk Island community see no point in comparisons between Norfolk and elsewhere. Nevertheless, we believe that such comparisons have value, provided necessary allowances are made for the special circumstances of the Island. Information on whether a service on Norfolk Island is above or below the standard provided elsewhere could help its Government and community to reach conclusions about the appropriateness of their services. Of course, there may be good reasons why a service is above or below that provided elsewhere. For example, if the community values education highly, it may choose a higher level of education services. Equally, if there are no unemployed, there is no reason to provide employment assistance programs at levels made available where there is unemployment.

11. On the other hand, a service may be above that provided elsewhere purely for historical reasons. There may have been a need in the past, but that need may no longer exist, although the service level has not been reviewed and reduced. Another possibility, if the service is costing more, is that it is not being provided in the most efficient way. There may be ways of meeting particular needs that are cheaper, but just as good or even better. Without making comparisons and reviewing service delivery methods and levels of provision, governments and communities cannot be sure that they are satisfying their needs for government services in the best way.

12. Of course, governments cannot reach such conclusions without taking into account the wishes of the community. Those wishes will be better informed if communities have good information about the alternatives available so they can judge their needs and wants against them.

13. The States and other Australian Territories have made considerable use of comparative information provided in Commission reports to make adjustments to their services and revenue raising practices. Such comparisons can be considered analogous to benchmarking, which is an internationally accepted method used by governments and the private sector to see whether a service or a product is produced in the most efficient and effective way. It can be a powerful tool for good decision making.

What is an Appropriate Level of Services for Norfolk Island?

14. In its inquiries into the finances of the States, the Commission makes recommendations on how Commonwealth general revenue grants should be shared. Those recommendations seek to ensure that each State has the financial capacity to provide the average level of services, assuming it does so at an average level of operational efficiency and makes an average effort to raise revenue from its own sources.

15. In general, such inquiries are concerned with the questions of what it would cost each State to provide the average, or standard, level of services and what revenues each State would raise if it made the average effort to raise revenues. Assessing the differing

circumstances of each of the States that result in different patterns of demand for services and different abilities to raise revenue is therefore central to the Commission's work.

16. The methods adopted in those inquiries are designed to look at what is necessary to give equal financial capacity, not to produce the same results. The Commission's work is based on the federal structure within the Australian Commonwealth and on the proposition that States are entitled to decide on the range and level of services they provide and on the range and level of taxes and charges they impose. At the same time, the methods ensure, as far as possible, that a State cannot influence its share of the Commonwealth grants by changing its own policies on services provided or taxes imposed.

17. However, a question that does not arise in State inquiries is whether a service is provided at an appropriate level. The level of service provided by each State is taken into account in calculating the average, or standard, level of service, but the Commission is not required to pass any judgement on what individual States do, and does not do so.

18. For this inquiry, the terms of reference ask us to advise on the appropriateness of the present level of government services on Norfolk, and the contribution the community is making towards those services. In this respect, this inquiry is different from State inquiries, and we have needed to modify the Commission's normal approach.

19. The mainland average revenue raising policies and practices relating to the range and level of services provided, or even the policies applied to selected communities, are not necessarily those that are appropriate for Norfolk Island. There are many factors to be taken into account in judging what is appropriate. Our views on that issue have been influenced by what we have seen and heard on Norfolk Island, and what we know of the mainland and of the other Island Territories. We have judged what services are needed, and what revenue collections are possible based on:

- the demographic, social and cultural characteristics of the Norfolk Island population;
- the economic and financial capacities of the Island;
- the location and physical characteristics of the Island;
- the costs these characteristics impose on service provision;
- the capacity of the Island to raise revenue from its own sources and the effort it is making compared to other more-or-less comparable communities; and
- the range and standard of services provided in more-or-less comparable communities.

20. In evaluating our report, Governments will no doubt also wish to take into account:

- the preferences of the Norfolk Island population;

- the policy requirements that arise from the Island's special character and circumstances;
- the right of all Australian citizens to diversity in service provision — it is a cornerstone of all federations that, within their responsibilities and capacities, communities have the right to adopt different policies in the pursuit of their own priorities;
- the extent of independence desired, that is, the extent to which the Norfolk community may wish to manage and support its own affairs without outside assistance or constraints;
- the extent to which Norfolk Island residents wish to be treated as all other Australians, that is, to receive the same level of Commonwealth services as all other Australians and to accept the same financial and other obligations;
- individual equity, that is, the equal treatment of equals, so that all community members on similar incomes or in similar financial and social circumstances, pay the same taxes and receive the same level of services;
- social obligations, that is, the responsibility of a community to ensure that its less well off members are provided with acceptable minimum levels of services and social support;
- protection of minority interests, that is, the need for governments to govern for all and to ensure that the needs of minorities are not overlooked; and
- national interest, that is, the common interests of the whole Australian people.

21. In practice, objectives such as these are often in conflict and governments have to find a balance between them.

22. A range of views exists on the Island on how an appropriate level of services might be judged. One view presented to us was that all Australians, whether they are born on Norfolk Island or not, should be treated equally and the same standard of services be made available. This may be a reasonable approach in terms of deciding the appropriate standard of services usually provided by the Commonwealth Government. However, it could not be applied in relation to State and local government type services because these differ among States on the mainland, although all States have the same financial capacity to provide such services. States choose a mix of services that they consider appropriate to the characteristics and wants of their communities.

23. Another view was that the present level of services is largely appropriate because, in a small community such as Norfolk, Ministers are soon made aware of community dissatisfaction with government performance through personal contact, as well

as through the ballot box. The difficulty with this view may be that the majority could be relatively satisfied with levels of services, while minorities who are not satisfied are being ignored.

24. One submission argued that the best way to decide whether the services and infrastructure provided on Norfolk Island are appropriate is to ask the community to formally express its view at referendum. We do not believe that the Grants Commission should seek to have a referendum conducted on what is, or is not, an appropriate level of service provision across the wide range of functions performed by government. The Norfolk Island Government could choose to conduct a referendum and has done so successfully on a range of matters in the past. However, the practicality of framing a large number of questions in a way likely to elicit helpful responses about the full range of services that governments provide would be exceedingly doubtful.

25. Moreover, there are two governments with responsibility for service provision on Norfolk Island and one obviously has a wider constituency than the Norfolk Island community. It would be unreasonable to expect the Commonwealth Government to consider only the needs and wishes of the Norfolk Island people when faced with decisions that had the potential to affect the whole of the Australian community and economy.

26. In answering the question of what is appropriate, we have had to make judgements. Our approach has sought to strike a balance between local needs and equity for all Australians, and between local independence and national interests. In doing so, we have distinguished between services generally provided by State or local governments and those generally provided by the Commonwealth.

- For *State and local government type services*, a balance could be achieved if Norfolk Island residents were free to choose the range and level of services that they wished to support by particular taxation regimes, provided the Island had the same financial capacity to provide services as the States and local governments. Although national goals are often agreed between the Commonwealth and the States and supported by the Commonwealth through the use of specific purpose payments, some diversity is desirable to cater for local needs and different social priorities.
- For *services provided elsewhere by the Commonwealth*, the balance is very much towards a national standards approach, with little if any scope for local communities to exercise their own discretion. There is a question about how far this standard approach should apply to Norfolk Island. But even if it were to apply in full, this would not necessarily mean that the Commonwealth should provide these services. The Norfolk Island Government might well be the appropriate provider, as long as it had the necessary financial and administrative capacity. Moreover, it might be possible to vary the level of service provision to recognise local conditions or different needs, with no disadvantage to Australian residents, be they living on Norfolk Island or elsewhere in Australia.

What is Meant by ‘Capacity’?

27. Capacity reflects what can be done or what an economy or government has the ability to do, given its underlying strengths and weaknesses. Capacity is not usually equivalent to what is actually being done and may vary over time as contributing factors change.

28. **Economic capacity.** Economic capacity can be thought of as the Island’s potential for producing wealth, both now and in the future. For this inquiry, it has been assessed by examining the Island’s economic history, previous attempts to diversify its economic base, its existing levels of economic activity and its future economic viability (including its potential for economic diversification). In assessing this capacity, we have drawn on information from other inquiries, including a study by Treadgold¹ and the recent work by Access Economics², but we have also made our own estimates.

29. **Financial capacity.** This relates to the extent to which the Norfolk Island Government is able to raise revenue, from whatever source, to fund services. It has been estimated by examining the Island’s ability to obtain revenue from:

- the tax bases it is presently using;
- the range of tax bases normally used on the mainland; and
- more broadly based or global tax bases, such as income, assets, and consumption.

30. As a starting point, it has been assumed that Norfolk Island has the same ability to access tax bases as the mainland. However, this assumption is modified where circumstances are thought to exist which prevent Norfolk Island from imposing a tax or a standard rate of tax.

31. We have also looked at the voluntary efforts of the community to provide or contribute towards the provision of services that would otherwise be government responsibilities. Measurement and comparison in this area are difficult because there are little data available, but voluntary effort is an essential and growing aspect of service provision on the mainland. On Norfolk Island, it appears to be of particular cultural significance and has a bearing on the tax effort of both the Island and Commonwealth Governments.

32. The Island’s capacity to provide appropriate services and infrastructure now and in the future has been examined by comparing:

- what is spent now with what is raised from taxes and charges; and
- what needs to be spent to provide appropriate services and infrastructure and what could be raised if existing capacity were used to raise taxes and charges.

¹ M.L. Treadgold, *Bounteous bestowal, The economic history of Norfolk Island*, Pacific Research Monographs 18, National Centre for Development Studies, ANU 1988.

² Access Economics, *Norfolk Island: Recent Economic Performance, Present Situation and Future Economic Viability. Is There A Case For Change?*, Canberra, March 1997.

33. The Commonwealth's present contribution to service provision on the Island has been measured using information provided by the Department of the Environment, Sport and Territories. A question is what, if any, Commonwealth contribution to services and infrastructure might be justified in the future. The appropriate Commonwealth contribution to recurrent services could be estimated using the Commission's usual methods. Unfortunately, sufficient data are not available to enable such a calculation to be undertaken with any confidence. Nor have we been able to make a judgement about the size of any appropriate contribution by the Commonwealth to Norfolk's infrastructure requirements.

34. ***Administrative capacity.*** This relates to the extent to which political and administrative arrangements support existing and future responsibilities. Administrative capacity has been examined by looking at the processes of government and service provision on the Island in terms of how efficiently and effectively the Norfolk Island Government administers its current responsibilities. How administrative capacity might be enhanced in the future has also been considered. The phrase administrative arrangements is taken quite broadly to cover:

- arrangements with the Commonwealth;
- the political system;
- the legislature;
- Norfolk Island law;
- machinery of government, including local executive government;
- the public sector, including government enterprises;
- other service delivery arrangements;
- financial administration; and
- accountability arrangements.

Answering the Terms of Reference

35. We have attempted to meet the needs of the Norfolk Island and Commonwealth Governments as set out in the terms of reference and as expressed during the inquiry. In the last chapter, we therefore summarise our judgements about the Norfolk Island Government's capacity to meet its obligations associated with current and possible future government functions and to provide, at an appropriate level, the range of government functions, including infrastructure, for which it has responsibility now, or may have responsibility in the future. We also provide our views on how the Norfolk Island Government might go about developing its strategic plan and where the *Norfolk Island Act 1979* might be changed.

CHAPTER 3

UNIQUENESS OF NORFOLK ISLAND

1. Norfolk Island is the oldest of the Australian external Territories, and has a history of European occupation as old as that of mainland Australia. It supports a population of up to 2000, and is a popular destination for Australian tourists.

PHYSICAL CHARACTERISTICS

2. Norfolk Island is located in the South Pacific Ocean, roughly half way along a submarine ridge between New Caledonia and New Zealand, and some 1500 kilometres from the eastern Australian coast.

3. The Island is a small, isolated, fertile volcanic outcrop of about 34.5 square kilometres. Two small uninhabited islands, Nepean and Phillip, lie close to the south. The coastline of 32 kilometres consists largely of precipitous cliffs, except near Kingston in the south where there is a jetty and a coral reef. There is another jetty at Cascade Cliff in the north. There is no harbour. Most of the Island exceeds 100 metres in elevation and twin peaks, Pitt and Bates, rise to 320 metres in the north west. Several creeks drain to the north and south coasts. There are no lakes or natural reservoirs.

4. The climate is sub-tropical, with an average morning temperature ranging from 16°C in July to 22°C in February, and an average annual rainfall of 1328 mm. The original dense rainforest has gone except in some of the National Park, but parts of the Island are still well wooded, with the Norfolk Island pine predominating.

5. Settlement is scattered throughout the Island but more densely in the centre, with the site of an historical penal colony on the south coast, and an international airport in the west.

HISTORY

Settlement

6. There is evidence of a Polynesian or Melanesian presence on Norfolk Island long before its settlement by Europeans. However, it was uninhabited at the time of its discovery by Captain Cook in 1774. The Island was first occupied by the British in 1788, and from then until 1814, and again from 1825 to 1855, it was used as a penal colony. The remains of the second such occupation are a major tourist attraction.

7. In 1856, by agreement with the British Government, the then population of Pitcairn Island — descended from the mutineers on the *Bounty* and their Polynesian associates — relocated to Norfolk Island. From then until the end of the nineteenth century, they formed the whole population of the Island, apart from a Church of England college for the education and training of missionaries for Melanesia. In this period, the settlement was the responsibility of the Governor of New South Wales as a ‘separate and distinct colony’. In practice, the Islanders looked after most of their own affairs and lived a self sufficient, largely subsistence existence.

8. In 1897, the Island was placed by the British Government under the administration of the colony of New South Wales, with provision for its annexation to any federal body of which New South Wales might form a part. In 1901, this status was continued under the new State of New South Wales. In 1914, King George V ordered ‘that Norfolk Island be placed under the authority of the Commonwealth of Australia’¹. From then until 1979, the local affairs of the Island were governed by an Administrator appointed by the Commonwealth of Australia, supported by an advisory Council.

9. Norfolk Island played a significant role in World War II. It served as a base for anti-submarine patrols and for emergency aircraft landings, and as a staging post for flights between Australia, New Zealand and the South Pacific islands. Many Islanders joined the armed forces and, in proportion to its population, the Norfolk Island contribution to the war effort was very big. However, the absence of many Islanders overseas, the Island’s support of the garrison and military activities, and the wartime difficulties of transport led to a serious decline in local and export industries.

10. The Island’s population remained mostly people of Pitcairn descent until the early 1960s when what is sometimes referred to as the fourth settlement of Norfolk Island began. New settlers began to move to Norfolk to take advantage of the Island’s beauty, life style and low tax status.

11. In 1975, the Commonwealth asked a Royal Commission headed by Sir John Nimmo to make recommendations on the Island’s future status, its constitutional

¹ *Norfolk Island Act 1979*, p3.

relationship to Australia and the most appropriate form of administration for it. The key recommendations of the Nimmo Report² were to:

- give full Commonwealth voting rights to Norfolk Island residents;
- replace the advisory Council with an elected Assembly;
- extend mainland services and obligations to Norfolk residents; and
- apply all Commonwealth legislation to Norfolk Island.

The Government response to the report led to the enactment of the *Norfolk Island Act 1979* which granted a greater degree of self government than Nimmo had recommended.

12. The Island has been governed under the provisions of the 1979 Act since then. As a result, the Norfolk Island community, through its Legislative Assembly, has had control over settlement patterns through its immigration legislation.

13. Nimmo noted in his report that:

The post-war development of the Island, ... has so changed life on the Island that its inhabitants can be accurately described as a modern society with a relatively high standard of living. ... it is a far cry indeed from the simple communal subsistence style of living to which [the Pitcairn descendants] had been previously accustomed.³

Constitutional Background

14. The constitutional background of Norfolk Island is complex.

15. As noted above, Norfolk remained a separate British Crown colony administered by its own Governor, who was also the Governor of New South Wales, from 1856 until 1897. In 1897, by Order in Council, the British Crown transferred the Island to the administration of the Governor of the colony of New South Wales. A further Order in Council in 1900 continued this arrangement with the Governor of the new State of New South Wales. By the *Norfolk Island Act 1913* and corresponding British Order in Council of 1914, the Island was accepted as a Territory 'under the authority of' the Commonwealth of Australia⁴.

16. Australia has full sovereign power over the Territory of Norfolk Island, exercised under the power of the Queen as sovereign of Australia. Norfolk Island is not part of Australia in the same sense as any part of the mainland because the Commonwealth has not chosen to extend to Norfolk Island some of the laws that regulate the mainland. It is not part of 'metropolitan' Australia in the way that New Caledonia, for example, is part of France. However, the Island is Australian territory in the same sense as any part of the

² J. Nimmo, *Report of the Royal Commission into Matters Relating to Norfolk Island, October 1976*, AGPS, Canberra, 1976.

³ *ibid*, p62.

⁴ *Norfolk Island Act 1979*, p3.

mainland, and the sovereign authority of Australia over Norfolk Island has not been questioned, in the United Nations or elsewhere, by any other government.

17. The Commonwealth law making power in regard to Norfolk Island under the relevant sections of the Constitution (s51 and s122) is not legally constrained. The principal basis for local legislation and administration on Norfolk Island is the Commonwealth's *Norfolk Island Act 1979*. Commonwealth legislation does not extend to Norfolk Island unless:

- it is expressed to so extend;
- the Act amends another Act which already extends; or
- the terms of a particular Act specify the Parliament's intention to extend its provisions either to Norfolk Island specifically or to the external Territories in general.

If it is so extended, it overrides local law.

18. In addition the Governor-General can disallow any legislation passed by the Assembly.

Commonwealth Policy on Norfolk Island Since 1979

19. In 1979, the then Minister for Home Affairs, the Hon. R.J. Ellicott QC MP, rejected one of the main recommendations of the Nimmo Report that, except in special cases, all laws which applied to other parts of Australia generally should also apply to Norfolk Island.⁵ He noted that:

although Norfolk Island is part of Australia and will remain so, this does not require Norfolk Island to be regulated by the same laws as regulate other parts of Australia.

20. At self government, the functions and revenue raising powers that were transferred to the new Norfolk Island Legislative Assembly were those that had been exercised by the Island Administration until then. In this, the Commonwealth followed the recommendations of the Nimmo Royal Commission.

The Commission envisages the transfer to the Assembly of most of the present sources of revenue in the Island. It is admittedly a unique method of providing revenue for a local government body, but the Island's unique and individualistic character warrants it. There is no sense in disturbing a revenue raising system that is efficient and effective and a colourful feature of the history of one of Australia's territories by dividing the sources of revenue between the Assembly and the Commonwealth.⁶

⁵ News release *Policy on Norfolk Island*, Minister for Home Affairs, 8 May 1978.

⁶ J. Nimmo, *op cit*, p357.

21. The preamble to the Act states that it was the Commonwealth Parliament's intention that Norfolk Island achieve, over a period of time, internal self government as a Territory under the authority of the Commonwealth. It also states that the Act should be reviewed after five years to decide whether self government should be further extended.

22. No such review was undertaken, but in 1981, 1985, 1989 and 1992 various powers were transferred to the Norfolk Island Government. These powers are those normally exercised by State and local governments, including powers over the Public Service of the Territory, public works and regulation of industry. Most notably, the Island assumed responsibility for the airport in 1992 under the Commonwealth's Airport Local Ownership Program.

23. Quarantine and social security, Commonwealth responsibilities on the mainland, were added in 1989 to the list of powers in relation to which the Commonwealth Minister had a veto.

24. The Commonwealth's present objectives, as set out in the Program Statement of the Department of the Environment, Sport and Territories 1996-97, Territories Office, are:

- to establish an appropriate level of self government on Norfolk Island, consistent with ensuring that its residents enjoy rights, opportunities and responsibilities equal to those of their fellow Australians;
- to protect the Territory's natural and cultural heritage; and
- to discharge Commonwealth responsibilities under Territory legislation efficiently, effectively and equitably.

25. During the conferences on the Island there was some comment that the Commonwealth's objectives signalled a move away from the intention of the 1979 Act, embodied in the preamble, to 'achieve, over a period of time, internal self government'. There was a perception that the Commonwealth was changing the ground rules in the direction of more control.

26. The issue seems to rest on what is understood by 'internal self government' and perhaps by 'rights, opportunities and responsibilities equal to those of their fellow Australians'. Commonwealth governments of both political persuasions have taken the position that Norfolk Island is Australian sovereign territory and will remain so. 'Internal self government' seems to have been interpreted, in relation to State and local government type powers, as giving the Norfolk Island Government a range of powers similar to the Northern Territory and the ACT. The attitude towards Commonwealth type powers is less clear. While none have been resumed, Commonwealth control over some of these powers has been tightened and devolution of others resisted. There has never been any intention that the range of powers of the Norfolk Island Government be extended to all matters other than foreign affairs, defence and coinage, along the lines of the 'free association' arrangement the Cook Islands and Niue have with New Zealand. On the other hand, there are indications, including the terms of reference for this inquiry, that the Commonwealth Government is prepared to consider the transfer of further functions.

27. However, whether or not the Commonwealth's policy towards Norfolk has changed since 1979 is not an issue which we have seen as relevant to this inquiry.

Desire for Independence

28. Notwithstanding the constitutional background set out above and the strong belief of many people living on Norfolk Island that they are entitled to all the rights and responsibilities of Australian citizenship, some others dispute Australia's sovereign position on a variety of grounds. Their principal argument is that the instruments of transfer from Britain were defective. There remains a strong and repeatedly declared opposition, particularly among some Norfolk Islanders of Pitcairn descent, to the transfer away from the British Crown, and to any abrogation of the Islanders' perceived rights to self government as they understand them to have existed prior to 1896. Some grievances on self government and land ownership date back to the original Pitcairn resettlement in 1856.

29. Some Norfolk Islanders of Pitcairn descent have sought to have the United Nations recognise Norfolk Island as a non self governing territory for which a vote of self determination would be appropriate. They have also sought recognition of their group as an 'indigenous people'. The matter is presently before the Legislative Assembly. However, it would appear that many other Norfolk Island residents see this move as divisive and do not support it, particularly if it gives a group special status in such matters as land or immigration. The Commonwealth is also opposed.

30. Some other residents want to maintain or enhance the Island's independence from Australia. The reasons for this may not be confined to the historical or cultural, but could also be, as suggested by Nimmo⁷, the monetary advantages that the Island presently affords them.

31. In restoring a large measure of self government to the Island through the *Norfolk Island Act 1979*, the Commonwealth's primary purpose was to recognise its particular situation, including the special relationship of the Pitcairn descendants with the Island. Nevertheless, some would like to see Norfolk Island linked to Australia only by free association, under which Australia would provide only for foreign affairs and defence matters. Again, this view is by not universal and others would prefer closer ties with Australia.

POLITICAL AND ADMINISTRATIVE SYSTEM

32. Norfolk Island has a modified Westminster style parliamentary government, incorporating many of the recommendations of the Nimmo Report. Under these arrangements, introduced by the *Norfolk Island Act 1979*, the nine member Norfolk Island Assembly may 'make laws for the peace, order and good governance of the Territory'. The Executive Council, consisting of Ministers drawn from the Assembly, and chaired by the Administrator, has a role similar to the Federal Executive Council and is responsible for the

⁷ J. Nimmo, *op cit*, p71.

formal business of government. The Administrator's role is somewhat analogous to that of a State Governor.

33. The powers of the Norfolk Island Government are very wide ranging. They cover all the functions that are local or State functions elsewhere in Australia, as well as a range of functions that are elsewhere exclusively exercised by the Commonwealth. For example, the Island Government raises its own customs duties and a departure tax, and is fully responsible for health and education without Commonwealth financial support. The Commonwealth retains a power of advice and can veto some legislation. These issues are discussed in Chapter 9. The Norfolk Island Assembly may enact legislation outside the boundaries specified in the Act, but such action is subject to assent by the Governor-General.

34. The business of government is carried out by the Norfolk Island Public Service under the direction of a Chief Administrative Officer appointed by the relevant Executive Member on the advice of the Assembly. Executive members are responsible for portfolios and are known as Ministers. There are no separate departments of State. The Norfolk Island Public Service has about 190 staff. There are about 20 staff in the Hospital Enterprise and eight in the Tourist Bureau who are not employed under the Public Service Act. Three officers from the Australian Federal Police provide Commonwealth and State type policing services and 19 teachers from the New South Wales Department of Education make up most of the staff of the school.

35. Government enterprises provide most of the Island services, including telephone, post, electricity, health services and the airport. These enterprises are effectively government monopolies that provide both a service to the community and, where possible, a source of revenue for the government.

ECONOMY

36. Since it evolved from a subsistence economy in the early twentieth century, Norfolk Island has experienced fluctuating fortunes with a range of items of produce and with tourism. Because of its isolation and small size, the Island is vulnerable to the downturn of markets elsewhere, with trends following those on the mainland and in New Zealand, but often with greater impact.

37. Cattle and sheep farming were staples in the nineteenth century, along with wheat, maize and rye. More recently, other foodstuffs such as bananas, lemons and passionfruit, as well as bean seed and tung oil nuts, have been produced. Historically, both fish and whales were plentiful, but stocks have been depleted.

38. Despite the Island's fertility, primary produce for export has proven a fickle proposition. The only export of any size at present is *Kentia* palm seeds which, because of price fluctuations, provide a variable source of export income.

39. Norfolk Island's public sector is essentially a single industry economy based on tourism. Visitor numbers reached almost 30 000 in 1995-96 and, as shown in Table 3-1,

have grown steadily since the 1960s. The average stay of tourists on the Island was 7.74 days in 1995-96, representing more than 230 000 bed nights. This has increased from 7.57 days and 206 000 bed nights in 1993-94, but has reduced since 1981, when it was 9.08 days. Visitor numbers and bed nights can be heavily influenced by factors beyond the control of the Island. The domestic pilots' strike in 1989 was a notable example.

Table 3-1 NORFOLK ISLAND VISITORS

| | 1964-65 | 1969-70 | 1974-75 | 1979-80 | 1984-85 | 1990-91 | 1995-96 |
|--------------------|---------|---------|---------|---------|---------|---------|---------|
| Number of visitors | 4 610 | 9 696 | 18 807 | 23 200 | 23 797 | 28 712 | 29 787 |

Sources: M.L. Treadgold, *op cit*, and Norfolk Island Government Tourist Bureau, *Marketing Strategy Progress Report*, September 1996.

40. Norfolk Island is heavily dependent on imports, with most primary produce and all manufactured goods being sourced overseas. There is limited maintenance and support capacity on the Island. Water is a limiting resource as there is no dam or similar catchment. Fuel must be imported and is generally obtained from Singapore.

THE NORFOLK COMMUNITY⁸

41. As shown in Table 3-2, the permanent population of Norfolk Island has remained stable at around 1460 since 1986, after a considerable increase from a long term average of under 1000 before 1970. The temporary population, or itinerant work force, has varied greatly over the years, the 1996 number of 302 being the lowest recorded since 1971.

Table 3-2 NORFOLK ISLAND POPULATION, 1961 TO 1996

| Census | 1961 | 1966 | 1971 | 1976 | 1981 | 1986 | 1991 | 1996 |
|----------------------|------|------|------|------|------|------|------|------|
| Permanent residents | | | | | | | | |
| Born on Norfolk Is | n.a. | n.a. | 509 | n.a. | 616 | 656 | 551 | 541 |
| Born elsewhere | n.a. | n.a. | 691 | n.a. | 764 | 772 | 927 | 929 |
| Sub Total | 719 | 897 | 1200 | n.a. | 1380 | 1428 | 1478 | 1470 |
| Temporary residents | 45 | 100 | 222 | n.a. | 469 | 549 | 434 | 302 |
| Total ^(a) | 764 | 997 | 1422 | 1635 | 1849 | 1967 | 1912 | 1772 |

(a) No Census was conducted in 1976. The estimate for that year is from *The Past, Present and Future Population of Norfolk Island*, Norfolk Island Legislative Assembly Select Committee on Population, 1987.

⁸ Unless otherwise indicated, all statistics in this section are sourced from the Norfolk Island Censuses of Population and Housing, 1991 and 1996.

42. The stability of the population reflects a careful management of immigration under a system of residency permits controlled by the Norfolk Island Government. The Butland Report⁹ of 1974 recommended that a maximum permanent population of 2000 should be reached by 1983, with a growth rate of 2 per cent per annum thereafter. Nimmo recommended that a zero growth rate should be adopted because the Island has a very small land mass, meagre resources and a sensitive ecology, and the need for immigration policy reversal should be avoided¹⁰.

43. Entry to and residence on Norfolk Island are controlled by the Norfolk Island Immigration Act 1980. Inherent in the Act is 'a desire to preserve the environment of Norfolk Island and the way of life of its permanent residents'. Its primary objective 'is to protect the rights and expectations of Island residents'. The Norfolk Island document, *Immigration into Norfolk Island: A General Guide, 1996*, states that:

In the management of Immigration Policy, the Government and the Administration of Norfolk Island will be guided by the following objectives:

- to bring about a gradual and controlled increase in the population of Norfolk Island (as comprised of residents and persons with a general entry permit) to a level that creates and sustains healthy economic activity for the benefit of all concerned;
- to ensure Immigration policy is appropriate to current economic and population trends, reviews will be conducted on a biennial basis (or more frequently if deemed necessary) and submitted to the scrutiny of the Assembly;
- entry with a view of taking up permanent residence will be controlled in such a manner as to take into account burdens on the public purse;
- conditions imposed on any group of potential entrants will not be more onerous than those imposed on other groups; and
- special conditions will apply to potential entrants who can demonstrate a 'special relationship' to the Island.

44. The Act provides for four categories of persons who are allowed entry to the Island:

- **Visitors** may stay for 30 days without a written permit and may apply for a written permit to stay an additional 30 days (extendible to 120 days maximum from the date of original entry). Written approval is required for visitors to undertake employment beyond seven days from arrival.

⁹ G.J. Butland, *A Long-term Population Study of Norfolk Island*, March 1974 – report to DEST Territories Office.

¹⁰ J. Nimmo, *op cit*, p134.

- **Temporary entry permits (TEPs)** are designed for short term residence, and may be granted subject to conditions for up to one year (extendible to three years, or more in special circumstances). They are usually granted for employment purposes only, and not to the detriment of the locals. TEPs are generally applicable to the itinerant work force and are not normally issued to enable business ventures to be undertaken. TEPs are not subject to a quota.
- **General entry permits (GEPs)** are designed for those wishing to stay indefinitely, or to settle, on Norfolk Island. They are usually granted subject to conditions, remain in force for 5.5 years and may be extended. Other than those granted on the basis of a 'special relationship', new GEPs are subject to a quota which is set annually by the Norfolk Island Legislative Assembly (for the six months ended August 1997 the GEP quota is 42). In 1996, the rules for GEPs were modified to allow their granting to persons who have sufficient financial backing to 'retire' to Norfolk Island.
- **Residents** are not required to hold entry permits under the Act and may, in general, enter and leave the Island as they wish. A person born on the Island, one of whose parents was a resident at that time, is also a resident of the Island and, under the Commonwealth *Citizenship Act 1948*, an Australian by birth, provided that one of the parents is an Australian citizen or a permanent resident of Australia. Further, a person can be declared a resident if that person has been ordinarily resident on the Island under a GEP for a period of at least five years during the seven years immediately preceding the application, and must not be ordinarily resident elsewhere during that time.

45. Although this immigration policy has ensured a relatively stable population and little or no unemployment, it and a complex pattern of population movements to and from the Island have created an unusual population structure (Figure 3-1) which has implications for future economic development and likely demands on the public purse.

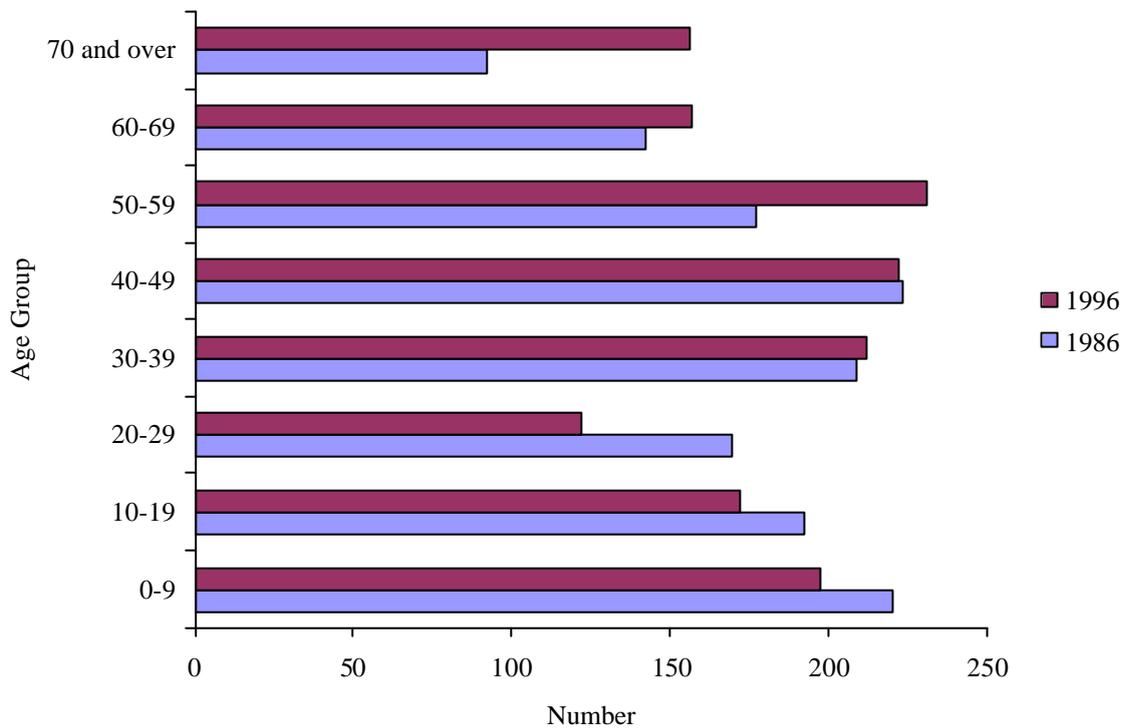
46. The 1986 and 1996 age profiles at Figure 3-1 for the total permanent population show reductions in the numbers of children, teenagers and young adults, a stable population of those aged between 30 and 50 and a large increase in the proportion of people in the age groups over 50.

47. Table 3-2 suggests that the exodus has been by those born on the Island and that the rate of natural increase on the Island has been insufficient to compensate. The number of people born on the Island fell by 18 per cent between 1986 and 1996. There are a number of reasons for this, including:

- for medical reasons, some mothers must go to the mainland to give birth;

- teenagers and young adults go to the mainland for study, training or other reasons and work, marry and have their families there (some return later);
- young couples leave to find employment and have their families on the mainland before returning to the Island; and
- families leave the Island because there is little support for low income families and they are fearful of high medical expenses.

Figure 3-1 PERMANENT POPULATION AGE PROFILE



48. Table 3-3 shows that the overall population of Norfolk Islanders of Pitcairn descent has remained stable over the last ten years at between 650 and 700. This group's share of the total population under 15 has also remained stable. However, the proportion of those of Pitcairn descent who are under 15 years of age has dropped over the period from 35 per cent to 28 per cent, indicating an aging in the overall population group of Pitcairn descent. This group is not maintaining itself through natural increase but is relying on an inflow of Pitcairners born elsewhere. Tables 3-2 and 3-3, taken together, show that the number of Islanders of Pitcairn descent in 1996 (683) is higher than the permanent population born on the Island (541).

49. The changes in the population characteristics are consistent with two trends:
- the exodus of younger residents, including many of Pitcairn descent, and the return of some of these later in life, perhaps with children born elsewhere; and
 - the intake of older immigrants, not necessarily of Pitcairn descent, to the Island.

Table 3-3 PERMANENT RESIDENTS OF PITCAIRN DESCENT, 1986 TO 1996

| Age Group | 1986 | | 1991 | | 1996 | |
|-------------------|--------|-------------------------|--------|-------------------------|--------|-------------------------|
| | Number | Proportion of Residents | Number | Proportion of Residents | Number | Proportion of Residents |
| | | % | | % | | % |
| Under 15 years | 230 | 66.5 | 228 | 67.7 | 194 | 65.8 |
| 15 years and over | 426 | 39.4 | 464 | 40.7 | 489 | 41.6 |
| Total | 656 | 45.9 | 692 | 46.8 | 683 | 46.5 |

50. The years of arrival of those not born on the Island (Table 3-4) confirm the picture of a population with constant turnover. The number of permanent residents in 1996 who arrived in the previous five years (164) is high at over nine per cent of total population, despite a static total population. Moreover, most of these residents (116) are holders of General Entry Permits, indicating that they have not been exempted from this immigration restriction as those of Pitcairn descent may be by reason of a 'special relationship' with the Island. For the total permanent population to have been stable, the population decrease, whether by emigration or death, must have been equally high.

Table 3-4 PERMANENT POPULATION NOT BORN ON NORFOLK ISLAND — DATE OF FIRST ARRIVAL ON ISLAND, 1996

| Date of first arrival | Number | | Total |
|-----------------------|----------|----------------------|-------|
| | Resident | General Entry Permit | |
| Before 1960 | 79 | 0 | 79 |
| 1960-69 | 181 | 4 | 185 |
| 1970-79 | 206 | 7 | 213 |
| 1980-89 | 214 | 51 | 265 |
| 1990-96 | 48 | 116 | 164 |
| Not Stated | 21 | 2 | 23 |
| Total | 749 | 180 | 929 |

51. Over two thirds of the Island’s permanent population were born in Australia (including Norfolk Island), and over 80 per cent are Australian citizens (Table 3-5). This indicates that patterns of population movement into and out of Norfolk Island reflect a high mobility between Norfolk Island and the mainland, rather than with other countries.

Table 3-5 NORFOLK ISLAND POPULATION — ORIGIN AND CITIZENSHIP, 1996

| | Australia ^(a) | New Zealand | Other |
|------------|--------------------------|-------------|-------|
| | % | % | % |
| Born in | 68.0 | 22.7 | 9.3 |
| Citizen of | 80.8 | 16.0 | 3.2 |

(a) Includes Norfolk Island.

52. The high mobility between Norfolk and the mainland is among both Norfolk Islanders of Pitcairn descent and others. Total numbers are sustained only by continuing immigration.

53. At the 1996 census, the occupations of the Island population were strongly skewed towards the tourist trade. Among the permanent population, administrative, executive, managerial, sales, clerical, service, sports and recreational occupations comprised almost 60 per cent of the work force, followed by tradesmen and labourers with just under 26 per cent. Farming and primary production accounted for only 3 per cent. These figures confirm that the largely self sufficient subsistence lifestyle of earlier generations of Norfolk Islanders has virtually disappeared.

54. According to the census data, incomes for most of the population are not high (Table 3-6). It is generally accepted that between 40 and 80 very wealthy people live on the Island, though the available income data are inconclusive. Our calculations in Chapter 4 suggest that average incomes on Norfolk are higher than on the mainland.

55. The income ranges are comparable with ‘after tax’ equivalent incomes on the mainland because no income tax is payable on the Island. An income of \$200 per week would be the equivalent of a before tax weekly income of \$220 on the mainland; an income of \$1000 would be the equivalent of approximately \$1300 on the mainland.

56. In our discussions on Norfolk Island, there was no agreement on the relative costs of living on the Island compared to the mainland. Some argued that it was similar because of the low tax regime on the Island and the low level of many charges, including no municipal rates and the low cost of car registration. Others argued that it was higher because of freight costs.

Table 3-6 NORFOLK ISLAND POPULATION — INCOME RANGES OF PERMANENT POPULATION 15 YEARS AND OVER, 1996

| Weekly Income | Persons | Proportion |
|---------------|---------|------------|
| \$ | Number | % |
| No income | 77 | 5.5 |
| 1 to 199 | 187 | 13.3 |
| 200 to 399 | 400 | 28.4 |
| 400 to 599 | 407 | 28.9 |
| 600 to 799 | 107 | 7.4 |
| 800 to 999 | 54 | 3.8 |
| 1 000 or more | 48 | 3.4 |
| Not stated | 131 | 9.3 |
| Total | 1 411 | 100 |

57. As expected, comparison of data from ABS household expenditure surveys for Norfolk Island and New South Wales shows some interesting differences. Table 3-7 suggests that Norfolk households spend nearly five per cent more than those in New South Wales. A greater proportion of Norfolk expenditure is on fuel and power, clothing, medical care and health services, alcoholic beverages and recreation. Norfolk households spend substantially less on housing, transport and tobacco and about the same on food and non-alcoholic beverages, and household furnishings and equipment. Such a pattern is consistent with the high cost of fuel and power and medical services on the Island and the low cost of housing and transport. However, these comparisons are only indicative, as the surveys may have conceptual and technical differences.

Table 3-7 COMPARISON BETWEEN THE AVERAGE HOUSEHOLD WEEKLY EXPENDITURE IN NEW SOUTH WALES^(a) AND NORFOLK ISLAND, 1995

| Commodity or Service | Average Household Weekly Expenditure | | | |
|--|--------------------------------------|--------------------|----------------|---------------|
| | Norfolk Island | NSW ^(a) | Norfolk Island | NSW |
| | \$ | \$ | % | % |
| Current housing costs | 78.93 | 106.81 | 11.42 | 16.15 |
| Fuel and power | 21.58 ^{(b)(c)} | 15.92 | 3.12 | 2.41 |
| Food and non-alcoholic beverages | 132.29 | 124.10 | 19.14 | 18.76 |
| Alcoholic beverages | 25.05 ^(b) | 20.29 | 3.62 | 3.07 |
| Tobacco | 4.59 ^(b) | 10.66 | 0.66 | 1.61 |
| Clothing and footwear | 42.63 | 35.52 | 6.17 | 5.37 |
| Household furnishings and equipment | 45.10 ^{(b)(c)} | 43.51 | 6.52 | 6.58 |
| Household services and operation | 41.92 ^(b) | 33.78 | 6.06 | 5.11 |
| Medical care and health services | 47.35 ^(b) | 30.35 | 6.85 | 4.59 |
| Transport | 70.27 | 100.56 | 10.16 | 15.20 |
| Recreation | 110.64 ^(b) | 80.22 | 16.00 | 12.13 |
| Personal care | 7.55 ^(b) | 12.05 | 1.09 | 1.82 |
| Miscellaneous commodities and services | 63.43 ^(b) | 47.61 | 9.18 | 7.20 |
| Total | 691.33 | 661.38 | 100.00 | 100.00 |

(a) CPI movements between 1993-94 and 1995 for Sydney have been used to inflate the published 1993-94 data for NSW using closest commodity classifications as proxies.

(b) The figures were not directly available from the published survey result and were estimated using the third income quintile published data, inflated using a global adjustment factor.

(c) Where the third income quintile figure was not fully available, the missing data were estimated using the NSW ratio for identical categories.

Source: ABS, *Household Expenditure Survey, Australia, 1993-94* and *Norfolk Island Household Expenditure Survey, 1995*.

58. In 1996, 15 per cent of the permanent population aged 15 and over was receiving social welfare, other government subsistence payments or superannuation payments from Norfolk Island, the Australian mainland or overseas (Table 3-8). Of those receiving such payments, only 27 per cent received them from the Norfolk Island Government.

Table 3-8 NORFOLK ISLAND PERMANENT RESIDENTS 15 YEARS AND OVER RECEIVING SOCIAL SECURITY OR OTHER BENEFITS, 1996

| Payments received from | Recipients | Proportion |
|-------------------------------|------------|--------------|
| | Number | % |
| Norfolk Island welfare system | 49 | 27.2 |
| Australian Repatriation | 64 | 35.6 |
| Australian welfare system | 22 | 12.2 |
| Superannuation or Annuity | 26 | 14.4 |
| Other sources | 9 | 5.0 |
| More than one source | 11 | 5.5 |
| Total | 181 | 100.0 |

SPECIAL CIRCUMSTANCES OF NORFOLK ISLAND

59. Norfolk Island is remote from the Australian mainland. Like the other Australian external Territories (Cocos (Keeling) Islands and Christmas Island), it is heavily dependent on sea and air services and telecommunications for the maintenance of a standard of living higher than subsistence level.

60. The Island offers a special quality of life. The natural environment is attractive and the climate mild all year. As an oceanic island, much of Norfolk's flora and fauna is unique to the Island. There is little pollution, although the water supply is fragile.

61. We were told that there is little crime and no homelessness, although some people struggle to make ends meet with few benefits or safety nets available to assist them. There is a sense of community and strong local support networks, but domestic violence is a concern.

62. Norfolk Island has a rich and unique heritage. Naturally, Norfolk Islanders of Pitcairn descent value their cultural heritage greatly and seek to sustain it in a changing community increasingly involved with the wider world. They are proud of their self reliance and self sufficiency, and extend particular aspects of their social philosophy to the Island government, such as the policy of avoiding debt and spending within their means. They view land as an inheritance and legacy for future generations, not as a commodity for trade and monetary investment. Although English is the language of the Island, they nurture their inherited language which is a blend of English, Polynesian and other elements.

63. Among the Norfolk Islanders of Pitcairn descent and other residents, this background has led to a strong feeling of local community and culture, a strong loyalty to the British crown and a philosophy of self sufficiency and arrangements for governance and administration that are different from those of the mainland and other Territories. Many other residents value their ties with Australia and the associated rights and responsibilities.

64. Norfolk Island is politically and financially more self sufficient than Australia's other Territories or, for that matter, the States. The Commonwealth does not generally provide services to Norfolk Island residents and the Island does not participate in Commonwealth-State revenue sharing arrangements. The Island has a greater degree of self government than State and local governments on the mainland, having powers to raise revenues and provide services usually the responsibility of the Commonwealth. As noted earlier, the Island Government raises its own customs duties and a departure tax, and is fully responsible for health and education without Commonwealth financial support. This self sufficiency is heavily dependent on the tourist trade, which in turn is heavily dependent on the unusual tariff and duty regime.

CHAPTER 4

THE NORFOLK ISLAND ECONOMY

Norfolk Island's Economic History

1. The Norfolk Island Government's initial submission noted the Island's chequered economic history. It said that the economy had been focussed on primary production for much of this century, with exports of bananas, passionfruit pulp, whale products, lemon based products, fish, oranges and guava jelly supporting the economy at various times.

2. Treadgold¹ and Hoare² provide an historical perspective of the Island's economic performance, in particular its export performance, over this century. They show that the Island has been plagued by export instability. Some examples include:

- the agricultural boom of the mid-1910s based on the lemon industry and fish exports (both industries had collapsed by the early 1920s, partly because of a reduction in shipping services);
- the agricultural boom of the mid-1920s based on the banana industry (it had collapsed by the mid-1930s);
- a minor tourist boom in the early 1930s;
- the agricultural boom of the late 1930s based on oranges, bean seed, passionfruit pulp and, to a lesser extent, the tung oil nuts and guava jelly industries (most of these industries had collapsed by the mid-1940s, although the bean seed industry continued until the end of the 1960s);
- the commencement of commercial butter production, an import replacement activity, in the late 1930s;
- a decline in the civilian population in the war years, which led to labour shortages and a reduction in exports, and big changes in external transport and communication links — including the construction of the airfield;

¹ M.L. Treadgold, *op cit.*

² M. Hoare, *The Winds of Change, Norfolk Island, 1950-1982*, Fiji, 1983.

- the early post war tourist boom, generated by those who had been garrisoned on the Island during the war, peaking in the early 1950s and then declining because of a reduction in airline services;
- the whale oil industry boom of the late 1950s (which had collapsed by the mid-1960s);
- the philatelic boom of the early 1960s;
- the emergence of the tax avoidance industry (which had diminished by the late 1970s);
- a second period of strong tourist growth, commencing in the early 1960s and continuing to the present;
- hopes of an oil industry in the early 1980s (so far unfulfilled); and
- the instability of airline services (the 1989 pilots dispute, the implementation of the 'open skies' policy in 1991 and the withdrawal of Ansett Airlines services in June 1997).

3. The boom/bust circumstances that dominate Norfolk's economic history highlight the vulnerability of such a small economic entity. Its economy can generate external (or export) income from elsewhere (for example, through tourism) but the Norfolk Island Government has little control over externally originating booms and busts.

4. A recurring theme for the Island has been its reliance on transport services and the effects on its export industries when transport becomes unreliable. This problem has resurfaced recently with a number of submissions commenting on the exposure of the Island's tourism to unreliable air services. Some have argued for the Norfolk Island Government to be given greater control over air services to and from Norfolk.

5. Another theme has been the importance of the Island's export oriented industries to its economy. This is especially so today. The Island has a strong tourism industry and there are strong trade flows with the mainland and New Zealand.

6. The Norfolk Island Government's initial submission talked about the Island's reliance on the tourism industry since the 1960s and the limits to which it can be further developed. It noted that little progress has been achieved in economic diversification. This has led the government to initiate a number of investigations (covering an offshore financing centre, the use of Norfolk's telecommunications network, food production for local consumption and export), as well as commissioning Access Economics to undertake an analysis of the Island's economic viability. Although that report has been completed, it has been neither adopted nor endorsed by the Norfolk Island Government elected in April 1997.

The Norfolk Island Economy Today

7. Any discussion of Norfolk Island's economic capacity requires some consideration of the present size of its economy. The problem in trying to measure this is the scant information on the level of private sector activity on the Island. For the most part, the Norfolk Island Government does not apply taxes to business sector inputs or output (there is no company tax or sales tax) — though the accommodation, petroleum and liquor sectors are exceptions. Thus, most businesses do not provide information on their financial activities to the Norfolk Island Government. Provided their accounts have been audited, there is no obligation on companies to provide financial information to the companies registrar.

8. Data on public sector activities are available and most of them are of good quality. The Norfolk Island Administration's Budget Statements suggest that the government contributed \$11.5 million to the Norfolk Island economy in 1995-96, \$5.7 million from general government activities and \$5.8 million from government business enterprises (GBEs). It also raised \$7.6 million in indirect taxes and charges. This is shown in Table 4-1. It is estimated that the Commonwealth government contributed about \$3.8 million across a range of portfolios.

9. In the absence of comparable private sector data, we have made an estimate of that sector's level of output, using numbers of employees in each of the two sectors of the Island's economy and assumptions about their relative performance. We estimate that, for 1995-96, the private sector contributed almost \$57 million to the Norfolk Island economy. The assumptions made to arrive at this figure were that:

- average wages for each employee in the private sector were 90 per cent of the public sector figure; and
- gross profit for each employee in the private sector was 80 per cent of the figure for the profitable GBEs³.

10. The estimate of the private sector contribution may understate the actual level.⁴

11. Some estimates put the size of the economy⁵ at over \$90 million (implying a private sector contribution of \$70 million). For the purposes of this report, we prefer to use a more conservative \$80 million. Table 4-1 shows how we have arrived at this figure.

³ A low percentage was used because, being statutory monopolies, these enterprises should be able to raise above average profits. The figures for the three subsidised enterprises (KAVHA, Bicentennial Integrated Museums and the Healthcare Fund) were not included.

⁴ It is however consistent with the Access Economics estimate that the tourist sector contributed \$41.4 million to the Norfolk Island economy in 1995-96 (p21) and the 1996 Norfolk Island Census figure that 53 per cent of the resident working population had a job directly related to tourism. The same productivity in the non-tourist sector would imply a total economy of \$78 million.

⁵ That is, Norfolk's gross product (a term used later in this chapter).

Table 4-1 ESTIMATED SIZE OF THE NORFOLK ISLAND ECONOMY, 1995-96

| Sector | Contribution to output | |
|--|------------------------|--------|
| | \$'000 | \$ pc |
| General Government | 5 727 | 3 232 |
| - wages, salaries and supplements | 5 111 | 2 884 |
| - capital expenditure | 616 | 348 |
| Government Business Enterprises | 5 775 | 3 259 |
| - wages, salaries and supplements | 1 741 | 983 |
| - gross profit | 4 033 | 2 276 |
| Private sector | 57 449 | 32 420 |
| - wages, salaries and supplements (a) | 17 486 | 9 868 |
| - gross profit (b) | 39 963 | 22 553 |
| Commonwealth government | 3 804 | 2 146 |
| Indirect taxes less subsidies | 7 593 | 4 285 |
| Estimated size of the Norfolk Island economy | 80 347 | 45 343 |

(a) Assuming that wages for each employee in the private sector are, on average, 90 per cent of those in the public sector.

(b) Assuming that the gross profit for each employee in the private sector is 80 per cent of that for the profitable GBEs.

Note: This table is constructed using the income approach to the calculation of gross product.

12. In what follows, Norfolk Island's economic capacity is discussed in terms of broad categories of economic activity. These are:

- (i) externally oriented industry;
- (ii) the Commonwealth's contribution to the Island economy;
- (iii) production for the community; and
- (iv) infusion of capital.

13. One aspect of the economy impossible to estimate is the non-official or barter and cash economy that has existed on Norfolk since 1856. Evidence presented at the July Conference suggested that the cash economy was large and that it had grown since the fourfold increase in the Financial Institutions Levy in 1991. But it has not been possible to estimate its size, and we do not know how far it is captured within our estimate of gross product of \$80 million.

Externally Oriented Industry

14. Norfolk Island's economic capacity extends beyond the Island. It has established trade flows with both the Australian mainland and New Zealand and is extending its trade links to other countries.

15. Tourism is much more important to the Norfolk Island economy than it is to the mainland economy. It remains the largest industry on the Island. Table 4-2 presents tourism statistics showing that, on average, tourists are 26 per cent of the total Island population but little more than one per cent of the total mainland population.

Table 4-2 TOURISM STATISTICS, 1995-96

| | Norfolk Island | Mainland |
|--|----------------|------------|
| Number of tourist arrivals | 29 787 | 3 725 800 |
| Average duration of stay (days) | 7.74 | 23.4 |
| Average daily tourist population | 632 | 238 860 |
| Ordinarily resident population | 1 772 | 18 169 516 |
| Average daily tourist proportion of total population (%) | 26.3 | 1.3 |

Note: Average daily tourist population is calculated as [number of tourist arrivals]*[average duration of stay]/365.
The total population is the sum of tourist population and resident population.

Sources: Norfolk Island Government Tourist Bureau, *Marketing Strategy Progress Report, September 1996*, pages 9 and 11; Bureau of Tourism Research, *International Visitor Survey, 1995*, pages 2 and 8.

16. The relative importance of the tourism sector can be gauged by comparing the relative size of employment in the Restaurants, Hotels, Accommodation and Clubs sector, which employed 18 per cent of the Island's labour force but seven per cent of the mainland's workforce. A large proportion of employees in the two sectors Wholesale and Retail Trade and Other Recreational, Personal and Other also cater for tourists. Table 4-3 shows that 527 (49 per cent) of the Island's workforce had a job in one of the three sectors.

17. A slightly different estimate came from a question on the 1996 Norfolk Island Census about whether residents worked in the tourist industry. In response, 569 (53 per cent) of the Island's workforce said that they had a job related mainly to the tourist industry⁶.

⁶ Administration of Norfolk Island, *Norfolk Island, Census of Population and Housing, 6 August 1996*, Table J4.

Table 4-3 INDUSTRY COMPOSITION, NUMBER OF EMPLOYEES

| Sector | Norfolk Island | | Mainland | |
|--|----------------|--------------|--------------|--------------|
| | Persons | % | Millions | % |
| Wholesale and Retail Trade | 251 | 23.2 | 0.499 | 6.0 |
| Restaurants, Hotels, Accommodation and Clubs | 195 | 18.1 | 0.585 | 7.1 |
| Other Recreation, Personal and Other | 81 | 7.5 | 0.757 | 9.1 |
| Agriculture, Forestry and Fishing | 70 | 6.5 | 0.422 | 5.1 |
| Mining and Quarrying | 4 | 0.4 | 0.085 | 1.0 |
| Manufacturing | 27 | 2.5 | 1.111 | 13.4 |
| Electricity, Gas and Water | 21 | 1.9 | 0.081 | 1.0 |
| Construction | 78 | 7.2 | 0.600 | 7.2 |
| Transport and Storage | 72 | 6.7 | 1.227 | 14.8 |
| Communication | 29 | 2.7 | 0.381 | 4.6 |
| Finance, Property and Business Services | 47 | 4.4 | 0.388 | 4.7 |
| Government | 196 | 18.1 | 1.649 | 19.9 |
| Other | 9 | 0.8 | 0.503 | 6.1 |
| Total | 1 080 | 100.0 | 8.287 | 100.0 |

Sources: Administration of Norfolk Island, *Census of Population and Housing, 6 August 1996*, Table J1. Australian Economic Indicators, ABS Cat No 1350.0, Table 6.6, May 1997.

18. It is difficult to estimate the financial size of the tourist sector with any precision. Tourists contribute to government revenue so this might be a useful starting point. We have assumed that:

- 97.6 per cent of the 29 787 tourist arrivals in 1995-96 paid the \$25 Departure Tax⁷;
- all arrivals paid the \$36.60 Landing Fee charge; and
- only tourists paid the Accommodation Levy.

On these assumptions, in 1995-96, the Norfolk Island Government would have raised from tourists through these three taxes alone about \$2 million of the \$7.6 million shown as Indirect Taxes less Subsidies in Table 4-1. Tourists also contribute to the range of indirect taxes levied on the Island (for example, Fuel Tax, Liquor Licence Fees, Customs Duty etc) — but it is much more difficult to estimate their share of these taxes.

⁷ People under 16 do not pay the Departure tax and both the 1991 and 1996 Censuses indicated that 2.4 per cent of tourists were aged 15 and under.

19. Tourists also contribute indirectly by their activities in the local economy. A modest estimate of \$100 for each Norfolk Island tourist each day would imply that tourists contribute at least \$23.0 million to the local economy⁸. The Access Economics report estimated that tourism contributed \$41.4 million to the Norfolk economy in 1995-96. This equates to \$1 380 a tourist or \$178 a tourist a day. For the present purposes, we have used a conservative estimate rather than the Access Economics figure.

20. Norfolk Island's externally oriented industry is not restricted to tourism, although that is by far its largest component. The Island has a limited agricultural and manufacturing export industry. The main exports in 1995-96 were tobacco re-exports (\$2.2 million) and palm seeds/sprouts (\$0.5 million)⁹.

21. During 1995-96, external sources of income, other than tourism, included:

- exports, including tobacco re-exports, (\$3.1 million¹⁰);
- mail order services operated by retail outlets (est. \$1.0 million);
- philatelic sales (\$500 000¹¹);
- mail imbalance (\$100 000);
- Tattersalls Lotteries and Absentee Landowners Levy (\$100 000¹²);
- outward telephone calls (est \$100 000); and
- inward calls handled (\$500 000¹³).

22. While the Norfolk Island Government faces costs associated with some of these activities, they are less than the revenues generated.

23. Thus, more than 40 per cent of the \$80 million estimate of the Island's gross product is generated by export oriented industries.

The Commonwealth's Contributions to the Island Economy

24. The Commonwealth Government contributes to the Norfolk Island economy through the provision of staff, services and grants. There are some people on Temporary Entry Permits who are financed in part or full by the Australian Government. These include Police, staff from Parks Australia and the mainland based staff working in the Administrator's Office.

⁸ From Table 4-2, there were 29 787 tourist arrivals with an average stay of 7.74 days or a total of 230 551 days (29 787 * 7.74). If they spent \$100 on average per day, then they would have spent \$23 million (230 551*100).

⁹ Access Economics, op cit p36.

¹⁰ Access Economics, p36.

¹¹ The Administration of Norfolk Island, *Financial Statements, Year Ended 30 June 1996*, p30.

¹² *ibid*, p11.

¹³ *ibid*, p39.

25. For 1995-96, the Commonwealth Government's direct financial contribution to the Island economy, including salary costs, was about \$3.8 million. The derivation of this estimate is given in Chapter 5.

26. The absence of income tax or sales tax on Norfolk has implications for the profitability of the Island's retail sector. It is impossible to estimate how much of Norfolk's retail trade should be attributed to its low tax status, but undoubtedly tourist spending on the Island is influenced by it.

Production for the Community

27. The submission by the Norfolk Island Chamber of Commerce estimated that there are over 250 business enterprises on the Island. Table 4-4 provides a breakdown of that figure. While a large proportion of the enterprises provide services for tourists (particularly the accommodation and hire car industries), some also cater for the local community (retail shops, restaurants/cafes, and licensed clubs and sporting bodies).

28. Table 4-3 shows that 18 per cent of the workforce is employed by general government and almost 50 per cent by the industries benefiting most from tourism (wholesale and retail trade; restaurants, hotels, accommodation and clubs; and other recreational personal and other). The remaining industries seem to be largely oriented to those living on the Island. This suggests that there is a strong local (non-government, non-tourist) economy. We estimate the locally oriented economy to be at least 40 per cent of the whole — or, in round figures \$30 to \$35 million.

29. Import replacement industries have developed fairly slowly on the Island. The latest such industries are the hydroponic growing of vegetables and the growing of 'low chill' fruit. The Island imports about \$24 million in goods a year. Table 4-5 shows imports by type for the last five years.

Table 4-4 NUMBER OF BUSINESS ENTERPRISES BY TYPE

| Type of establishment | Number | Per cent |
|---|------------|--------------|
| Accommodation: | | |
| hotels | 4 | 1.6 |
| guest houses | 3 | 1.2 |
| apartment properties | 39 | 15.2 |
| Retail shops | 73 | 28.4 |
| Service providers/hire car and tour operators | 107 | 41.6 |
| Cottage industries | 5 | 2.0 |
| Licensed clubs/sporting bodies | 6 | 2.3 |
| Restaurants/cafes (excluding hotels) | 20 | 7.8 |
| Total | 257 | 100.0 |

Source: Submission of the Norfolk Island Chamber of Commerce Inc.

Table 4-5 COMPOSITION OF IMPORTS OF GOODS, 1991-92 TO 1995-96

| Good | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Building materials and supplies | 2 400 | 1 874 | 2 122 | 2 883 | 2 341 |
| Household appliances and furnishing | 1 870 | 1 661 | 1 822 | 1 275 | 1 289 |
| Consumer durables | 3 551 | 3 113 | 2 428 | 4 468 | 4 709 |
| Food and household supplies | 4 209 | 4 107 | 4 526 | 5 412 | 5 572 |
| Tobacco and alcohol | 1 252 | 914 | 852 | 1 078 | 1 279 |
| Clothing and footwear | 3 503 | 2 895 | 3 570 | 4 364 | 4 051 |
| Motor vehicles | 1 742 | 1 395 | 973 | 1 598 | 1 257 |
| Rural and farming | 593 | 557 | 998 | 825 | 620 |
| Fuel | 1 792 | 1 644 | 2 022 | 1 380 | 1 663 |
| Miscellaneous | 3 467 | 2 885 | 1 623 | 1 496 | 1 868 |
| Total | 24 379 | 21 045 | 20 937 | 24 779 | 24 649 |

Source: Access Economics Report, p36.

Infusion of Capital

30. A number of submissions commented favourably on Norfolk's ability to attract business. The hydroponic system for providing vegetables and the rock crushing plant were two examples. Treadgold's history provides many examples of businesses being attracted to the Island, although the export oriented industries have usually been short lived. It is possible that this ability to attract capital is related to the Norfolk Island Government's immigration policies, discussed in Chapter 3.

31. The Norfolk Island Government is again actively considering how it might diversify the Island's narrow economic focus on tourism. The availability of capital might be a limiting factor. Many of the transient 'boom' industries discussed earlier were fostered by an infusion of capital.

32. Most new industries require a lot of capital and, although there is a number of wealthy entrepreneurs on the Island, the Norfolk Island Government has played a role in nurturing industry. It has done so by providing infrastructure itself (the new telephone exchange is an example) or other forms of assistance to help industries move to the Island.

33. The Norfolk Island Government submission mentioned a number of infrastructure projects that are under consideration. Some are designed to maintain the

Island's economic capacity (for example, the airport runway reconstruction), others to increase the potential for economic development (for example, harbour facilities).

Comparison with the Australian Mainland

34. Table 4-6 provides some selected statistics for the Norfolk Island and mainland economies. It shows that Norfolk Island's estimated gross product per capita is 70 per cent above that of mainland Australia. The relatively better performed Norfolk Island economy is consistent with an export oriented economy where income is generated from a wider population base (particularly tourists) than the local community. Compared with mainland Australia, the estimates show that Norfolk has both a higher average per capita profit (142 per cent higher) and higher average per capita wages (5 per cent higher). This is consistent with its:

- higher workforce participation rate (76.5 compared to 63.7 per cent);
- higher proportion of the relevant population in full time employment (87.2 compared to 69.1 per cent);
- negligible unemployment; and
- possibly, longer working hours (many people seem to have more than one job).

Table 4-6 SELECTED STATISTICS, NORFOLK ISLAND AND THE MAINLAND, 1995-96

| Selected statistics | Norfolk Island | Mainland |
|------------------------------------|----------------|----------|
| Economic statistics | | |
| Gross product (\$ per capita) | 45 343 | 26 735 |
| Wages and Salaries (\$ per capita) | 13 735 | 13 131 |
| Gross Profit (\$ per capita) | 24 829 | 10 274 |
| Population statistics | | |
| Percentage aged 65 and above | 13.5 | 11.3 |
| Percentage aged 15 to 65 | 66.0 | 66.3 |
| Percentage in the workforce | 76.5 | 63.7 |
| Labour force statistics | | |
| Percentage in full time work | 87.2 | 69.1 |
| Percentage in part time work | 12.8 | 22.5 |
| Percentage unemployed | 0.0 | 8.5 |

Notes: Norfolk Island economic statistics were estimated. Its population and labour force statistics were compiled from *Norfolk Island Census of Population and Housing, 6 August 1996*. The assumptions used to calculate Norfolk Island's gross product, wages and salaries and gross profit figures are given in the footnotes to Table 4-1.

Sources: Figures for Australia were compiled from *Australian Economic Indicators, May 1996*, ABS Cat No 1350.0, Tables 1.4, 6.1 and 9.2 and Table L-7 from the Commission's *Report on Revenue Grant Relativities, 1997 Update*.

35. One of the objectives of the Norfolk Island Government's Immigration Act is to prevent entry to persons who may not get employment on the Island. The absence of unemployment on the Island is an indication of the Government's success in this area.

36. The Immigration Act is also responsible, at least in part, for the skewed distribution of the Island's workforce. Table 4-7 compares the distribution of the Island's 15 to 64 age group with that of the mainland. It shows that the Island's population and therefore its workforce is skewed towards the older age groups. Some submissions mentioned that people often leave the Island to pursue their education or to seek employment. This is consistent with the population structure shown in Table 4-7.

Table 4-7 POPULATION DISTRIBUTION OF THE WORKFORCE

| Age group | Norfolk Island | | Mainland | |
|-----------|----------------|-------|----------|-------|
| | Persons | % | Millions | % |
| 15 to 24 | 163 | 13.9 | 2 715 | 22.6 |
| 25 to 34 | 234 | 20.0 | 2 839 | 23.6 |
| 35 to 44 | 278 | 23.8 | 2 742 | 22.8 |
| 45 to 54 | 287 | 24.5 | 2 229 | 18.5 |
| 55 to 64 | 208 | 17.8 | 1 506 | 12.5 |
| Total | 1 170 | 100.0 | 12 032 | 100.0 |

Sources: Administration of Norfolk Island, *Census of Population and Housing, 6 August 1996*, Table H1. Australian Economic Indicators, ABS Cat No 1350.0, Table 6.6, May 1997.

Future Prospects

37. The prospects for developing Norfolk Island's economic capacity depend on many factors. During our conferences, a number of suggestions were made. These included:

- increased and more diverse tourism;
- control of the sea — including fishing and oil and gas;
- better harbour facilities; and
- an offshore finance centre.

These and other areas of prospective economic activity are discussed below.

38. ***Growth in tourism.*** Tourism is the vital part of Norfolk Island's economy. The Island has some advantages in this activity: its natural beauty, exotic location, low crime rates, low tax status and relative ease of access.

39. Some residents believe that Norfolk is a quality destination and, as such, price is not as important as it is for most other destinations. We do not agree with them. In recent years, Norfolk has attracted an older age group of package tourists that is not the most free spending sector of the tourist market. The challenge will be to retain this market and also expand into more affluent sectors where there is greater competition from Asian and South Pacific destinations. The Norfolk Tourist Bureau's *Marketing Strategy Progress Report, September 1996*, indicates that the NRMA rate only two of the 430 units on the Island above four stars, and none at five stars. This could be an impediment to expansion into the more affluent sectors of the market.

40. The potential for increased tourism is in any case not unlimited. There are physical limits to the number of people the Island can sustain — limits imposed by

environmental constraints, including its water resources and the difficulties of waste disposal. The Norfolk Island Conservation Society has noted the need for the development of a conservation and population control strategy which would ensure the long term economic sustainability of the Island for residents and the tourist industry. These limits should be expressly reviewed as part of the development of a strategic plan for the Island.

41. Some have argued that the greatest risk facing the Island's tourist industry is the 'open skies' airline policy. Under this policy, two new airlines have commenced flying between the mainland and Norfolk Island since the withdrawal of Ansett and there are indications that as many as four others may join them. There are concerns about how many airlines the industry can support. If one or more were to fail, that could affect all operators by increasing uncertainty over air services, reducing tourist numbers and thereby affecting the profitability of all companies.

42. On balance, we think that growth in tourism still remains one of the Island's best prospects for economic development.

43. **Control of the sea.** One of the resources open to further development by the Norfolk Island Government is the sea, including any fishing and off-shore oil and gas resources. At the May conference, there was much comment by the Norfolk Island Government about the prospect of it controlling the sea and resources in and under it, out to the international limit of 200 nautical miles. The options for Norfolk Island's control of the sea appear to be:

- (i) out to the three nautical miles mark, similar to the authority held by the States and the Northern Territory;
- (ii) within the area of the unofficial 'box' of 35 by 50 nautical miles that is currently set aside informally by the Commonwealth as an exclusive fishing zone for the people of Norfolk Island; or
- (iii) the whole area within the 200 nautical mile limit.

44. The last two options could require considerable expense by the Norfolk Island Government, but it would probably not be necessary to have a sea going craft permanently at Norfolk because of this responsibility alone. There would need to be frequent charters of such a vessel or an aircraft to show a presence and enforce the conditions of any fishing licences given to international companies. One suggestion made at the July Conference was that fishing licensees could be asked to police their own areas.

45. Control to the three nautical mile limit, on the other hand, could be exercised from land by regulating shore fishing and the licensing of small craft that wished to go off-shore for recreational and small scale commercial fishing.

46. **Fishing.** Hoare¹⁴ notes that, despite Norfolk Islanders being keen fishermen, the lack of a harbour has always acted against a successful fishing industry. Although there is a reasonably sized domestic industry worth perhaps \$500 000 a year, Parks Australia has concerns about the potential for overfishing and estimated that the consequential cost to the

¹⁴ M. Hoare, *op cit.*

local economy of a collapse in this industry could range from \$0.9 to \$1.5 million. Parks Australia believes that the opportunities for commercial fishing in Norfolk Island waters are limited.

47. During both the May and July Conferences, the Norfolk Island Government voiced concerns about the Commonwealth issuing fishing rights for the seas around Norfolk. Commercial fishing practices suggest that the waters around the Island do not offer big yields. As evidence of this, the Commonwealth's revenues from fishing licensees exploiting this area are small. While the fishing rights in Australian waters are leased 'as a whole', the Australian Fisheries Management Authority said that a rough estimate of the annual value of the fishing rights around Norfolk Island over the last three years was around \$35 000. Estimated revenue for 1996-97 declined to less than \$7 000.

48. Even if the Norfolk Island Government were assigned the commercial fishing rights, it is not evident that any revenue accruing from fishing licenses would cover costs.

49. **Oil and gas.** The second possible source of revenue that could be derived from control of the seas around Norfolk is royalties from oil and gas production. There is debate over both the size and grade of any deposits within the 200 nautical mile territorial limit, and whether they could be profitably extracted. We find it difficult to comment on this matter as no company has taken out exploration rights over the area and no drilling has been done to ascertain whether oil and gas reserves exist. In the early 1980s, a former president of the American Association of Geologists said that it was 90 per cent certain that if exploration were carried out in Norfolk waters, oil would be found. A more recent report¹⁵ on offshore petroleum resources now rates the potential for petroleum recovery from the West Norfolk Ridge as fair to poor. It gives a 'best' estimate of the reserves at 110 million barrels, much less than the 500 million barrels that it said would be required to justify commercial exploitation. We were surprised at the certainty with which the reserves were mentioned during the Norfolk elections in April 1997 and, unless there is information on this subject that we are unaware of, believe the existence of oil or gas in commercial quantities under the seabed around Norfolk Island to be only a matter of speculation.

50. In 1975, the High Court ruled in the *Seas and Submerged Lands* case that the Commonwealth has constitutional jurisdiction over offshore areas¹⁶ and this extends to the exploration for and exploitation of any natural resources. While the Commonwealth retains the revenue rights in respect of any such resources found in its territorial waters for the whole of Australia, it does sometimes share revenues with the adjacent State. At present, both Western Australia and the Northern Territory share offshore oil and gas revenues with the Commonwealth. Similar arrangements could be negotiated between the Commonwealth and Norfolk Island if oil and gas were to be found and exploited, but this would depend on the good will of the Commonwealth.

51. **Harbour facilities.** A fully functional harbour would support a fishing industry, assist any maritime patrols of the territorial waters and reduce the costs of freight handling, especially the number of days lost due to bad weather. Among many other

¹⁵ J.B. Wilcox and P.A. Symonds, 'Deepwater prospectivity for petroleum in the Australia region', in ABARE, *Outlook 97*, Canberra, 1997, pp 210-212.

¹⁶ That is, waters beyond the three nautical mile sea base line boundary.

aspects of this issue, the Norfolk Island Government would have to consider the extent to which any increase in economic activity associated with a harbour (for example, passing trade from visiting vessels and environmental tourism such as whale spotting) plus the freight cost savings and safety improvements would offset the recurrent and capital costs involved.

52. **Import replacement.** We believe that there is more capacity for import replacement industries on Norfolk Island and note that there is no cold store that offers a commercial service to residents. This would reduce the Island's dependence on and exposure to the vagaries of external markets. The most promising areas for import replacement seem to be Food and Household Supplies, and Rural and Farming, which account for about \$6 million of imports each year.

53. The Norfolk Island Government has recently employed a part time agricultural officer to examine the potential to increase food production for local consumption and export. Submissions argued that there is great scope for increasing the production of fruit and vegetables for local consumption and use in simple processing industries such as the production of fruit juices and dried fruits.

54. **Offshore finance centre.** There have been suggestions made for some years that an offshore finance centre (OFC) be established on the Island and that it could offer benefits to both the Commonwealth and Norfolk Island Governments. It could increase the Commonwealth's access to foreign capital and provide economic diversification and increased career and employment prospects to the Norfolk Island community. The proponents envisage that initially the OFC would offer limited services (for example, a shipping register service) before extending operations to banking in the longer term.

55. Many issues would need to be resolved before any OFC could be established on Norfolk Island. Among them would be:

- whether the Commonwealth would have any contingent liability (the UK government made ex-gratia payments to residents who lost deposits due to a bank scandal on the Isle of Man) — the attractiveness to clients of an OFC on Norfolk would be increased if the Commonwealth were to bear some part of the risk of the venture;
- whether the OFC would facilitate financial trade or attract business by offering inducements and specialist services (if it aimed too low, it could attract illegitimate or undesirable activities);
- ensuring that the promotion and regulation aspects of the OFC were kept separate;
- whether the OFC would attract money and business at the mainland's expense;
- how to prevent mainland Australians, or others, using the OFC to minimise their tax at the expense of mainland governments;

- whether Norfolk Island residents would have the necessary expertise to operate an OFC, at least in the short term, and, if not, the implications of importing qualified labour off Island,;
- the costs associated with developing a skilled local workforce; and
- the availability of a reliable and sophisticated communications network.

56. The Norfolk Island Government is considering making a formal proposal to the Commonwealth based on the two governments working together on the venture. It seems to us that an OFC might be worthy of further investigation as a prospect for economic diversification. But it will not offer any 'quick fix' and should be approached cautiously.

57. ***General industrial development.*** Export industries on the Island have to overcome the freight costs of transporting their products to the marketplace. Some industries have been unable to absorb these costs and have collapsed.

58. Another issue is the physical limitations (for example, water capacity and the availability of power) on the number of people the Island can sustain. These are also likely to impose future limits on the range of industries that can be attracted to the Island. They might mean that future increases in economic capacity would best lie in capital intensive industries. In this regard, the Norfolk Island Government has recently received approaches to use its telecommunications network for interactive home gambling, home shopping and other services and, while negotiations are at an early stage, the government is actively considering proposals.

59. Capital intensive industries normally require both capital and a highly trained labour force. We are unaware of the extent to which the Island community has readily available capital reserves but, in any case, there is most unlikely to be an adequate pool of labour (either employed or unemployed) that could provide the skills required. The lack of post-secondary training on the Island means that highly trained labour would probably have to be imported.

60. Falling communication costs can only work to Norfolk Island's advantage. Its low labour costs and low tax status remain attractions for any industry.

SUMMARY

61. Our estimate of the size of the Norfolk Island economy is \$80 million. It is this economy that gives the Norfolk Island Government a capacity to raise revenue — the financial capacity discussed in Chapter 7. We have been conservative in our estimation and it is likely that the economy is larger than \$80 million.

62. The main prospect for developing Norfolk Island's economic capacity would seem to be to further develop and diversify the tourist industry. However, this comes with

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all the usual dangers of relying on a narrow industry base. Greater reliance on tourism could be catastrophic if, at some time in the future, the Island were to lose its relative advantages. Further growth in tourism would also raise environmental concerns.

63. A number of options exist for modest steps in import replacement which would reduce the Island's reliance on overseas markets.

64. Development of an OFC may be a longer term prospect for economic diversification, but there are many issues that would need to be resolved by both governments.

65. There are natural limitations to possible economic activity on Norfolk and there are important issues of infrastructure that will also affect development efforts. They include the Island's lack of a water supply system, limited sewerage and electrical power capacities, waste disposal deficiencies, inadequate harbour and lighterage facilities, and the present high cost of communications. It would appear that there is limited room for any general economic expansion until these issues are addressed.

CHAPTER 5

PUBLIC FINANCES

1. Public sector activity on Norfolk Island is primarily the direct responsibility of the Norfolk Island Government, and is principally funded from revenues raised by that Government. The Commonwealth provides some direct funding for particular activities, and some indirect support. However, it raises no revenue on Norfolk Island. Consequently, the Norfolk Island Government is financially more independent than any of the external or mainland Territories, or indeed the States. The unusual arrangements on Norfolk Island are reflected in a very different mix of taxes and charges from any applying on the mainland.

2. Norfolk Island Government expenditures also reflect a different mix of services. To some degree, this mix results from the priorities of a small, relatively isolated community. It also results from the forms of resource shortage on the Island, such as fuel, power and water, which need particular management, and from the cultural, social and political traditions of the Island. It has been possible because the Commonwealth does not extend most of its legislation to the Island.

3. This chapter provides a systematic framework for addressing Norfolk Island Government expenditures and revenues as well as Australian public sector expenditures relating to Norfolk Island. It provides a basis for the analysis in the following chapters. It also provides a framework to assist consideration of matters of concern to the Island and the Commonwealth in their discussions, such as the level of Commonwealth financial assistance to Norfolk Island, the level of financial flows from Norfolk Island to the Commonwealth and the degree of financial self sufficiency of Norfolk Island. Finally, it provides a framework for comparing the mix of Norfolk Island revenues and expenditures with the mainland and other external Territories.

NORFOLK ISLAND GOVERNMENT REVENUES AND EXPENDITURES

4. The Norfolk Island Government has almost \$20 million in net assets, of which fixed assets are worth around \$13.4 million. At the end of 1995-96, the cash at bank, including term deposits, was \$6.5 million.

5. The Government operates on an income of \$15 million or more a year, and delivered a surplus before capital expenditure and provision for depreciation of \$2.0 million

in 1995-96. It delivered surpluses also in the preceding two years. The depreciation provision is about \$1.1 million a year.

6. The consolidated position of the Administration's accounts over the three years to 1995-96 is shown at Table 5-1.

Table 5-1 NORFOLK ISLAND ADMINISTRATION'S CONSOLIDATED STATEMENTS^(a)

| | 1993-94 | 1994-95 | 1995-96 |
|--|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Consolidated Balance at end of year | | | |
| Assets | | | |
| Current | 6 565 | 7 778 | 8 764 |
| Fixed | 14 605 | 14 083 | 13 414 |
| Total Assets | 21 169 | 21 861 | 22 178 |
| Liabilities | | | |
| Current | 1 630 | 1 790 | 1 934 |
| Long Term | 349 | 347 | 383 |
| Total Liabilities | 1 979 | 2 137 | 2 318 |
| Net Assets^(b) | 19 190 | 19 724 | 19 860 |
| Income and Expenditure^(c) | | | |
| Income | 13 515 | 14 928 | 15 942 |
| Recurrent Expenditure | 11 484 | 12 471 | 13 984 |
| Income Excess before Depreciation | 2 031 | 2 458 | 1 958 |
| Depreciation ^(d) | 1 126 | 1 116 | 1 132 |
| Income Excess after Depreciation | 905 | 1 342 | 826 |
| Capital Expenditure | | | |
| By Administration (including GBEs) | 1 163 | 1 400 | 1 437 |
| Inflation (Norfolk Island Retail Price Index) | | | |
| | 5.5% | 3.4% | 3.2% |
| Inflation (Australian CPI) | | | |
| | 1.8% | 4.5% | 3.1% |

(a) Excluding the Hospital and the Tourist Bureau.

(b) This figure includes only those assets of the Revenue Fund which are written off in the year of purchase.

(c) 1993-94 capital and recurrent figures are rounded to the nearest thousand.

(d) This figure is a notional one, not an actual provision.

7. Over the three years, the table shows a one third increase in the value of the reported current assets (cash at bank, debtors, materials and stocks) and an eight per cent decline in the value of fixed assets (buildings, plant and equipment, furniture and fittings). The balance of these two changes is an increase in net assets of 3.5 per cent.

8. Income has increased by 18 per cent, and expenditure by 22 per cent. These movements over three years are somewhat ahead of inflation, which was 12.6 per cent over the period, measured by the Norfolk Island Retail Price Index. However, such movements are not sufficient to establish any strong trend.

Structure of the Norfolk Island Government Accounts

9. The Government accounts are structured around three funds:

- the Revenue Fund, which supports most Government services and gathers revenue from general government sources;
- the Administrative Services Fund, which is not managed as a totality, but provides a framework for each GBE to account separately for its operations; and
- the Trust Fund, which holds monies for management of longer term liabilities, such as suspense accounts for products or services yet to be provided, provision for long service leave and legal aid.

10. There is also a Loan Fund, in which any borrowing by the Government would be managed.

11. The GBEs in the Administrative Services Fund cover a variety of activities, some of which are expected to return a dividend to the Revenue Fund, some to be budget neutral and others to be subsidised. All the GBEs keep their accounts on general commercial accounting principles. They are not formally distinct bodies from the Norfolk Island Government:

Expected to return a dividend

- the Liquor Supply Service sells alcoholic beverages to the retail trade and the public;
- Postal Services provide mail services for the Island and philatelic sales;
- Norfolk Telecom provides local and international telecommunication services;

Expected to be budget neutral

- the Electricity Service provides government, business and residential electricity services;
- the Lighterage Service transports goods to and from visiting vessels;
- Norfolk Island Airport maintains the airport and provides runway and terminal services;

- the Water Assurance Scheme manages the reticulated sewerage scheme and monitors underground water quality;
- the Workers Compensation Scheme Fund provides workers compensation insurance cover;

Expected to be subsidised from the budget

- KAVHA Restoration manages the historic areas under a joint Norfolk and Commonwealth agreement¹;
- the Bicentennial Integrated Museums; and
- the Norfolk Island Healthcare Fund.

12. Two government services, the Norfolk Island Hospital Enterprise and the Tourist Bureau fall into a similar category to the GBEs, but are managed and operated as statutory bodies. Both maintain their own accounts, separate from those of the Government. Both receive a subsidy from the Revenue Fund.

13. The financial positions of all the funds and the GBEs are shown in summary in Table D-3 in Attachment D. The figures are drawn from the published accounts of the Norfolk Island Government and of its statutory bodies.

The Revenue Fund

14. The Revenue Fund is the main fund for management of the Government's finances.

15. **Revenue.** Figure 5-1 shows that taxes accounted for 57 per cent of the Revenue Fund's income in 1995-96, with Customs Duty alone providing nearly half of this. GBEs provided another 26 per cent. Figure 5-2 gives a breakdown of the 'Other taxes' sector, showing that this group was dominated by two taxes – the Financial Institutions Levy and Departure fees.

16. **Expenditure.** As shown at Figure 5-3, the social group of functions – education, health and welfare – comprised 33 per cent of expenditure in 1995-96, although this figure would be substantially higher if the gross hospital expenditures were included, as the data on which the figure is based include only the subsidy from the Revenue Fund to the hospital enterprise. Administration was the single largest area of expenditure at 21 per cent.

17. Details of expenditure on the smaller functions are shown at Figure 5-4.

¹ KAVHA also receives a Commonwealth subsidy.

Figure 5-1 REVENUE FUND – REVENUE, 1995-96

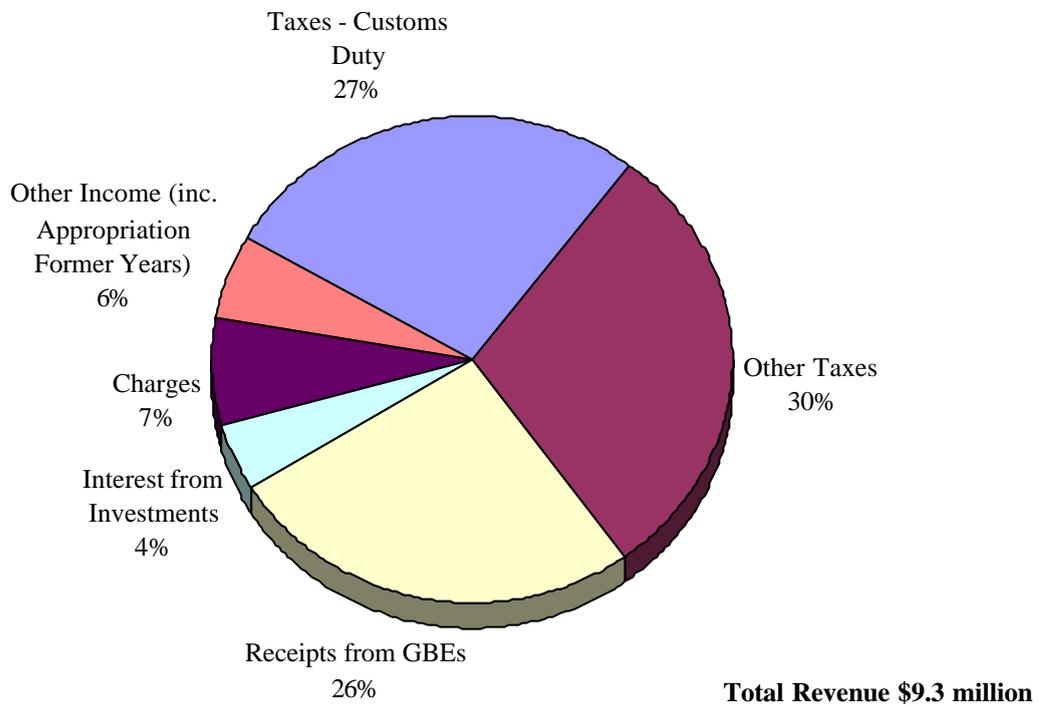


Figure 5-2 REVENUE FUND – OTHER TAXES, 1995-96

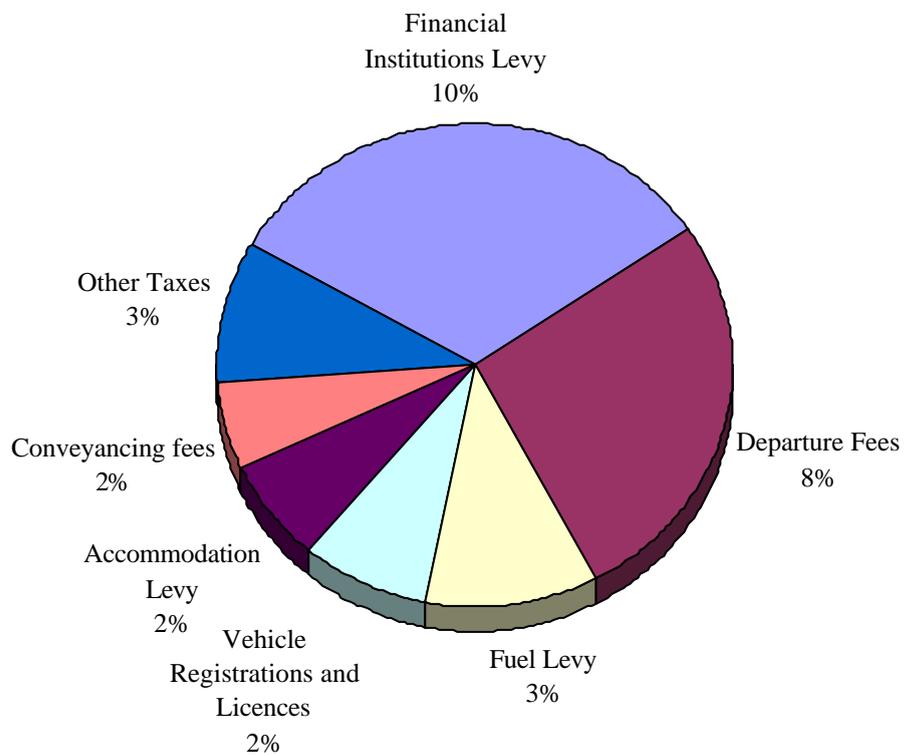


Figure 5-3 REVENUE FUND – EXPENDITURE 1995-96

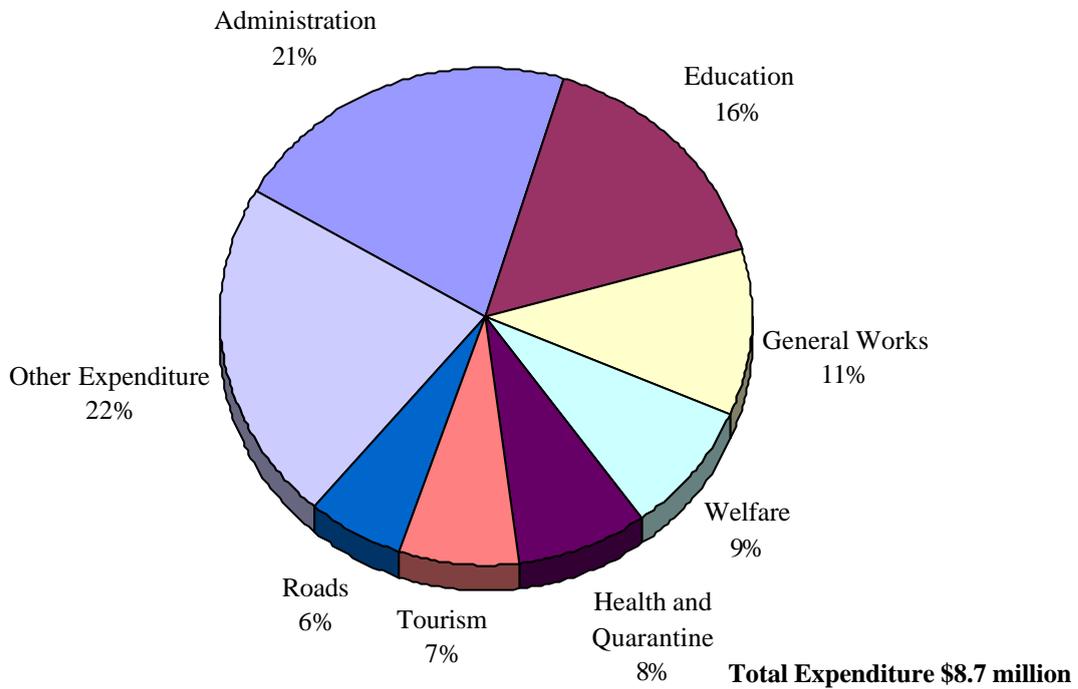
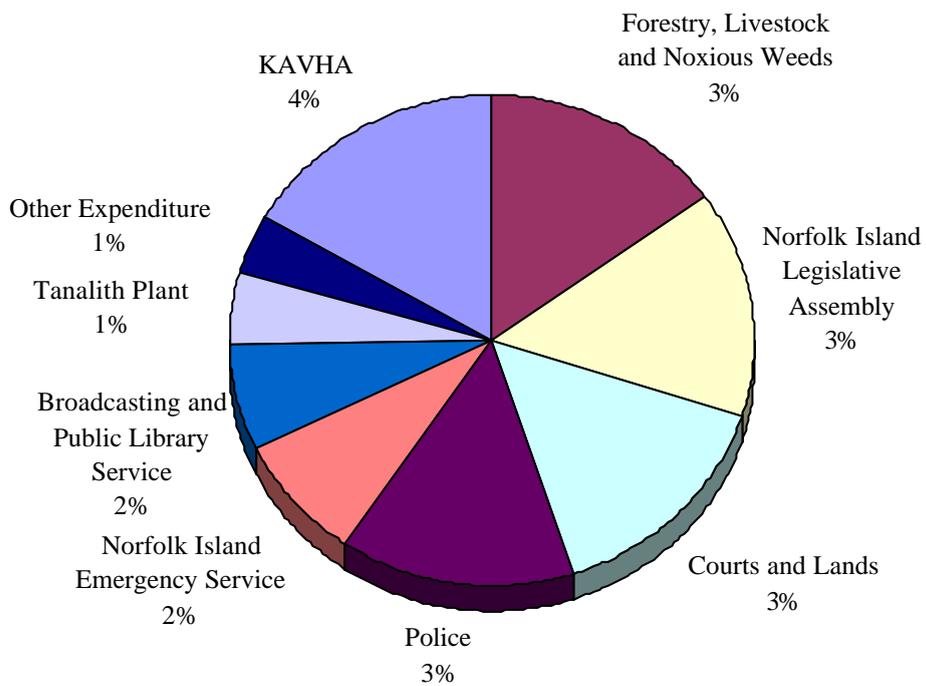


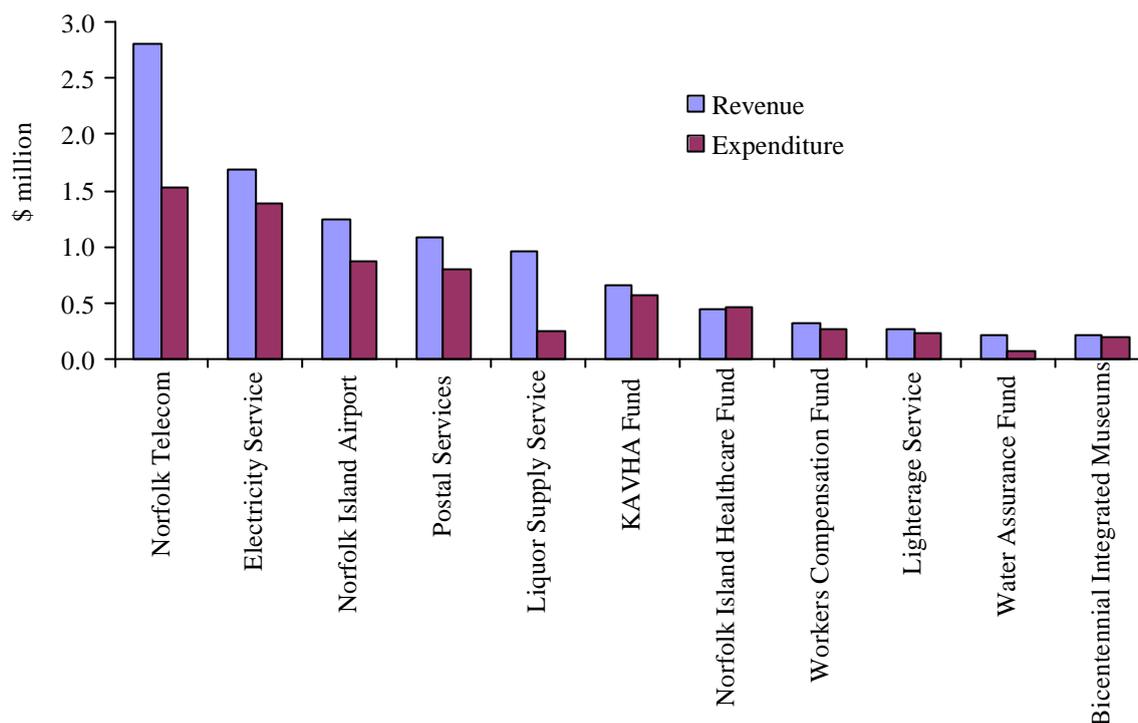
Figure 5-4 REVENUE FUND – OTHER EXPENDITURE, 1995-96



The Administrative Services Fund

18. The trading position of each GBE in 1995-96 is shown at Figure 5-5, drawn from their accounts reported in the Administrative Services Fund in the Government Accounts.

Figure 5-5 THE ADMINISTRATIVE SERVICES FUND – GOVERNMENT BUSINESS ENTERPRISES 1995-96



19. Norfolk Telecom, the Electricity Service, the Norfolk Island Airport, the Postal Services and Liquor Supply Service, in that order, had the largest turnovers in the year. However, if the total income² of the Liquor Supply Service were considered, it would rise to second in the list, after Norfolk Telecom. As shown at Figure 5-6, in 1995-96 the GBEs provided substantial payments, totalling \$3.1 million, to the Revenue Fund.

20. Excluding payments for services, six of the GBEs either provided dividends to the Revenue Fund, or received subsidies from it, as shown in Figure 5-7.

² That is, the full value of sales, rather than net of the cost of sales.

Figure 5-6 GOVERNMENT BUSINESS ENTERPRISES – TOTAL RETURNS TO THE REVENUE FUND 1995-96

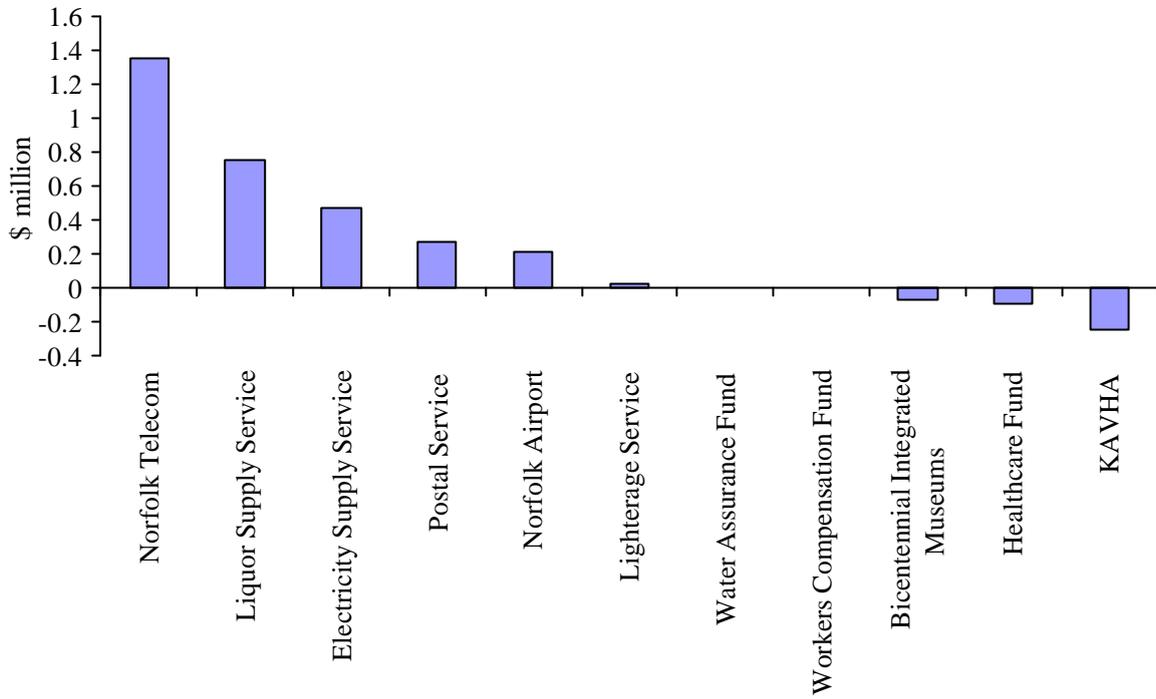
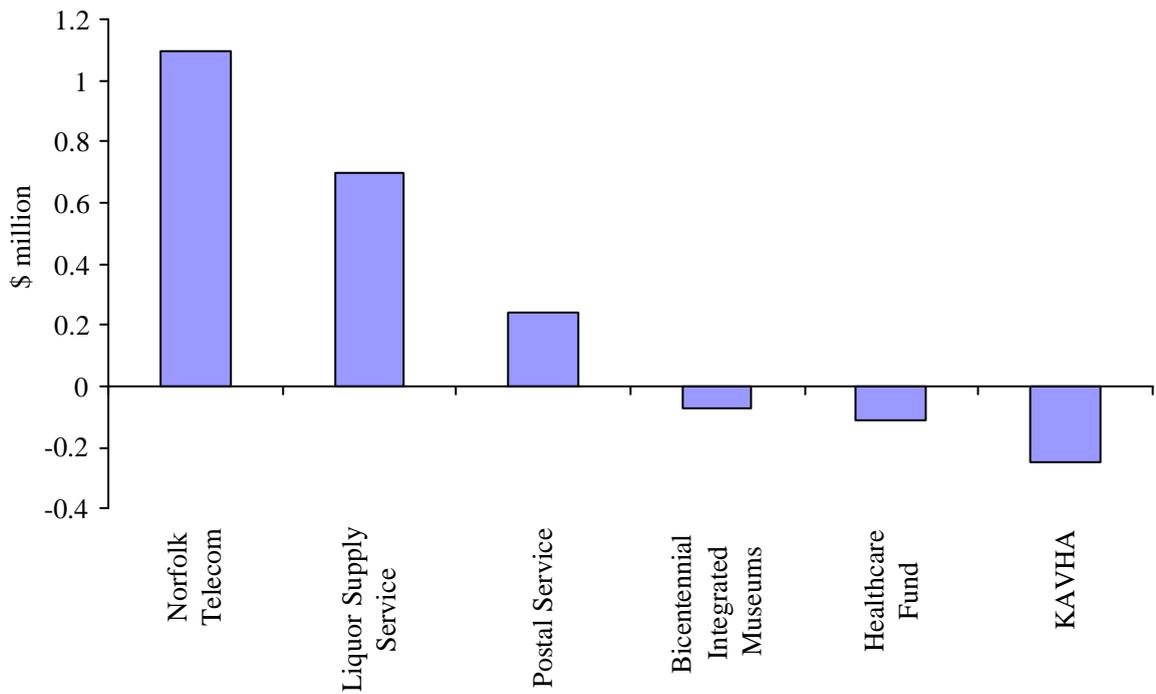


Figure 5-7 GOVERNMENT BUSINESS ENTERPRISES – DIVIDENDS AND SUBSIDIES 1995-96



21. The financial relationship between the Revenue Fund and each of the GBEs is shown in Table 5-2. About one third of the payments to the Revenue Fund were for expenses it incurred on behalf of the GBEs.

Table 5-2 TRANSACTIONS BETWEEN GOVERNMENT BUSINESS ENTERPRISES AND THE REVENUE FUND, 1995-96

| GBEs | To Revenue Fund | | | | | | From Revenue Fund (Subsidy) |
|----------------------------|-----------------|-----------------------|------------|-------------------------|----------------|--------------|-----------------------------|
| | Dividend | Payments for Services | | | | Total | |
| | | Fee ^(a) | Rent | Interest ^(b) | Capital repaid | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Liquor Supply Service | 700 | 20 | 30 | | | 50 | 750 |
| Electricity Supply Service | | 80 | | 45 | 349 | 475 | 475 |
| Norfolk Telecom | 1 100 | 90 | 15 | 17 | 134 | 256 | 1 356 |
| Norfolk Airport | | 70 | 146 | | | 216 | 216 |
| Lighterage Service | | 20 | | 7 | | 27 | 27 |
| KAVHA | | | | | | | 248 |
| Bicentennial Museums | | | | | | | 75 |
| Water Assurance Fund | | 10 | | | | 10 | 10 |
| Healthcare Fund | | 10 | | | | 10 | 10 |
| Postal Service | 240 | 20 | 12 | | | 32 | 272 |
| Workers Compensation Fund | | 10 | | | | 10 | 10 |
| Total | 2 040 | 330 | 203 | 69 | 483 | 1 085 | 3 126 |

(a) Fees for management and accounting services.

(b) Interest on capital subscribed by the Revenue fund between 1970 and 1978.

The Trust Fund

22. The Trust Fund provides suspense accounts for Revenue Fund purposes, for stamp orders and for phone cards. The Revenue Fund tops up the Trust Fund according to the Government estimate of outstanding liabilities at the end of the financial year. These top ups are shown as Revenue Fund expenditure for that year.

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23. In the following financial year, the outstanding liabilities are met from the Trust Fund suspense accounts. Any unused amounts are returned to the Revenue Fund as appropriations for former years.

24. The suspense provision for general liabilities of the Revenue Fund arising from the 1994-95 financial year was \$846 118, of which \$814 909 was used and the remainder returned to the Revenue Fund. A provision of \$821 928 was made for liabilities arising from the 1995-96 financial year.

25. The Trust Fund also holds provisions for long service leave, although not other employee entitlements, and for legal aid. In previous years, it was also used for some project activities, but during 1995-96 these were transferred to the Revenue and the Administrative Services Funds.

The Corporate Bodies

26. ***Hospital.*** The Hospital accounts for its own revenue and expenditure as set out in Table 5-3. It runs at a loss and is subsidised by the Revenue Fund. Both the loss and the subsidy increased over the period 1993-94 to 1995-96. When the subsidy is included, the Hospital operated at a small surplus in all three years.

Table 5-3 NORFOLK ISLAND HOSPITAL ACCOUNTS

| | 1993-94 | 1994-95 | 1995-96 |
|---------------------------|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue | | | |
| Hospital | 993 | 940 | 886 |
| Dispensary | 289 | 310 | 346 |
| X-Ray | 31 | 32 | 29 |
| Laboratory | 58 | 72 | 79 |
| Dental Clinic | 114 | 129 | 153 |
| Physiotherapy | 0 | 10 | 10 |
| District Nursing Service | 0 | 6 | 6 |
| Mawson Units | 0 | 10 | 10 |
| Total Revenue | 1 486 | 1 509 | 1 519 |
| Expenditure | | | |
| Hospital | 1 115 | 1 270 | 1 314 |
| Dispensary | 199 | 204 | 221 |
| X-Ray | 23 | 28 | 23 |
| Laboratory | 72 | 77 | 86 |
| Dental Clinic | 121 | 153 | 159 |
| Physiotherapy | 0 | 17 | 28 |
| District Nursing Service | 0 | 9 | 11 |
| Mawson Units | 0 | 7 | 10 |
| Total Expenditure | 1 529 | 1 763 | 1 851 |
| Deficit | -43 | -254 | -333 |
| Subsidy from Revenue Fund | 289 | 264 | 505 |
| Surplus after subsidy | 246 | 10 | 171 |

27. Overall, the Hospital enterprise expenditures over the three years increased by 21.1 per cent, which is higher than the rate of inflation. The services associated with the hospital increased by 29.7 per cent, more than double the rate of inflation. Expenditures on the Hospital itself were contained to an increase of 17.8 per cent.

28. **Tourist Bureau.** The Tourist Bureau accounts for 1994-95 and 1995-96 are set out in Table 5-4. Although the Bureau operates as a separate entity from the Government, it receives most of its funding by way of grants from the Government, amounting to 87 per cent in 1995-96.

29. The Bureau operated in surplus in 1994-95 and with a small deficit in 1995-96. The increases in operating expenses, wages and salaries, together with the increase in the Government grant, were well ahead of inflation for 1995-96. They suggest a planned increase in activity in that year.

Table 5-4 NORFOLK ISLAND TOURIST BUREAU ACCOUNTS

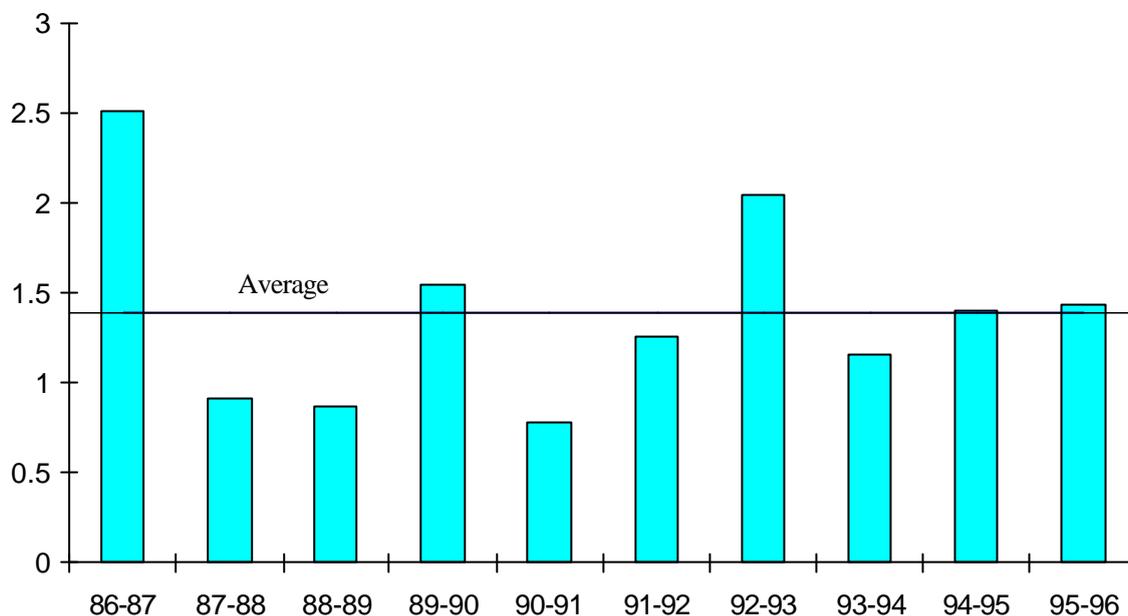
| Description | 1994-95 | 1995-96 |
|-------------------------------|---------|---------|
| | \$'000 | \$'000 |
| Revenue | | |
| Sales | 40 | 47 |
| Advertising fees | 47 | 26 |
| Commission- Departure Fees | 37 | 40 |
| Commission- Other | 17 | 19 |
| Sundry | 0 | 1 |
| Interest Received | 1 | 1 |
| Total Revenue | 142 | 133 |
| Expenditure | | |
| Purchases | 30 | 38 |
| Less Change in stock | -7 | -8 |
| Customs Duty | 1 | 1 |
| Operational Expenses | 423 | 483 |
| Wages and Salaries | 232 | 260 |
| Total Expenditure | 678 | 774 |
| Deficit | -537 | -641 |
| Subsidy from Revenue Fund | 553 | 605 |
| Surplus/Deficit after subsidy | 16 | -36 |

The Capital Program

30. Over the ten years 1986-87 to 1995-96, the average annual capital expenditure recorded in the Norfolk Island Government accounts, excluding the hospital and the tourist bureau, was \$1.4 million (although this includes expenditures of less than \$1000 recorded as capital). Expenditure from year to year has been highly variable, from around half to approaching twice the average amount. Figure 5-8 illustrates this variability.

31. A 'lumpy' capital expenditure history such as this, with no strong overall patterns or trends, arises in a small economy because of the periodic need for particular investment in the equipment and infrastructure of one or more of its services. The underlying pattern is more evident in spending on the individual services. The more detailed analysis at Table 5-5 shows that most services have one or a few years of expenditure substantially above the average, with others well below.

Figure 5-8 TOTAL CAPITAL EXPENDITURE BY THE NORFOLK ISLAND GOVERNMENT 1986-87 TO 1995-96^(a)



(a) Excluding the hospital and the tourist bureau.

Table 5-5 CAPITAL EXPENDITURE BY NORFOLK ISLAND GOVERNMENT, 1986-87 TO 1995-96

| Service | 86-87 | 87-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 | 93-94 | 94-95 | 95-96 | Ave |
|------------------|--------------|------------|------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue Fund | 1 382 | 571 | 508 | 588 | 424 | 684 | 346 | 565 | 677 | 616 | 636 |
| Liquor bond | 3 | 43 | 25 | 9 | 6 | 7 | 1 | 1 | 1 | 5 | 10 |
| Postal service | 5 | 6 | 99 | 9 | 1 | 2 | 2 | 6 | 7 | 66 | 20 |
| Electricity | 846 | 69 | 69 | 621 | 44 | 8 | 190 | 235 | 223 | 452 | 276 |
| Telecom | 193 | 193 | 165 | 319 | 239 | 323 | 1 436 | 95 | 300 | 223 | 349 |
| Lighterage | 88 | 27 | 2 | 1 | 21 | 1 | 1 | 1 | 44 | 32 | 22 |
| Airport | | | | | 33 | 34 | 49 | 155 | 105 | 13 | 39 |
| Water Assurance. | | | | | | 183 | 5 | 89 | 24 | 10 | 32 |
| KAVHA | | | | | | | 14 | | | 10 | 2 |
| Museums | | | | 4 | 7 | 11 | 6 | 14 | 17 | 8 | 7 |
| Workers Comp | | | | | | 3 | | 2 | 1 | 1 | 1 |
| Healthcare | | | | | | | | | 1 | 1 | 0 |
| Total | 2 517 | 909 | 868 | 1 551 | 775 | 1 256 | 2 050 | 1 163 | 1 400 | 1 437 | 1 393 |

Source: These data have been taken from the Administration's *Summarised Consolidated Income and Expenditure Statements Period 1987-96*, November 1996.

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32. Some facilities are not included in the figures, for example the hospital. Further, because it covers only a ten year time span, the table does not necessarily reflect the full average long term capital expenditure needed by the Government for the services listed. A life cycle analysis, or projection over 30 years or more, would be needed to establish this.

The Balance Sheet

33. The accumulated funds of the Administration are set out in the consolidated balance sheet and summarised in Table 5-6 for the period 1991-92 to 1995-96.

34. The table does not include the assets of the Hospital or the Tourist Bureau. Nor does it include the assets of the Revenue Fund, because this Fund is reported on a cash basis. Revenue Fund assets had a value of \$920 000 at 30 June 1997 for vehicles, mobile plant, furniture and fittings and other equipment. The asset register does not include buildings, land, roads, bridges or public places. The Administration expects to include and value these items as part of a proposal to move to a version of the relevant Australian Accounting Standard from 1 July 1998.

35. The total value of assets, excluding those outlined above, increased by seven per cent over the five years, compared to inflation over the same period of almost 17 per cent. This represents a decline of almost ten per cent in their real value.

36. Over the five years, increases in the assets of the Revenue Fund, KAVHA and the Workers Compensation Scheme accounted for over two thirds of the dollar increase in total value of the Administration's assets. The major infrastructure assets of Norfolk Telecom, the Electricity Service and the Water Assurance Scheme showed a modest increase in dollar value, though less than inflation. The assets of the Airport showed a small decline in dollar value, amounting to a real decline of over 20 per cent.

Table 5-6 ADMINISTRATION ACCUMULATED FUNDS

| | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | Change 1991-92 to 1995-96 |
|--|---------------|---------------|---------------|---------------|---------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | % |
| Revenue fund | 642 | 383 | 249 | 594 | 1 195 | 86 |
| Liquor supply service | 540 | 540 | 540 | 540 | 540 | 0 |
| Postal service | 31 | 21 | 21 | 42 | 22 | -29 |
| Electricity service | 2 065 | 2 117 | 2 283 | 2 527 | 2 315 | 12 |
| Norfolk Telecom | 2 347 | 2 560 | 2 790 | 2 747 | 2 549 | 9 |
| Lighterage service | 208 | 187 | 182 | 165 | 193 | -7 |
| Norfolk Island airport | 8 222 | 8 180 | 8 235 | 8 169 | 7 921 | -4 |
| Water assurance fund | 4 512 | 4 584 | 4 640 | 4 722 | 4 796 | 6 |
| KAVHA fund ^(a) | -6 | 55 | 42 | 20 | 97 | 36 |
| Bicentennial integrated museums | 19 | 16 | 1 | 7 | 19 | 0 |
| Workers compensation scheme ^(b) | -7 | 24 | 141 | 186 | 223 | 829 |
| Healthcare fund ^(c) | na | na | 66 | 4 | -8 | na |
| Trust fund | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 18 572 | 18 668 | 19 190 | 19 724 | 19 860 | 7 |
| Inflation (Norfolk Island Retail Price Index) | 2.8% | 0.9% | 5.5% | 3.4% | 3.2% | 16.7% |

(a) Change is calculated from 1992-93, as liabilities exceeded assets in 1991-92.

(b) The Workers Compensation Scheme Fund commenced in November 1991. The 1991-92 figure represents eight months of operation. Change is calculated from 1992-93, as liabilities exceeded assets in 1991-92.

(c) Before 1 July 1993, the Healthcare Fund was reported as part of the Hospital Enterprise.

37. The movements in the value of total assets are principally a result of changes in cash held at the bank and changes in the value of fixed assets. These changes are set out in Tables 5-7 and 5-8.

38. **Cash balances.** The Administration's cash holdings increased by 41 per cent over the five years to 1995-96. This reflects a sharp upturn in the last two years. The major component of this is an increase of almost \$1.2 million in the cash holding of the Airport over those two years. The next contributor is the Revenue Fund, with an increase of

\$900 000. Over half of its increase is due to capital repayments in 1995-96 from the Electricity Service and Norfolk Telecom³.

Table 5-7 NORFOLK ISLAND CASH BALANCES, 1991-92 TO 1995-96

| | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | Change 1991-92 to 1995-96 |
|---|--------------|--------------|--------------|--------------|--------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | % |
| Revenue fund | 554 | 238 | 214 | 566 | 1 144 | 106 |
| Liquor supply service | 236 | 182 | 254 | 184 | 261 | 11 |
| Postal service | 84 | 57 | 192 | 47 | 60 | -29 |
| Electricity service | 267 | 375 | 400 | 656 | 272 | 2 |
| Norfolk Telecom | 1 191 | 598 | 490 | 582 | 119 | -90 |
| Lighterage service | 2 | 38 | 24 | 12 | 0 | -100 |
| Norfolk Island Airport | 462 | 1 014 | 1 573 | 2 110 | 2 752 | 496 |
| Water assurance fund ^(a) | 0 | 115 | 163 | 298 | 420 | 265 |
| KAVHA fund | 129 | 126 | 133 | 140 | 246 | 91 |
| Bicentennial integrated museums | 4 | 0 | 0 | 6 | 2 | -50 |
| Workers compensation scheme ^(b) | 0 | 0 | 113 | 132 | 155 | 37 |
| Healthcare fund ^(c) | 71 | na | 66 | 2 | 18 | -75 |
| Trust fund ^(d) | 1 610 | 1 410 | 752 | 989 | 1 038 | -36 |
| Total | 4 610 | 4 152 | 4 375 | 5 723 | 6 487 | 41 |

(a) Change calculated from 1992-93.

(b) Change calculated from 1993-94.

(c) Adjusted in 1991-92 to include the Healthcare Fund. Before 1 July 1993 the Healthcare Fund was reported as part of the Hospital Enterprise.

(d) Adjusted in 1991-92, 1992-93 and 1993-94 to show the Island Fund against the Revenue Fund. The Island Fund was closed in September 1994 and the balance transferred to the Revenue Fund.

Source: The Administration of Norfolk Island, *Financial Statements*, Year ended 30 June 1996.

39. **Fixed assets.** Table 5-8 shows that over the five years to 1995-96 Norfolk Island Telecom and the Electricity Service increased the value of their fixed assets well

³ See Table 5-2.

ahead of inflation, reflecting a continuing investment in infrastructure. The Airport shows a real decline in the value of its assets. This reflects in part the terminal redevelopment project that was planned in 1995-96, but has not yet proceeded. Overall, the value of the administration's fixed assets declined by nine per cent in dollar terms, or over 25 per cent in real terms.

40. *The assets position.* The build up in cash holdings is somewhat ahead of the reduction in value of fixed assets in dollar terms. This would allow the Revenue Fund and the Airport to fund a great deal of capital expenditure without reducing their cash reserves below a prudent level.

Table 5-8 ADMINISTRATION FIXED ASSETS^(a)

| | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | Change 1991-92 to 1995-96 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | % |
| Electricity service | 1 442 | 1 448 | 1 518 | 1 574 | 1 859 | 29 |
| Norfolk Telecom | 1 132 | 2 254 | 2 125 | 2 191 | 2 158 | 91 |
| Lighterage service | 101 | 81 | 70 | 104 | 120 | 19 |
| Norfolk Island airport | 7 500 | 6 893 | 6 445 | 5 817 | 4 944 | -34 |
| Water assurance fund | 4 488 | 4 425 | 4 443 | 4 394 | 4 330 | -4 |
| Workers compensation scheme | 3 | 2 | 3 | 3 | 2 | -33 |
| Healthcare fund | na | na | 0 | 0 | 1 | na |
| Total | 14 665 | 15 103 | 14 605 | 14 083 | 13 414 | -9 |

(a) The GBEs not shown in this table have their fixed assets vested in the Revenue Fund. Revenue Fund fixed assets are not shown in the Administration's financial statements.

A NORFOLK ISLAND FISCUS

Interpreting the Accounts

41. Our interest in the accounts is what they show about the delivery of services, their cost and how they are funded. The structure and presentation of the Norfolk Island Government accounts sometimes make it hard to reach conclusions. For example, the financing of some services is split between the Revenue Fund and GBEs or corporate bodies, and there are extensive interactions between the various Funds. In addition, there is funding from the Commonwealth for some matters. If the true cost of service delivery is to

be made clear, all the relationships need to be untangled and related expenditures drawn together.

42. To provide a framework for this, the Commission has developed a fiscus. Because of its focus on services, the fiscus deals with recurrent expenditures and capital expenditures separately.

What is a Fiscus?

43. A fiscus brings together all the public sector revenues and expenditures relating to a community, irrespective of the agency responsible for them. All revenues are collected together, and so are all expenditures. Other presentations, such as the Commonwealth and Norfolk Island consolidated accounts, use net figures for public enterprises and other elements — revenues after operating expenditures are what is taken into account. To this extent these presentations, unlike the fiscus, do not state the total volume of money passing through the public purse.

44. The fiscus for Norfolk Island provides financial data to assist the Commission to answer the Terms of Reference of the inquiry. In constructing the fiscus, we have sought to answer a number of questions.

- (i) How much does the Norfolk Island Government spend on each of its services (including infrastructure) and what revenues does it raise?
- (ii) What Commonwealth expenditures are undertaken on the Island?
- (iii) What is the total impact on the Commonwealth budget of the existence of Norfolk Island, in terms of both expenditure and revenue?
- (iv) How financially self reliant is the Norfolk Island Government and what contribution does the Commonwealth make?
- (v) How do the levels of expenditure and revenue raised on Norfolk Island from all sources and by both governments compare with those of the mainland and other external Territories?

Developing the Fiscus

45. The fiscus sets out:

- to show revenues where they are generated;
- to show expenditures where they are spent; and
- to exclude transfers between funds or accounts which have no net impact on revenues or expenditures.

46. This means, for example, that Commonwealth subsidies to KAVHA are not shown as Norfolk Island Government revenue, but as Commonwealth expenditure. It means also that revenue generated from GBEs is shown against the GBEs, and expenditure within the Revenue Fund on management and accounting for the GBEs is shown against the Revenue Fund.

47. A further issue complicates the putting together of a fiscus. The accounts of other jurisdictions are at present compiled on a cash basis, but the Norfolk Island Government accounts on a partial accrual basis. Despite the advantages of accrual accounting, it has been thought better to maintain comparability and to adjust the Island accounts to put them on a cash footing. All differences are fully reconciled to the Island's published financial statements; the reconciliations are shown at Tables D-7 to D-10 in Attachment D.

48. The analysis has been based on:

- Norfolk Island Government Financial Statements;
- Program Budget Papers of the Territories Office, Department of the Environment, Sport and Territories;
- submissions to this inquiry;
- responses by Commonwealth Departments and Agencies to a Territories Office Survey; and
- Commission material developed in the course of its normal work.

49. The rest of this chapter outlines the main features of the analysis. A full description of the fiscus and how it has been derived is in Attachment D.

50. To make the interrelationships as clear as possible, the fiscus presentation is separated into four groups of tables showing:

- income gathered by the Norfolk Island Government and its related statutory bodies on the Island, and expenditures by them;
- Commonwealth revenue raised related to Norfolk Island;
- Commonwealth expenditure actually on the Island (that is, contributing to its economy); and
- Commonwealth expenditure related to Norfolk Island, but making no direct contribution to its economy.

A FISCUS PRESENTATION OF THE NORFOLK ACCOUNTS

Norfolk Island Public Recurrent Accounts

51. **Revenues.** Table 5-9 presents the Norfolk Island public revenues adjusted in accordance with the fiscus. The table shows a total revenue of \$18.5 million for 1995-96, higher by \$2.5 million than that shown as the Island's income in the consolidated accounts (see Table 5-1).

52. The explanation of the difference is that the fiscus:

- includes all monies gathered by the government and its associated statutory bodies (for example, the gross sales of the liquor supply service);
- excludes monies sourced from the Commonwealth; and
- classifies the 'appropriations for former years' as an expenditure offset rather than a revenue, since it is a 'refund' from the Trust Fund of Revenue Fund expenditure.

53. Both this presentation and the Government accounts show the heavy reliance of the Norfolk Island public sector on income from the GBEs and statutory bodies, at over 60 per cent of total revenues.

Table 5-9 FISCUS — NORFOLK ISLAND PUBLIC REVENUES

| | 1993-94 | 1994-95 | 1995-96 |
|--|---------------|---------------|--------------|
| | \$'000 | \$'000 | \$'000 |
| Revenue Fund Income | | | |
| Customs Duty | 2 041 | 2 343 | 2 518 |
| Financial Institutions Levy | 833 | 813 | 891 |
| Departure Fees | 570 | 702 | 731 |
| Fuel Levy | 167 | 299 | 302 |
| Company Fees | 54 | 51 | 47 |
| Accommodation Levy | 77 | 189 | 197 |
| Stamp Duty On Cheques | 24 | 23 | 20 |
| Absentee Landowners Levy | 62 | 67 | 59 |
| Liquor Licence Fees | 55 | 55 | 55 |
| Conveyancing Fees | 111 | 108 | 157 |
| Tattersalls Lotteries, Commission | 45 | 64 | 81 |
| Vehicle Registrations and Licences | 204 | 214 | 219 |
| Interest from Investments | 189 | 278 | 409 |
| Other Charges | 430 | 392 | 472 |
| Total Revenue Fund Income | 4 862 | 5 599 | 6 159 |
| Administrative Fund Income (GBE's) | | | |
| Liquor Supply Service | 2 146 | 2 296 | 2 519 |
| NI Postal Services | 686 | 797 | 1 085 |
| NI Electricity Service | 1 576 | 1 645 | 1 686 |
| NI Telecom | 2 376 | 2 821 | 2 814 |
| NI Lighterage Service | 266 | 278 | 281 |
| NI Airport | 1 228 | 1 203 | 1 249 |
| Water Assurance Fund | 207 | 216 | 220 |
| KAVHA Fund | 6 | 13 | 17 |
| NI Bicentennial Integrated Museums | 95 | 111 | 127 |
| Workers Compensation Fund | 323 | 295 | 317 |
| NI Healthcare Fund | 323 | 317 | 338 |
| Total Administrative Services Fund (GBEs) Income | 9 232 | 9 992 | 10 653 |
| Statutory Bodies | | | |
| NI Hospital | 1 486 | 1 509 | 1 519 |
| Tourist Bureau | | 142 | 134 |
| Total Statutory Bodies | 1 486 | 1 651 | 1 653 |
| Total Revenue | 15 580 | 17 242 | 18465 |

54. *Recurrent expenditures.* Table 5-10 shows the Norfolk Island public recurrent expenditures adjusted by fiscus principles. At \$16.4 million for 1995-96, total expenditures are higher by \$2.4 million than those shown in the consolidated accounts (Table 5-1) because they include the hospital expenditures, the tourist bureau expenditures and the Liquor Supply Service cost of sales, but exclude all subsidies to GBEs.

Table 5-10 FISCUS — NORFOLK ISLAND PUBLIC RECURRENT EXPENDITURES

| | 1993-94 | 1994-95 | 1995-96 |
|---|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Revenue Fund Expenditure | | | |
| Administrative | 1 477 | 1 555 | 1 789 |
| Health (incl. quarantine) | 79 | 90 | 85 |
| Education | 1 203 | 1 235 | 1 280 |
| Welfare | 704 | 691 | 749 |
| Courts & Lands | 122 | 109 | 283 |
| Police | 183 | 193 | 195 |
| Broadcasting and Public Library Service | 113 | 110 | 131 |
| NI Legislative Assembly | 401 | 407 | 287 |
| Tourism | 469 | 31 | 28 |
| Roads | 314 | 240 | 249 |
| Forestry, Livestock & Noxious Weeds | 314 | 228 | 276 |
| Tanalith Plant | 62 | 73 | 83 |
| General Works | 639 | 751 | 796 |
| NI Emergency Services | 17 | 142 | 150 |
| KAVHA Fund | 0 | 0 | 0 |
| Other Expenditure | 6 | 25 | 74 |
| Suspense Account Provision – Recurrent | 31 | 62 | 106 |
| Appropriation Former Years | -55 | -40 | -47 |
| Total Revenue Fund Expenditure | 6 079 | 5 902 | 6 514 |
| Administrative Fund Expenditure (GBEs) | | | |
| Liquor Supply Service | 1 438 | 1 577 | 1 764 |
| NI Postal Services | 628 | 587 | 768 |
| NI Electricity Service | 1 019 | 1 108 | 1 257 |
| NI Telecom | 1 009 | 1 424 | 1 401 |
| NI Lighterage Service | 178 | 209 | 210 |
| NI Airport | 405 | 333 | 663 |
| Water Assurance Fund | 69 | 51 | 77 |
| KAVHA Fund | 211 | 254 | 177 |
| NI Bicentennial Integrated Museums | 166 | 184 | 183 |
| Workers Compensation Fund | 195 | 237 | 267 |
| NI Healthcare Fund | 382 | 519 | 450 |
| Total Administrative Fund Expenditure (GBEs) | 5 700 | 6 483 | 7 217 |
| Statutory Bodies | | | |
| NI Hospital | 1 529 | 1 763 | 1 851 |
| Tourist Bureau | | 678 | 774 |
| Total Statutory Bodies | 1 529 | 2 441 | 2 625 |
| Total Expenditure | 13 308 | 14 826 | 16 356 |

55. *Norfolk Island capital expenditures.* The Norfolk Island capital expenditures shown in Table 5-1 do not need any adjustment for the fiscus.

56. *The bottom line.* The comparison of public expenditures and revenues at Table 5-11 confirms that the underlying financial position of the Norfolk Island public sector is a consistent surplus.

Table 5-11 FISCUS — THE NET FINANCIAL POSITION OF THE NORFOLK ISLAND PUBLIC SECTOR

| | 1993-94 | 1994-95 | 1995-96 |
|-----------------------|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue | 15 580 | 17 242 | 18 465 |
| Expenditure | | | |
| Recurrent Expenditure | 13 308 | 14 826 | 16 356 |
| Capital Expenditure | 1 163 | 1 400 | 1 437 |
| Total expenditure | 14 471 | 16 226 | 17 793 |
| Surplus | 1 109 | 1 016 | 672 |

COMMONWEALTH REVENUES AND EXPENDITURES

Commonwealth Revenues from Norfolk Island

57. The Commonwealth raises no tax direct from Norfolk Island. However, income tax and indirect taxes are paid by some people giving Norfolk Island as their postal address, and some revenue is gained from fishing in the Exclusive Economic Zone. Other sources identified as contributing to the Commonwealth revenue are income tax on the earnings of companies exporting to or operating on Norfolk Island, and Telstra charges to Norfolk Island for telecommunications. Estimates of amounts involved are in Table 5-12. These estimates are indicative only, as specific data are mostly not available.

Table 5-12 FISCUS—COMMONWEALTH REVENUES RAISED FROM NORFOLK ISLAND

| Function | Agency | 1993-94 | 1994-95 | 1995-96 |
|---|---|---------|---------|---------|
| | | \$'000 | \$'000 | \$'000 |
| Income Taxes | | | | |
| On company profits ^(a) | Australian Taxation Office | 180 | 180 | 180 |
| On Telstra profit ^(b) | Australian Taxation Office | 48 | 48 | 48 |
| On individuals ^(c) | Australian Taxation Office | 300 | 300 | 300 |
| Total income taxes | | 528 | 528 | 528 |
| Other Revenues | | | | |
| Indirect Tax Paid By NI Visitors to Mainland ^(d) | Australian Taxation Office and Australian Customs Service | 480 | 480 | 480 |
| Fishing Licences ^(e) | Department of Primary Industry | 50 | 41 | 59 |
| Total other revenues | | 530 | 521 | 539 |
| Total | | 1 058 | 1 049 | 1 067 |

- (a) Estimated for banks assuming \$6.5 million in Norfolk Island Government bank accounts, and household savings at the same rate as Australia (giving approx \$4 200 for each household for 802 households), then applying a three per cent real rate of return for the banks and 30 per cent tax. For the rest of the business sector, assumed to be equally as large.
- (b) Estimated at 30 per cent tax on a margin of 20 per cent on annual charges of around \$800 000.
- (c) From ATO *Taxation Statistics 1994-95*; this is the amount of tax paid on taxable incomes totalling \$1.9 million.
- (d) Estimated on the basis of \$100 spent each day by each visitor, 3.5 per cent on average of Norfolk Island residents in Australia, tax at average of 21 per cent. Long term Norfolk Island residents of Australia are excluded.
- (e) AFMA advice, except 1993-94, which is estimated as the average of the next two years.

58. One submission quoted calculations in an article *The Colony that pays its way* in an edition of the Norfolk Island News in 1991. That article gave an estimate about three times larger than the above. However, most of the amounts involved would appear to relate to total amounts entering the mainland, whereas Table 5-12 calculates the Commonwealth tax take on such amounts. We have taken no account of indirect taxes that would have been paid to the Commonwealth by Australian residents holidaying on Norfolk Island had they holidayed instead on the mainland. For this reason, and because the personal income tax estimate relates to income earned on the mainland from assets held on the mainland, the totals in Table 5-12 are almost certainly over estimates.

Commonwealth Expenditures on Norfolk Island

59. ***Recurrent expenditures.*** The Commonwealth government spends money on a range of services that relate to Norfolk Island. Some of these expenditures actually occur on Norfolk Island, and so benefit the Norfolk Island economy. They include, for example, the salaries of the Administrator and officers seconded to Norfolk Island, but exclude the salaries of Territories Office staff based in Canberra. They also exclude services by Commonwealth Departments such as Defence Medivac flights which, while of direct benefit to the Island, do not involve expenditures there.

60. On this basis, the Commission estimates that the Commonwealth spent an average of \$3.5 million a year on Norfolk Island over the three years to 1995-96. Details are at Table 5-13. Of the total of \$3.5 million, an average of \$980 000 a year was spent in support of matters that are the direct responsibility of the Norfolk Island Government.

Table 5-13 FISCUS – COMMONWEALTH EXPENDITURE ON NORFOLK ISLAND

| Function | Agency | 1993-94 | 1994-95 | 1995-96 |
|---|--|---------|---------|---------|
| | | \$'000 | \$'000 | \$'000 |
| Commonwealth Support for Norfolk Island Responsibilities | | | | |
| Administration | Territories Office | 476 | 331 | 635 |
| Courts | Attorney Generals | 0 | 6 | 4 |
| Culture | National Library of Australia | 4 | 5 | 8 |
| Employment & Training | DEETYA | 0 | 128 | 347 |
| Emergency Services | Emergency Management Aust. | 5 | 26 | 8 |
| Welfare | Dept of Health, Family Services and Dept of Social Security | 6 | 6 | 5 |
| Air Services | Airservices Australia | 97 | 49 | 66 |
| | Commonwealth Grant for Airport | 45 | 0 | 0 |
| KAVHA | Commonwealth Grant to KAVHA Fund ^(a) | 185 | 189 | 196 |
| Total Norfolk Island responsibilities | | 817 | 738 | 1 395 |
| Commonwealth Responsibilities | | | | |
| Policing | AFP ^(b) | 221 | 98 | 113 |
| Communications | Telstra | 330 | 318 | 242 |
| | IPS Radio & Space Services | 20 | 20 | 20 |
| Culture | Dept of Communications and Arts | 0 | 0 | 3 |
| | Dept of Veteran's Affairs | 0 | 5 | 0 |
| Defence | Dept of Defence | 765 | 0 | 0 |
| Veteran's Pensions | Dept of Veteran's Affairs | 829 | 870 | 805 |
| Primary Industry | AFMA | 1 | 5 | 8 |
| | AGSO | 5 | 12 | 13 |
| Environment | Environment Priorities & Coordination Group | 0 | 0 | 61 |
| | Bureau of Meteorology | 240 | 246 | 277 |
| | Environmental Protection Group | 0 | 0 | 3 |
| National Parks | Parks Australia | 462 | 366 | 659 |
| | Commonwealth Grant to KAVHA Fund ^(a) | 185 | 189 | 196 |
| Total Commonwealth Responsibility | | 3 058 | 2 130 | 2 400 |
| Total | | 3 875 | 2 869 | 3 795 |

(a) Split 50/50 in line with the joint responsibility for KAVHA.

(b) This is approximately 30 per cent of full policing expenditure, the part attributable to Federal policing.

61. The remainder was spent on matters of Commonwealth responsibility. The single largest element of these expenditures was by Veteran's Affairs, followed by Parks Australia and the Territories Office.

62. While all of these expenditures were undertaken to meet Commonwealth obligations on the Island, some of them may occur there only because Norfolk Island is a convenient location. These expenditures, totalling \$560 000 in 1995-96, are Communication (\$261 752), Defence (\$0, but \$765 000 in 1993-94), Primary Industry (\$21 247) and the Bureau of Meteorology (\$277 038).

63. *Capital expenditures.* The most recent capital expenditure by the Commonwealth was in 1993-94 for the new police station. The Commonwealth contributed \$140 000 and the Norfolk Island Administration \$160 000. The AFP also contributed \$15 000 of surplus furniture to fit out the station. The amounts involved are included in Table 5-13. Some other amounts in Table 5-13 include capital elements, for example for Emergency Services and Communications, but these have not been separately identified.

64. Earlier expenditures were \$2.5 million in 1991 for airport runway upgrading, and \$2.1 million towards the reticulated sewerage system commissioned in 1991.

Commonwealth Expenditures related to, but not on, Norfolk Island

65. In addition to expenditures on Norfolk Island, the Commonwealth undertakes a range of activities which are of direct benefit to the Island, although not to its economy. They include emergency evacuations and that part of the activities of the Territories Office which relate to representation of Norfolk Island affairs on the mainland. Estimates of expenditures on these activities are in Table 5-14. These expenditures averaged just under \$500 000 a year.

Table 5-14 FISCUS – COMMONWEALTH EXPENDITURE RELATING TO, BUT NOT SPENT ON, NORFOLK ISLAND

| Function | Agency | 1993-94 | 1994-95 | 1995-96 |
|-----------------------------|---|---------|---------|---------|
| | | \$'000 | \$'000 | \$'000 |
| Administration | Territories Office | 185 | 301 | 198 |
| | Dept of PM & C | 1 | 1 | 1 |
| Medivac Flights | Dept of Defence | 100 | 100 | 100 |
| Immigration/Foreign Affairs | Dept of Foreign Affairs and Trade | 120 | 120 | 120 |
| | Dept of Immigration & Multicultural Affairs | 1 | 46 | 8 |
| Total | | 407 | 568 | 427 |

The Commonwealth Bottom Line

66. As shown in Table 5-15, the Commonwealth deficit in relation to Norfolk Island averages around \$2.9 million a year.

Table 5-15 THE NET POSITION OF THE COMMONWEALTH

| | 1993-94 | 1994-95 | 1995-96 |
|---|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue from Norfolk Island | 1 058 | 1 049 | 1 067 |
| Expenditure in relation to Norfolk Island | | | |
| Expenditure on Norfolk Island | | | |
| on Norfolk Island responsibilities | 817 | 738 | 1 395 |
| on Commonwealth responsibilities | 3 058 | 2 130 | 2 400 |
| Total on Norfolk Island | 3 875 | 2 869 | 3 795 |
| Relating to Norfolk Island | 407 | 568 | 427 |
| Total Expenditure | 4 282 | 3 437 | 4 222 |
| Deficit | -3 224 | -2 388 | -3 155 |

Commonwealth Expenditures Indirectly Benefiting Norfolk Island

67. The Commonwealth provides a range of benefits to all residents of Australia, although some would not be apparent in the daily life of their community. These benefits include the defence, foreign affairs and trade umbrellas, and also diverse matters such as international cooperative arrangements on many activities, management of Australia's Exclusive Economic Zone, weather forecasting, and national broadcasting. As these benefits are mostly intangible, they have not been included in the above analysis. However, for indicative purposes, it is perhaps worth noting that Norfolk Island's share of the defence, foreign affairs and trade umbrellas would be some \$1.0 million each year, allocated on a per capita basis. This has not been included in the expenditures shown in Table 5-11.

68. Norfolk Islanders benefit from their access to mainland services, such as education and health, when they are resident there. However, they also pay taxes during their residency, which benefit the mainland governments. No attempt has been made to quantify the effect, both because such transactions do not directly impact on the Norfolk Island economy, and because of lack of suitable estimates.

THE COMPLETE FISCUS PICTURE FOR NORFOLK ISLAND

69. Tables 5-9 to 5-15 are summarised in Table 5-16. It shows that the total expenditures by governments on Norfolk Island exceed the revenue they raise by an average of \$2.6 million a year. This reduces to \$2 million a year if revenue and expenditures not raised or spent on the Island are included. While the Norfolk Island Government is in

surplus, the Commonwealth is in deficit with regard to the Island, and the overall position therefore reflects a net public sector deficit.

Table 5-16 SUMMARY FISCUS FOR NORFOLK ISLAND

| | 1993-94 | 1994-95 | 1995-96 |
|--|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue | | | |
| Norfolk Island public revenue | 15 580 | 17 242 | 18 465 |
| Commonwealth Revenue from Norfolk Island | 1 058 | 1 049 | 1 067 |
| Total Revenue | 16 638 | 18 291 | 19 532 |
| Expenditure | | | |
| On Norfolk Island | | | |
| Norfolk Island public recurrent expenditure | 13 308 | 14 826 | 16 356 |
| Norfolk Island public capital expenditure | 1 163 | 1 400 | 1 437 |
| Commonwealth expenditure (Norfolk Island responsibilities) | 817 | 738 | 1 395 |
| Commonwealth expenditure (Commonwealth responsibilities) | 3 058 | 2 130 | 2 400 |
| Total on Norfolk Island | 18 346 | 19 094 | 21 588 |
| Relating to Norfolk Island (Commonwealth) | 407 | 568 | 427 |
| Total Expenditure | 18 753 | 19 662 | 22 015 |
| Balance (Deficit) | | | |
| On Norfolk Island | -2 766 | -1 852 | -3 123 |
| On and off Norfolk Island | -2 115 | -1 371 | -2 483 |

The Financial Independence of Norfolk Island

70. On the mainland, much of the activity of State, Territory and local governments is funded by grants from the Commonwealth. The extent to which governments rely on higher levels of government in this way is known as the *dependency ratio*. A lower ratio indicates a greater financial independence.

71. Greater financial independence is not always advantageous, because the dependency ratios in part reflect mechanisms for the justified transfer of funding between jurisdictions and between levels of government. Such transfers allow governments to address areas of particular need.

72. Table 5-17 gives some benchmark figures for the mainland and for Christmas Island. By comparison, the Norfolk Island Government has a dependency ratio of about eight per cent on recurrent expenditure⁴. However, no other jurisdiction has had Commonwealth taxing powers devolved to it as has Norfolk Island. If the Commonwealth were to withdraw these powers (which bring in revenue of at least \$3.2 million a year for

⁴ From Table 5-16, total recurrent expenditure in 1995-96 on Norfolk Island Government responsibilities is \$17.751 million, of which \$16.356 million is by that government, and \$1.395 million by the Commonwealth.

customs duty and departure taxes alone), and if it were to return the equivalent revenue in the form of grants, Norfolk Island's dependency ratio would rise to 28 per cent. This would still be a comparatively low figure.

Table 5-17 DEPENDENCY RATIOS^(a) — SOME BENCHMARKS

| Dependency ratio | Christmas Island 1994-95 | Australian average 1994-95 | Northern Territory 1994-95 |
|------------------------|-----------------------------|-------------------------------|-------------------------------|
| | % | % | % |
| State recurrent | 34 | 44 | 78 |
| State capital | 89 | 25 | 31 |
| Local government total | 88 | 16 | 36 |

(a) The dependency ratio is the percentage of expenditure funded by higher levels of government, through general revenue and specific purpose payments (or, in the case of Christmas Island, direct funding).

73. As an indication of the levels of assistance jurisdictions receive through the system of grants, Table 5-18 shows the per capita grants received by the States, Territories and Christmas Island from the Commonwealth in 1994-95.

Table 5-18 COMMONWEALTH RECURRENT AND CAPITAL GRANTS TO CHRISTMAS ISLAND AND THE STATES, PER CAPITA, 1994-95

| | CI ^(a) | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|-----------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Recurrent | 3 115 | 1 473 | 1 484 | 1 650 | 1 799 | 1 924 | 2 211 | 1 759 | 6 180 | 1 645 |
| Capital | 8 481 | 164 | 119 | 149 | 132 | 222 | 152 | 100 | 420 | 153 |

(a) The Christmas Island grants include notional General Revenue Grants and actual Special Purpose Payments.

Revenue and Expenditure Comparisons

74. The fiscus can be used as a framework for comparing the pattern of Norfolk Island revenue raising and expenditure with that of other jurisdictions. Such comparisons do not necessarily imply that one pattern is better than any other. Differences can be due to many factors, including physical and geographical characteristics, population composition, concentration and dispersion, and remoteness. They can of course also be due to policy.

75. Attachment D includes comparative material for Christmas Island and mainland Territories, as well as Norfolk Island and the mainland overall. This material underlies the analysis in the following chapters.

CONCLUSIONS

76. The Norfolk Island Government has been in surplus in recent years. The Commonwealth has been operating in deficit in relation to the Island. Net revenues and expenditures associated with the Island from all public sources show a small net deficit.

77. Norfolk Island is not substantially dependent on Commonwealth revenues. This is partly because of the range of taxing powers the Commonwealth has devolved to it.

CHAPTER 6

GOVERNMENT SERVICES AND INFRASTRUCTURE

1. This chapter describes the range and level of services provided on Norfolk Island. Comparisons are made with like services provided in remote mainland centres of comparable size and, where relevant, on the Cocos (Keeling) Islands and Christmas Island.

Pre-school Education and Child Care

2. On the mainland, some State Governments provide pre-school education and others subsidise pre-schools operated by community organisations. Child care is subsidised by the Commonwealth and the facilities are regulated by the States.

3. *Existing services.* Banyan Park Child Care Centre is a community based play centre. It receives a small annual subsidy from the Norfolk Island Government although, in the past, the centre has requested and received extra funds. In mid-1997, seventeen three year olds and fifteen four years olds were enrolled. The Centre has not been considered a pre-school because, although some activities of a pre-school nature have been offered, the previous staff were not qualified teachers. There are also two private child care centres on the Island.

4. At present, under a trial arrangement, the Banyan Park Centre has a qualified pre-school teacher who runs a planned and structured program for the older children, keeping records of the children's progress and preparing them for school. It was said that this arrangement needs to prove itself financially viable and to obtain community approval before any long term commitment is made to pre-school education.

5. *Comparisons.* There are no government subsidies towards the costs of child care similar to those on the mainland. Although the current trial program at the Banyan Park Centre provides pre-school type services for some children, the access to these services is not as comprehensive as it is in similarly sized remote communities on the mainland. Overall, the standard of pre-school and child care services on Norfolk is below that on the mainland.

Schools Education

6. On the mainland, State Governments are responsible for schools education and either undertake or regulate the delivery of the service. However, the Commonwealth

makes large specific purpose grants to the States for general education purposes and to assist disadvantaged groups.

7. ***Existing services and infrastructure.*** The Norfolk Island Government has executive responsibility for education, but legislative proposals are technically subject to Commonwealth veto. It has a Memorandum of Understanding with the Commonwealth and a contract with the New South Wales Department of School Education under which that State provides a kindergarten to Year 12 curriculum at the Norfolk Island Central School.

8. The school has a total student population of 318, with 187 primary students and 131 secondary students, and is classified as a 'Central Class 2'. It has a Principal and 23 teachers. The Norfolk Island Government does not receive any specific purpose education funding from the Commonwealth. It meets its own education costs, including the full mainland salaries and benefits of New South Wales teachers appointed to the school. Ancillary staff include one full time senior clerical assistant, two part time assistants (teachers aides), a gardener/maintenance officer and a librarian. An active Parents and Citizens Association raises considerable funds which are directed into major school improvements and projects, such as computing equipment, the oval, the tennis/basketball court, the netball court and playground equipment.

9. The New South Wales Board of Studies provides accreditation for the curriculum, which qualifies for the award of the New South Wales School and Higher School Certificates.

10. The New South Wales curriculum has been expanded to include a Norfolk Studies component. This course is directed to the appreciation of Norfolk Island heritage, environment and language. It has been provided through community support and voluntary individual classroom assistance.

11. There is a Support Teacher Learning Program to assist students with learning disabilities.

12. Only limited accredited Vocational Education and Training type courses can be offered to senior secondary students because few teachers on the Island have accreditation with the New South Wales Board of Studies to teach post-secondary subjects.

13. Students seeking a Tertiary Entrance Rank are well served through face-to-face teaching and input from the Distance Education Facility in Port Macquarie, New South Wales. In 1996, three students out of seven gained entry to Universities in New South Wales. Bursaries are paid by the Administration to students who require courses not available on Norfolk Island and who wish to study at an approved mainland secondary school.

14. The Norfolk Island Government told the Commission that there are short term management and long term strategic plans in place for schools education. Other sources noted that long term planning is limited by the restricted tenure of the New South Wales based staff (three years) and the approach taken to infrastructure on the Island. However, they also noted that a regular turnover of staff ensures a renewal of ideas and teaching strategies.

15. Concerning the infrastructure of the school, comments were made that it looks good outside but that inside there are considerable problems. These include:

- inadequate lighting;
- a run down kitchen, leading to occupational health and safety problems;
- an inefficient layout of buildings as a result of a piecemeal capital works program, mostly pre-self government, rather than a planned development;
- insufficient infrastructure to serve students seeking TAFE accreditation and adult learning;
- lack of floodlighting at the sportsground for night sports or training;
- inadequate classroom space for students undertaking distance education;
- lack of internal maintenance;
- lack of a school hall, as the community hall which is currently used is too far away for regular use by the school; and
- inadequate planning for further growth of the school.

16. The library and technology centres have been expanded in recent years. However, it was said that neither is adequate to take the school into the twenty first century. An evaluation of the possible use of the library as a community centre is underway. It was said that a well designed and operated library/community centre would provide a venue for cultural displays and exhibitions (for example, the 'Bligh' exhibition from the Mitchell library).

17. **Comparisons.** Table 6-1 compares the Norfolk Island expenditure on school education with the in-school expenditure by the States and Territories for 1996. It shows that for each student Norfolk spends less than any of the States, but in per capita terms spends more than any State except the Northern Territory. These apparently conflicting observations are because:

- the proportion of the population in the school age groups (5 to 19 years) on Norfolk is lower than that on the mainland (18.6 per cent compared with 21.0 per cent); and
- of the 5 to 19 year age group, 97 per cent attend school on Norfolk whereas on the mainland only 81.4 per cent attend school.

18. Comparisons of expenditure for each student generally provide a better indication of the relative standards of education being provided. However, the low expenditure for each student does not necessarily imply a lower standard of education. The

figures reflect the effects of the lower salaries paid to non-teaching staff on Norfolk and the relatively low need to provide additional resources to assist students with learning disabilities, such as a non-English speaking background. It may however be that these lower costs are balanced to some extent by the recruitment of more experienced and therefore more expensive teachers from New South Wales and the higher transfer costs incurred in their recruitment.

Table 6-1 STATE AND NORFOLK ISLAND EDUCATION EXPENDITURE, 1996

| State | Expenditure | | |
|-----------------------|-------------|------------------|------------|
| | Total | For each student | Per capita |
| | \$'000 | \$ | \$ |
| Norfolk Island | 1 354 | 4 232 | 764 |
| Mainland | | | |
| New South Wales | 3 704 130 | 4 873 | 602 |
| Victoria | 2 358 726 | 4 562 | 522 |
| Queensland | 1 884 372 | 4 577 | 568 |
| Western Australia | 1 057 723 | 4 716 | 605 |
| South Australia | 834 632 | 4 702 | 566 |
| Tasmania | 302 758 | 4 823 | 640 |
| ACT | 205 752 | 5 148 | 673 |
| Northern Territory | 173 230 | 6 239 | 983 |
| Total mainland | 10 521 323 | 4 736 | 579 |

Note: The Norfolk Island expenditure for each student is based on the 1996 student population of 320 students.
Sources: Ministerial Council on Education, Employment, Training and Youth Affairs, *National Schools Statistics Collection*, 1996; Norfolk Island Central School, *Student Destination Report*, 1996; and Norfolk Island Administration, *The Administration of Norfolk Island: Financial Statements*, 1997.

19. Table 6-2 compares the student/teacher ratios at Norfolk Island Central School with other remote schools. It indicates that there were more students for each teacher on Norfolk than in most of the other centres chosen.

20. We conclude that, given the arrangements for the provision of schools education on Norfolk, the overall standard of education is comparable with that provided in centres of similar size in New South Wales. Nevertheless, there are areas in which the school finds it difficult to provide up to date services and facilities. For example, the school is excluded from the New South Wales Department of School Education Computers for Schools Program. (In any case, computer based technologies associated with the Internet, or other external use of Norfolk Telecom services, are expensive.)

21. The Island's educational services are also lacking in the area of vocational educational and training courses for secondary students.

Table 6-2 COMPARISON OF SCHOOLS IN NORFOLK ISLAND, THE INDIAN OCEAN TERRITORIES AND NEW SOUTH WALES, 1995

| School | Total Students | Number of Teachers | Student/Teacher Ratio |
|--|----------------|--------------------|-----------------------|
| Norfolk Island Central School^(a) | | | |
| Primary | 187 | 10.2 | 18.4 |
| Mainland | | | |
| Christmas Island | 361 | 25.5 | 14.2 |
| Cocos (Keeling) Islands | 87 | 9.9 | 8.8 |
| Bingara Central School | 159 | 9.2 | 17.3 |
| Brewarrina Central School | 159 | 13.8 | 11.5 |
| Warren Central School | 160 | 10.3 | 15.5 |
| Portland Central School | 180 | 10.9 | 16.5 |
| Jerilderie Primary School | 76 | 4.0 | 19.0 |
| Nundle Primary School | 63 | 3.7 | 17.0 |
| Urana Central School | 33 | 3.6 | 9.2 |
| Norfolk Island Central School^(a) | | | |
| Secondary | 131 | 13.8 | 9.5 |
| Mainland Secondary Schools | | | |
| Christmas Island | 92 | 14 | 6.6 |
| Cocos (Keeling) Islands | 37 | 6.8 | 5.4 |
| Bingara Central School | 84 | 8.1 | 10.4 |
| Brewarrina Central School | 71 | 8.6 | 8.3 |
| Warren Central School | 162 | 17.9 | 9.1 |
| Portland Central School | 120 | 14 | 8.6 |
| Urana Central School | 22 | 4.7 | 4.7 |

(a) Norfolk data are for 1997.

Source: Commonwealth Grants Commission, 1996 Special Data Collection for Government Primary and Secondary Schools and Norfolk Island Central School.

Vocational Education and Training

22. Vocational Education and Training (VET) is a joint Commonwealth and State responsibility on the mainland. The States are primarily responsible for the provision of training services, although they are required to meet national objectives. The Commonwealth provides funding through the Australian National Training Authority.

23. ***Existing services.*** The Norfolk Island Government noted that there are no publicly funded VET type services on the Island. However, its Vocational Education and Training Scholarship program assists with the costs of travel to the mainland for study purposes. These scholarships are relatively small and are not designed to cover the full costs of relocation and study. They fund the cost of one return airfare a year and contribute to the cost of books. One submission said that in certain circumstances correspondence courses, including remote learning schemes from some universities, are privately funded,

especially where the benefits of the study flow to the employer's business or to the wider community.

24. The Commission was told of an arrangement with the New South Wales Director of Apprenticeships which allows residents of Norfolk Island to complete the practical component of their apprenticeship with local employers. Apprentices are still required to complete their technical studies on the mainland. While being registered in New South Wales, apprentices often find it more convenient to do their technical studies component in Queensland. Training in that State is done in one block of four or five weeks a year, rather than the six or seven blocks of three or four days in New South Wales. If apprentices can substantiate their need, they are eligible for the Norfolk Island Government vocational training scholarships to cover their airfares.

25. Some private vocational education and training has begun to be offered on the Island. As there is currently a TAFE trained teacher resident on the Island, there is also the possibility for informal TAFE accreditation. Neither of these issues was explored deeply.

26. Parks Australia provides some informal training to temporary employees drawn from the local community. It has also offered training to the Norfolk Island Administration in areas such as effective writing and interview skills. Other employers provide some assistance for formal and informal vocational education and training. Opportunities have been provided to school leavers and adults, and include apprenticeships, skill enhancement, specific product or services training and motivational programs.

27. **Comparisons.** The main target group for VET type services is people 15 to 24 years old. Only 8.2 per cent of the Norfolk Island population is in this age group, compared with 14.7 per cent of the Australian population. This indicates a low level of potential demand for VET services.

28. The Commission has investigated the extent to which TAFE services are provided in some remote locations on the mainland. It found that most people in remote areas wishing to undertake a TAFE course have access to some courses, although they may not always have access to the course of their choice, and some would have to use distance education. The following are examples of the services provided on the mainland and the Indian Ocean Territories.

- New South Wales provides TAFE services in many country centres. It also provides a range of TAFE courses to dispersed and remote localities using a system called 'Flexilink'. This modern distance education system allows students to work at their own pace using linked personal computers, telephone contact with a central teacher, a variety of print, audio and video material and occasional face to face sessions.
- Other States also provide distance education for TAFE, predominantly using video conferencing and computer links.

- Queensland has four full time teachers providing courses in Normanton, which has a population of about 1100.
- Western Australia has the Kimberley College of TAFE in Kununurra, which provides services in Halls Creek, Broome, Wyndham and Derby. Three full time and three part time lecturers are allocated to Halls Creek, which has a population of about 2500.
- The Northern Territory, has three full time staff and a large number of part time staff providing VET services in Nhulunbuy, which has a population of about 4000.
- On Christmas Island, the Commonwealth Department of Employment, Education, Training and Youth Affairs partly funds a private training company, which focuses on employee training.

29. States generally provide apprentices with accommodation or subsidies for travel and accommodation, although the amounts differ. It would seem that apprentices on Norfolk Island are given a similar level of support to apprentices on the mainland. While they do not receive any subsidies for accommodation when on block release, the value of subsidies for travel to the mainland generally exceeds the travel assistance provided by the States.

30. During the July conference, most community representatives considered that improving technical and vocational training services was a high priority. They suggested that such services were needed to assist economic growth and to improve the efficiency of service delivery in both the public and private sectors. Moreover, it was thought that, if these services were available on the Island, more residents might be able to acquire the skills and knowledge needed to do jobs currently held by non-Islanders. Future availability of VET courses might even reduce the number of people in the 15 to 24 year age group leaving the Island.

31. The provision of government funded Vocational Education and Training services, other than for Norfolk Island based apprentices, is below that offered in remote areas of the mainland. This is resulting in an under trained workforce and is a threat to the long term viability of the Island's economy.

32. It might be feasible for Norfolk Island to enter arrangements with New South Wales to obtain basic TAFE services through an adaptation of the 'Flexilink' service. We understand that the capital and recurrent costs of such a system need not be large.

Health Services

33. On the mainland, health is constitutionally a State responsibility and States organise the service delivery, though the Commonwealth makes large specific purpose payments to them to support health services. The Commonwealth also makes large contributions to the health expenditure of individuals through medical and pharmaceutical benefit payments.

34. **Hospital services and infrastructure.** Norfolk Island has a 27-bed hospital that provides an extensive range of facilities, including a pharmaceutical dispensary (the only source of prescription medicines on the Island), aged care and community health services, and maternity and child health services.

35. The hospital employs 30.5 full time equivalent staff, including (on two year contracts) two full time and one part time doctor. These medical practitioners, a dentist and nursing and ancillary staff provide most health services at the hospital. All staff are employed by the hospital itself, not the Government. The salaried doctors provide general practitioner type services to the Island, while specialists, including a psychiatrist, dermatologist, endocrinologist, gynaecologist, urologist, and ear, nose and throat specialist, visit on six monthly or yearly cycles, depending on demand. There are also six weekly visits from an orthodontist.

36. Domiciliary nursing is provided by the hospital on behalf of a private trust with recipients paying on a fee for service basis. The Hospital Trust subsidises this service.

37. Hospital patients are treated on the Island whenever possible. If Island doctors decide that the required treatment is not possible locally, medical evacuations to the mainland are provided. Depending on the degree of emergency, these are by commercial flights, chartered aircraft or the RAAF (RNZAF for evacuation of New Zealand citizens to New Zealand). Only the airforce flights are free of charge to the patients.

38. We were told that New South Wales medical standards have been adopted as a target by the hospital board.

39. It was said that recruitment of doctors is becoming more difficult because:

- there are fewer general practitioners with the capacity to perform surgery;
- there are fewer general practitioners with obstetrics skills; and
- the remuneration offered might not be competitive with mainland rates (when on call hours are taken into account, a doctor's hourly remuneration on Norfolk may be less than that of a teacher).

40. The Norfolk Island Government has increased general nurses' salaries over the last three years to make them more comparable with Administration salary levels. In 1996 nurses salaries were \$27 052 for a single certificate nurse and \$29 145 for a triple certificate nurse. The certificates are awarded for extra specialties, for instance, midwifery, mental health or paediatrics. Australian nurses' salaries are no longer based on the number of these certificates held, so comparing Australian and Norfolk Island nurses' salaries at anything beyond a single certificate nurse is meaningless. However, at the base level, nurses' salaries on Norfolk Island are comparable with the after tax levels on the mainland.

41. The operations of the hospital are funded through collections of scheduled fees and an annual subsidy paid by the Norfolk Island Government. The fees were last increased in 1993 but are currently being reviewed by the Hospital Board. Medicare fees

are generally used as a benchmark. The lack of a sinking fund for the hospital makes budgeting for purchase of capital items difficult, especially when equipment breaks down.

42. The private ward accommodation rate each night is \$213 for locals and \$382 for visitors, while for shared accommodation the rate is \$145 for locals and \$344 for visitors. The intensive care rate is \$750 a night for visitors and \$350 a night for locals (compared with a mainland rate of up to \$2000 a night), but only \$88 a night for the elderly.

43. The general practitioners employ a two tiered fee structure, set by the Norfolk Island Government, whereby:

- visitors are charged \$50 for a consultation during business hours and \$80 out of hours; and
- those living on the Island are charged \$25 for a consultation during business hours and \$50 out of hours.

Out of hours rates apply after 5 pm on weekdays and 12 noon on Saturday.

44. The visiting specialists charge hospital patients:

- a concessional rate of \$55 for consultations; and
- full Medicare schedule rates for surgical procedures.

Patients meet pathology expenses on a full cost recovery basis.

45. All patients are charged the set fees for health services except veterans, who pay less than full cost, and persons covered by the Hospital and Medical Assistance (HMA) scheme, who receive free or subsidised health care. Many of the long term patients in the hospital are Veterans or HMA patients. Dental fees, which are set at Department of Veterans' Affairs rates plus 15 per cent, are collected from clients other than children and pregnant women.

46. Commonwealth Medicare is not available although the Norfolk Island Healthcare scheme provides partial coverage of total annual health costs. More details of health insurance on Norfolk Island are provided later in this chapter.

47. There is no Pharmaceutical Benefits Scheme and some common prescription medicines can cost six times mainland rates, although for more expensive drugs the prices are similar to those on the mainland. Drugs are dispensed at full cost with a variable mark up that ensures that the pharmacy operates overall as a revenue source. The cost of medicines to the hospital is high because of the procedures associated with the 'export' classification of the medicines (thus precluding any recycling), and the high freight costs from the mainland.

48. We were told that some people restrict their visits to the hospital because of the high costs involved. Moreover, many people on the Island use the hospital dispensary before visiting the doctor, in an attempt to minimise their costs. None of this, of course, is unique to Norfolk Island, but any precise comparison with the mainland is not possible.

49. We were also told that the hospital does not refuse provision of medical and hospital services to those who need such services, even if it results in bad debts. Because of the high medical costs involved and the low income of many of the locals, this policy has contributed to the accumulation of debts, which totalled over \$300 000 early in 1997 but had been reduced to about \$180 000 by July. Occupation rates have fallen markedly in recent years due to deaths of long term elderly patients, and this trend is reflected in a fall in fee income.

50. It appears that the building and equipment generally need upgrading. The hospital management is responsible for maintenance and, in this regard, the hospital is managed differently from all other Norfolk Island Government assets, which are under the maintenance control of the works department. The hospital makes do with what is available — for example, visiting specialists bring their own equipment and leave it at the hospital, and oxygen cylinders are stored in a hallway because of a lack of storage space. Capital expenditure priorities are for a new operating theatre (to meet anti-infection standards), new X-ray machine, dental equipment and a shift of the dental clinic from the front of the hospital to the rear so that dentistry and orthodontic services can be accommodated in one place. We understand that an X-ray machine will be purchased in 1997-98.

51. The hospital is of piecemeal design and construction. It is apparent that extensions have been made at various times, and the present layout of the rooms and buildings bears little resemblance to a strategically planned, functional form. Like many small hospitals on the mainland, the layout is not conducive to efficient use of staff.

52. The hospital has one ambulance, run by St John Ambulance volunteers. There are 14 volunteers in the Norfolk Island division of St John Ambulance, including one doctor. All officers do at least 100 hours of training a year, as required by the headquarters of St John Ambulance on the mainland. The division conducts first aid training, which is available to anyone on the Island. During 1996, there were 120 call outs.

53. The Lions and Rotary Clubs also provide support to the hospital.

54. **Comparisons.** Table 6-3 compares Norfolk Island hospital to other remote hospitals on the mainland. Expenditure for each occupied bed day is very low and the average occupied bed days for each inpatient high. This may be because many of the beds are nursing home type beds, which would be low cost and long stay. The low costs may also be because the average costs for operations are lower, since the more expensive operations would have been done on the mainland, although this would probably be true for all the isolated hospitals in the table.

55. The Norfolk Island hospital with 27 beds is also larger than those in small remote communities on the mainland, which normally have five to ten beds. This could be attributed to isolation and to the nursing home accommodation provided in the Norfolk Island hospital. The number of doctors is about what would be expected given the isolation of Norfolk Island and the types of service provided.

Table 6-3 SELECTED DATA FOR HOSPITALS IN REMOTE AREAS, 1990-91

| | Total Expenditure | Inpatients | Occupied Bed Days | Cost each occupied bed day | Non- inpatients | Total Staff |
|---|----------------------|------------|----------------------|----------------------------------|--------------------|-------------|
| | \$'000 | | | \$ | | |
| Norfolk Island (1995-96 data) | 824 | 303 | 3 415 | 241 | 8 444 | 30.5 |
| Christmas Island (1994-95 data) | 3 087 | 103 | 260 | 11 873 | 10 000 | 14 |
| Queensland | | | | | | |
| Aurukun | 641 | 171 | 198 | 3 237 | 15 157 | 10.7 |
| Bamaga | 1 201 | 466 | 3 506 | 343 | 11 606 | 22.9 |
| Blackall | 1 574 | 764 | 3 649 | 431 | 6 137 | 30.9 |
| Charleville | 4 016 | 1 374 | 6 694 | 600 | 30 397 | 87.0 |
| Longreach | 3 614 | 1 228 | 5 220 | 692 | 23 649 | 63.0 |
| Quilpie | 1 114 | 198 | 1 034 | 1 077 | 3 743 | 23.0 |
| Thargomindah | 160 | 38 | 38 | 4 211 | 3 155 | 2.9 |
| Western Australia | | | | | | |
| Derby | 13 074 | 2 707 | 17 527 | 746 | 43 303 | 243.7 |
| Kununurra | 3 819 | 1 468 | 5 728 | 667 | 30 511 | 58.2 |
| Wyndham | 3 113 | 463 | 3 175 | 980 | 11 240 | 54.5 |
| Northern Territory | | | | | | |
| Gove | 7 307 | 1 779 | 9 190 | 795 | 25 885 | 99.5 |

Sources: Commonwealth Grants Commission, *Report on Christmas Island Inquiry 1995*, Australian, Government Printing Service, 1995; Norfolk Island Administration.

56. The Norfolk Island hospital infrastructure is of considerably lower standard than that on Christmas Island, where a new hospital, built to the standard of equivalent hospitals in Western Australia, was completed in September 1995.

57. A related infrastructure issue concerns facilities for the care of the aged. Given the ageing trend of Norfolk Island's population, it has been recognised by the Island Government that the provision of aged care facilities should be part of its strategic plan. However, these facilities are not a priority at present because enough beds are available in the hospital for long term aged care patients.

58. In comparison with hospital services generally available in small remote centres in mainland Australia, the range and level of services provided by the Norfolk Island hospital are of a good standard. However, due largely to its age, the standard of buildings and equipment used is below that to be found in many such centres, and this is having a detrimental effect on the efficient operation of the Hospital.

59. **Public health services.** The Health and Building section of the Norfolk Island Administration is staffed by a Health and Building Surveyor, a Health and Quarantine Officer and a part time Quarantine Officer. The section is responsible for:

- inspection of food outlets, which number about 50;
- monitoring water quality;
- occupational health and safety;
- building control; and
- quarantine and related matters.

60. The Island enjoys some natural advantages that reduce its public health risks. These, it was said, include its lack of exposure to salmonella poisoning of food (because of the isolation) and its development of separate water supply sources for each establishment, which reduces the risk of cross-contamination.

61. Any new accommodation built on the Island (either permanent housing or tourist accommodation) has to meet minimum water storage capacity limits. Some bores have experienced increases in chloride and sodium levels. The Norfolk Island Government said it would be studying a recent guide produced by the Australian Capital Territory Electricity and Water Corporation (ACTEW) which recommends more frequent monitoring of the quality of water extracted from aquifers.

62. **Comparisons.** Relative to what is available in small remote centres on the mainland, the range and level of public health services provided by the Norfolk Island Government are considered to be comparable.

63. **Community health services.** On the mainland, community health is the responsibility of State governments, although the Commonwealth funds some programs through SPPs and subsidises the private provision of community health type services through payments of medical benefits to individuals.

64. The Norfolk Island hospital provides school medical and dental services, and maternal and infant health facilities. The latter provide pre-natal and post-natal care as well as mothercraft nursing services. The hospital also conducts child and adult immunisation programs.

65. Community associations provide some assistance for medical aids and appliances, including hearing aids. We were not made aware of any programs funded by the Norfolk Island Government — in the past or present — addressing issues such as the risks involved in drink driving, smoking or taking other forms of drugs. Similarly, we were not told of any programs that assess youth health, women's health or geriatric health.

66. **Comparisons.** The range of community health services provided on Norfolk is narrower than that available in small remote communities on the mainland. The lack of health prevention programs may reflect the lower need for these services arising from the isolation of the Island and the relatively few people in the 15 to 30 year age group.

However, such factors do not eliminate the need for these services, the provision of which could become more important if the attempts to broaden the Island's tourist appeal to younger age groups are successful.

67. School dental services are more extensive than mainland services. Norfolk Island school dental services cater for students up to the end of year 12, whereas on the mainland such services are usually restricted to primary school students.

Health Insurance and Private Health Care

68. On the mainland, health insurance is a Commonwealth responsibility.

69. ***Norfolk Island Healthcare Scheme.*** The Norfolk Island Government operates its own health insurance scheme, called Healthcare. Membership of the scheme is compulsory for all people aged over 18 years who are ordinarily resident on the Island, and who express an intention to reside on the Island for more than 120 days, unless they are Norfolk Island pensioners or can show they have full private health insurance.¹

70. Contributions to the scheme are set at \$130 every six months for each adult member, although exemptions are available to those with low incomes.

71. The Healthcare scheme is intended to meet 'catastrophic' medical costs incurred by members of the Norfolk Island community. Individuals and families are covered for approved medical costs in excess of \$3 000 for each nuclear family unit in a financial year, including:

- hospital, medical and non-inpatient treatment on Norfolk Island;
- diagnostic, laboratory and specialist services on Norfolk Island;
- hospital and medical treatment in mainland Australia or New Zealand when a patient is referred there for treatment by an Island doctor, but only to the equivalent of a public shared ward rate in a public hospital;
- pharmaceuticals;
- optometry and osteopathy;
- services provided by a physiotherapist, chiropractor and chiropodist, up to a limit of \$200 each financial year;
- transportation costs, including airfares and ambulance costs, and the travel costs of escorts and their expenses, although there is a limit of \$200 each financial year;

¹ Many Norfolk Island residents have private insurance to cover Island, mainland and overseas medical costs. Southern Cross, a popular insurer against medical costs, charges a monthly premium of \$96 per family and \$48 per single person.

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- exemption from the departure tax for people going on medical flights (but landing fees are still payable);
- medical appliances; and
- some diagnostic, laboratory and specialist services obtained outside Norfolk.

72. Although the Healthcare scheme covers only \$200 of the transport costs associated with medical treatment, it was noted that the airlines give Island residents discounts of about 30 per cent on their fares to the mainland or New Zealand. In some cases, the hospital will pay for patients flying to the mainland, but add the cost to the patient's account. This effectively gives a patient the air fare on credit.

73. The Executive Member has a discretionary power to approve Healthcare payments for some legitimate costs normally outside the scheme or in excess of the normal limits.

74. There were 47 claims beyond the \$3 000 limit in 1995, and 57 in 1996. By April 1997, there were 31 claims over the \$3 000 limit.

75. The Healthcare Scheme does not insure contributors against:

- optional surgery or medical treatment obtained outside Norfolk without a referral from a doctor of the Norfolk Island Hospital;
- accidents or illnesses that started outside Norfolk; or
- any pre-existing illness or injury for a period of five years after joining the scheme.

76. As a consequence of the limitations set out above, we were told that people usually spend in excess of \$3 000 on hospital, medical and associated expenses before they become eligible for the Healthcare benefits. For example, it was suggested that in some cases only about \$1 400 of the first \$3 000 spent on hospital, medical and associated expenses would qualify as 'allowed expenditure' under the scheme — that is, \$1 600 would be unapproved towards the scheme's \$3 000 barrier. If this is correct, it would appear possible for a resident to spend over \$6 000 before the costs became 'catastrophic'.

77. Several submissions commented on the Executive Member issuing guidelines on the circumstances in which the doctors should or should not provide referrals for offshore treatment. They argued that decisions on whether or not referrals are given should be the sole responsibility of the Medical Officer, that the guidelines were too restrictive and that their primary aim was to limit the expenses of the Healthcare scheme.

78. **Commonwealth Health Insurance.** The Commonwealth's *Health Insurance Act 1973* does not apply to residents of, or visitors to, Norfolk Island. On the mainland, whether a person lives in a metropolitan or a remote area, the Medicare system entitles all legally permanent residents to:

- free treatment as a public (Medicare) patient in a public hospital; and
- free or subsidised treatment by a doctor (including treatment by specialists), participating optometrist or dentist for specified services.

In addition, the Commonwealth Government, through the Pharmaceutical Benefits Scheme (PBS), subsidises the cost of prescription medicines.

79. No minimum threshold applies to hospital and medical expenditure before claims can be made and the majority of costs are recovered under Medicare (or not paid under the PBS).

80. Out of hospital services are based on a schedule of fees set by the Commonwealth Government. Medicare pays 85 per cent of the schedule fee or the schedule fee less \$29.30², whichever is the larger amount. When claimant individuals or families have paid gap amounts totalling \$271.20³ in a calendar year (representing the accumulation of the 15 per cent of the scheduled fees not recovered on each claim), Medicare benefits increase to 100 per cent of the schedule fee for any further services in that year. Safety net provisions also apply to the PBS.

81. The costs of the Medicare scheme are met in part by an annual Medicare levy, which is generally 1.5 per cent of taxable income. For an adult full time worker on average weekly ordinary time earnings (about \$690 a week or about \$36 000 a year), the annual Medicare levy payment would be approximately \$540 if no tax deductions were available. This compares with the fixed annual levy of \$260 for the Norfolk Island Healthcare Scheme, which is equivalent to the levy payable on a mainland taxable income of about \$17 300. Thus any contributors on Norfolk who earn less than \$17 300 a year pay more than they would under the mainland levy provisions, and those with higher incomes pay less.

82. If residents on the mainland want coverage for hospital and medical costs over and above those covered by Medicare and the PBS, they can take out private insurance and pay premiums in addition to the Medicare levy.

83. There is also an Isolated Patients Transfer Assistance Scheme on the mainland under which patients from remote areas who are referred to health facilities in the regional or metropolitan areas receive assistance from the State government towards the travel costs. This usually amounts to the costs of the cheapest appropriate mode of travel.

84. **Cessation of Medicare benefits on the Island.** At the commencement of the *Norfolk Island Act 1979*, Health was a non-scheduled function retained by the Commonwealth. However, in 1984-85, as part of a review of the transfer of powers, the

² Adjusted annually on 1 November.

³ Adjusted annually on 1 January.

Norfolk Island Government sought full responsibility for public health matters, including the hospital and environmental health. Subsequent negotiations between the two governments resulted in the Norfolk Island Government agreeing to enter into an MOU with the Commonwealth. Under the agreement, persons ordinarily resident on the mainland and temporarily visiting the Island would be eligible for free hospital treatment on the Island, and Norfolk Island residents were to be eligible to receive free medical care under Medicare when visiting the mainland.

85. In March 1988, the Commonwealth wrote to the Norfolk Island Government indicating that it was unable to confirm its earlier 'in principle' agreement on reciprocal health care. The Commonwealth Minister indicated that future reciprocal health care agreements would be entered into by the Commonwealth only where there were negligible costs to the Budget. He said that such agreements could be contemplated only where there was comparability of health care systems and equality of access. As Norfolk Island residents visiting the mainland made far greater use of Medicare than mainland residents did of health care facilities on Norfolk Island, the proposed MOU with Norfolk Island could not be conducted on a reasonably cost neutral basis, and therefore it could not proceed.

86. The Norfolk Island Government sought to amend the proposed MOU in September 1988. However, the Commonwealth wrote again in December of that year advising changes to Medicare eligibility and entitlements, including:

- amendment to the *Health Insurance Act 1973* to limit access to Medicare to persons who had a legal entitlement to reside permanently on the mainland, and who actually lived there (Norfolk Island was not part of Australia for the purposes of this legislation);
- neither Australian citizens living abroad, nor citizens from other countries who were visiting Australia (except for visitors from countries with reciprocal agreements) would have access to Medicare from 1 January 1989; and
- Medicare benefits for medical services rendered overseas (including Norfolk Island) to Australian residents would not be payable from 1 January 1989, and Australians travelling overseas would be encouraged to take out travel insurance which included adequate health cover.

87. The Commonwealth also advised that, as Norfolk Island is not part of Australia for the purposes of the Health Insurance Act, residents of the Island would not be eligible for access to Medicare from 1 January 1989. The Commonwealth concluded that it would therefore be inappropriate to contemplate a reciprocal agreement, or an MOU on health care, with Norfolk Island.

88. In response to protests from the Norfolk Island Government, the Commonwealth, in January 1989, agreed to extend the eligibility of Norfolk residents for Medicare benefits to 30 June 1989.

89. **Comparisons.** There are big differences between the range and level of benefits payable on the mainland under Medicare and the PBS, and those payable under the Norfolk Island Government Healthcare Scheme. There are differences in the charges also. Some of those differences are listed below.

- (i) Under the Norfolk Island scheme, claims for expenditure reimbursement can be made only when approved medical costs exceed \$3 000 (but there is no threshold for people on Norfolk Island pensions or Veterans Affairs pensions). Under Medicare and the PBS, no minimum expenditure threshold applies to claims.
- (ii) Under the Norfolk Island scheme, all residents who are 18 years of age and over must contribute to the scheme, unless they receive a Norfolk Island or Veterans Affairs pension, have sufficient private insurance or earned less than \$3 500 during the six months before a levy day. Under Medicare, only taxpayers contribute to the scheme.
- (iii) Under the Norfolk Island scheme, the annual levy is \$260. Under Medicare, the levy is generally 1.5 per cent of income in excess of \$5 400. Hence, a person with an income of about \$30 000 a year and without any tax deductions would pay double the Norfolk levy.
- (iv) Under the Norfolk Island scheme, residents who return to the Island and are not members of the Healthcare scheme are not covered for any pre-existing illness or injury for five years after re-joining. Under Medicare, Australian citizens who return to mainland Australia after being elsewhere for less than five years are immediately covered for any pre-existing ailment or injury. Australian citizens who return to mainland Australia after being overseas for more than five years, and who state their intention to reside in mainland Australia on returning, are also immediately covered for any pre-existing ailment or injury.

90. Table 6-4 contains some simplified aggregate comparisons of revenues and expenditures related to the health insurance schemes on the mainland and Norfolk Island.

Table 6-4 GOVERNMENT HEALTH REVENUES AND EXPENDITURES —
MAINLAND AND NORFOLK ISLAND, 1995-96

| | Mainland | Norfolk Island |
|--|----------|----------------|
| | \$ pc | \$ pc |
| Gross Expenditure | | |
| Medical benefits paid | 333 | |
| Pharmaceutical benefits paid | 131 | |
| Healthcare benefits | | 195 |
| Hospital and medical assistance to approved people | | 203 |
| Government subsidies to hospitals | 493 | 347 |
| Gross expenditure | 957 | 745 |
| Less: Levy receipts | 160 | 188 |
| Total | 797 | 557 |

Sources: Norfolk Island Administration; Commonwealth Grants Commission data.

91. The simplified comparison in Table 6-4 makes no allowance for differences in the complexity of medical treatment (which could overstate the mainland expenditure relative to that on Norfolk). Nevertheless, it indicates a higher government subsidy towards health costs incurred in the public health system on the mainland than on Norfolk. This conclusion is unaltered if the hospital subsidies are excluded from the comparison — such a comparison would understate the differences between the two schemes because reimbursements of hospital fees are included in the Norfolk figures but not in the mainland ones. The conclusion would be strengthened if allowance were made for the effects of the Isolated Patients Transfer Assistance Scheme.

92. Table 6-4 also indicates that overall, the Healthcare Levy on Norfolk represents a revenue raising effort above that on the mainland. This difference would be primarily caused by the limitation of the mainland charges to taxpayers, rather than all people over the age of 18 years other than Norfolk Island pensioners and those with adequate private health insurance.

93. Our analysis indicates that people who receive Norfolk Island pensions are well catered for by the Healthcare and HMA schemes because it covers their total medical costs, including airfares.

94. However, for other Island residents, submissions to this inquiry and the broad comparisons made above suggest that the Norfolk Island Healthcare Scheme imposes a much greater proportion of total health costs on the users of health services than the Medicare and Pharmaceutical Benefits scheme does on the mainland. This conclusion is supported by information from the household expenditure surveys for New South Wales and Norfolk. That information indicates that average weekly expenditure on health and medical costs on Norfolk is more than 50 per cent higher than that in New South Wales (\$47.53 on Norfolk compared with \$30.35 in New South Wales).

95. Some Islanders have reached a similar conclusion. Statements made during our conferences on Norfolk indicated that many individuals would prefer to pay the mainland Medicare levy and receive Medicare benefits rather than remain in the Norfolk Healthcare scheme.

96. Overall, we conclude that this is an area where the standard of government services on Norfolk Island is below that provided on the mainland, and the below standard service is of particular concern to the less well off.

Social Security

97. On the mainland, social security is a Commonwealth responsibility. On Norfolk it is the responsibility of the Norfolk Island Government.

98. ***Existing services.*** The Norfolk Island Social Services Act 1980 provides for payment of four means tested pension benefits — an age benefit, an invalid benefit, a widowed persons benefit and a special benefit. The fortnightly rates for these pension benefits for a single person and a married couple are currently \$294.60 and \$490.40 respectively. The mainland equivalents are \$347.80 for a single aged pension, and \$580.20 for a married couple.

99. Additional pensions payable on Norfolk are an orphan's benefit (\$54.20), a handicapped children's benefit (\$71.90), a supplementary children's benefit (\$42.50) and a long term care benefit.

100. Current eligibility for the single person's age benefit ceases when income reaches about \$515 each fortnight, although it is very difficult to measure income on the Island since there is no requirement for such details to be collected. This means it is very difficult to audit eligibility for benefits. No assets test is applied under the Act.

101. The special benefit is payable to persons who, in the opinion of the responsible Executive Member, are suffering hardship, unable to earn a sufficient livelihood, are not qualified to receive any other benefit and meet the age benefit income test. However, public awareness of the availability of the special benefit appears to be low.

102. Under Hospital and Medical Assistance (HMA) arrangements, pensioner benefits include, in general, free or subsidised (according to the income test) medical, dental, optical and pharmaceutical services, and airfares for mainland specialist treatment when necessary.

103. A long term care benefit is payable to a person who has been in hospital for 90 consecutive days and has been or is qualified to receive a benefit under the Act or under the Commonwealth *Social Security Act 1991*. Recipients of long term care benefits have their normal hospital expenses waived, but are required to contribute 80 per cent of their total income towards their hospital costs.

104. Age benefits apply only to residents of Norfolk Island who have resided on the Island for at least ten years immediately prior to the claim, while invalid benefits, widowed persons benefits and handicapped children's benefits require residency of five

years immediately prior to the claim. Australian citizens who would be eligible for social security assistance on the mainland are not eligible for assistance on Norfolk Island unless they pass the Norfolk eligibility criteria, and cannot receive mainland assistance while living on the Island during the qualifying period. Recipients of Norfolk Island benefits lose their entitlement if they leave Norfolk. There is no specific benefit payable to the unemployed, although the Executive Member has the discretion to pay the special benefit if it is considered necessary.

105. The Norfolk Island benefits were originally set at approximately 80 per cent of the mainland levels for similar benefits. They are now indexed each six months using the movement in a 'benefit adjustment factor' which is based in part on the Norfolk Island Retail Price Index. This has broadly maintained the levels of social service benefits at the 80 per cent relativity.

106. The majority of social service benefits paid on Norfolk Island are to the aged. We were told that the number of age pensioners had fallen from 60 to 55 persons in recent times. However, the total cost of the Island's social service scheme is likely to grow because:

- (i) under current migration trends, the ageing of the Island's population will continue;
- (ii) the decline in interest rates in recent years has meant that fewer people have been denied benefits on income test grounds; and
- (iii) there has been a fall in the number of people of pensionable age who qualify for repatriation benefits under the *Commonwealth Veterans' Entitlements Act 1986*.

107. Table 6-5 shows the proportion of people on Norfolk Island in groups that often require social security payments. The proportion in all groups other than separated persons increased between 1991 and 1996.

Table 6-5 PROPORTION OF PERMANENT NORFOLK ISLAND POPULATION IN GROUPS THAT OFTEN REQUIRE SOCIAL SECURITY SUPPORT, 1991 and 1996

| Group | 1991 | 1996 |
|---------------------------|------------------------|------------------------|
| | Per cent of population | Per cent of population |
| People aged over 65 years | 14.0 | 15.9 |
| Disabled persons | 3.8 | 4.4 |
| Separated | 3.2 | 3.2 |
| Divorced | 7.1 | 7.9 |
| Widowed | 6.4 | 6.9 |

Source Administration of Norfolk Island, *Norfolk Island Census of Population and Housing, 1996*, Tables B6, C1.

108. **Comparisons.** Under mainland Social Security arrangements, the Commonwealth provides a wide range of benefits and allowances. These include:

- age pension;
- disability support pension and wage supplement;
- carer pension;
- wife pension;
- widow pension;
- bereavement allowance;
- mature age allowance;
- sole parent pension;
- pharmaceutical allowance;
- Newstart allowance;
- youth training allowance;
- partner allowance;
- sickness allowance;
- special benefit;
- widow allowance;
- family payment;
- parenting allowance;
- maternity allowance;
- guardian allowance;
- multiple birth allowance;

- child disability allowance;
- family tax payment; and
- rent assistance.

109. Different income and assets tests apply to these payments, depending on which allowance is being claimed, whether the person or couple own a home, and the age of the applicants. For instance, payment of the aged and disability pensions ceases if a single person's or a married couple's fortnightly income exceeds \$806.40 and \$1 347.20 respectively, or if the value of assets of potential beneficiaries exceeds prescribed limits. The value of the family home is not taken into account in the assets test.

110. The range and level of benefits provided under the Norfolk Island social service scheme are below those generally payable on the mainland and cut out at much lower levels. The following are some particular examples.

- (i) The age pension benefits are set at about 80 per cent of the mainland rates. During the July conference, it was suggested that the lower benefits would be offset by the absence of medical and pharmaceutical expenses, the absence of funeral expenses, lower car registration fees and telephone charges and a much better quality of life. While the monetary concessions might reduce the difference, they are unlikely to eliminate it given its size, the existence of concessions on the mainland, the caps on medical and pharmaceutical expenses and the much higher electricity charges on Norfolk.
- (ii) Pension benefits for a single aged pensioner cut out at incomes of about \$515 on Norfolk and \$804.40 per fortnight on the mainland. This difference is much greater than the roughly 20 per cent difference in benefits.
- (iii) There is no provision for some of the benefits paid on the mainland, such as the family payments. There is a supplementary children's benefit on Norfolk, but its application is narrower than the mainland family payment and it is at a much lower level. (The Norfolk supplementary children's allowance is \$42.50 a fortnight compared with the mainland maximum family payments of \$96 a fortnight for each child under 12 years and \$124.90 for each child aged 13 to 15 years — these mainland amounts are subject to an income means test.)

111. Moreover, the Norfolk Island scheme is less generous than the mainland arrangements in the following eligibility criteria.

- (i) Although, under the Commonwealth Act, eligibility for age pensions requires persons to be Australian residents for at least ten years, pensions are payable if residence in certain countries with which Australia has a reciprocal agreement can be proven. The same waiting period of ten years applies for the Norfolk Island age benefits but no reciprocal country arrangements exist. However, we were told of one case where the Executive Member's discretion was used to grant an

age pension to a person who returned to Norfolk after a long period of residency on the mainland. There may be an argument for a reciprocal arrangement between Norfolk Island and the mainland.

- (ii) Under the Commonwealth Act, the widow's pension is immediately payable if both the widow and her partner were residing on the mainland at the time of her partner's death. Under the Norfolk Island scheme a widow has to be ordinarily resident on the Island for a five year period immediately before making the claim for a widow's pension, as well as being wholly dependent on the deceased spouse for three years or more prior to his death.
- (iii) The Commonwealth disability support pension is payable if a physical, intellectual or psychiatric impairment of 20 per cent or more is proven and, as a result of the impairment, the person is unable to work for the next two years and is unable to undertake educational or vocational training that would equip him or her for work within the two years. The Norfolk Island invalid benefit is payable only if permanent incapacity (85 per cent) is proven and the person had been living on the Island for five years immediately prior to the claim.

112. Given the ageing of the Island's population (as discussed in Chapter 2) and the likelihood that more people will become eligible for social service benefits, the social service scheme is likely to become progressively more costly for the Island.

Welfare Services

113. Welfare services on the mainland are State or local government responsibilities that are partly funded through payments to the States from the Commonwealth.

114. These services include a wide range of services to the aged and disabled and to families and children. They include refuges, accommodation for aged and disabled persons, senior citizens clubs, sheltered employment workshops, delivered meals services, home visiting and housekeeping services, rehabilitation programs (drug and alcohol), child day care centres, counselling services, emergency housekeeping services, transport for people with disabilities and concessions on many daily costs of living (travel, rates and so on) for pensioners and people with inadequate earning capacity. Assistance and relief for the carers of the aged and disabled is also a feature of mainland welfare programs.

115. Some of the services aim to provide institutional accommodation for the young, the aged and the disabled. However, there is a growing emphasis on providing high-quality cost-effective care for these people in the community and minimising admissions to high-cost residential care.

116. Many of the accommodation services provided to the elderly on the mainland are private or are run by 'not for profit' community organisations such as churches.

117. *Existing services.* Under the Commonwealth's *Norfolk Island Act 1979*, the Norfolk Island Government is responsible for child, family and social welfare. In taking up this responsibility, the Norfolk Island Social Services Act 1980 provides for payment of pensions (addressed in the previous section of this chapter).

118. The Norfolk Island Government has set aside a minimum of eight beds in the hospital to accommodate aged people who require institutional care. However, in June 1997, there were no residents in these facilities. It also has a number of units in the hospital grounds for the use of people who do not require full time care, although it was said that there are practical difficulties associated with their use.

119. The Norfolk Island Government provides funeral services free of charge. Pension related benefits include an exemption from the Norfolk Island Financial Institutions Levy, a twenty per cent reduction in vehicle registration costs and telephone rentals, and a five cent a unit reduction in electricity charges. The GBEs affected absorb the pensioner concessions given for their services.

120. A 1994 paper by the Law Reform Commission on women in remote communities used Norfolk Island as a case study of welfare services provided to women in remote communities.⁴ The study found that:

- domestic violence existed on Norfolk Island;
- women on Norfolk Island had little independent financial means, since they were usually in business with their husband;
- there was no sole parents benefit under the social security system on the Island;
- there were no counselling services for women on the Island;
- women on Norfolk Island lacked adequate access to legal services, since the lawyers on the Island were all male and might be acting for the husband in other matters; and
- there was a lack of access to the Family Court, in particular the counselling, conciliation and mediation services provided by that court on the mainland.

121. The Norfolk Island Domestic Violence Act 1995 put into place recommendations of a consultant facilitated by the Commonwealth.

122. The Norfolk Island Government does not employ a social worker. However, counselling services are provided by church organisations located on the Island and there are some qualified persons who provide assistance of a social nature to the community. Voluntary funding of health and welfare services by private charity groups is quite important — for example, ophthalmology services and diabetes testing are provided by the

⁴ Australian Law Reform Commission, *Equality Before the Law: Women's Equality*, ALRC Report No 69, Part II, 1994.

Lions Club, and the Quota Club has provided assistance for the hard of hearing and the speech impaired for more than 15 years. Domiciliary nursing services are provided by a private trust and patients pay for each visit.

123. It is noteworthy that the Island community, through its service clubs and other bodies, makes a large private contribution to the welfare of the aged and those with low incomes. These groups provide financial support to individuals, and assist with airfares for the elderly and with health programs run on the Island (for example, eye testing, hearing tests, blood pressure tests, and cholesterol testing). It was often said during our conferences that ‘nobody on Norfolk ever goes hungry’ — though some challenged this view. Figures on the private involvement in such activities on the Island are unavailable but it is likely that it would exceed the 5.6 per cent of the mainland population who perform voluntary work in the community welfare field.⁵

124. **Comparisons.** An assessment of the needs for welfare services on Norfolk compared with small rural communities on the mainland would be influenced by many factors.

125. Some 28 per cent of Norfolk Island residents are aged over 55 years, and the numbers of women aged over 60 and men over 65 are rising. Figure 3-1 has compared the population profile of Norfolk Island in 1986 and 1996. It shows that there was a higher proportion of people in the 70 and over age group in 1996 than there was in 1986. This would suggest a growing need for services aimed at supporting the aged. Generally, it was said during our conferences that there are no homeless people on the Island and that unemployment, if it exists, is low. This would suggest a very low need for some other welfare services relative to the mainland.

126. The Island would appear to have sufficient facilities to cater for the expected growth in the demand for the institutional care of the aged and disabled population. However, few government resources are devoted to assisting in the community-based care of those people. Given the ageing of the population and the existing high level of voluntary effort, it is likely that additional government support will be required. Consistent with the methods of service provision on the mainland, one efficient means of providing such support might be grants to existing service clubs or other community organisations.

127. The range of concessions provided to pensioners on Norfolk is roughly comparable with those on the mainland. The government provision of funeral services is a higher level of service than exists on the mainland, particularly for the wealthy.

128. Submissions to this inquiry and our discussions on the Island also suggest that there is some demand for government support in the family and child welfare areas, including additional support for child care facilities and qualified counselling services. In this latter case, we note that informal or community based services are not always appropriate, especially in small communities, and that, for this reason, a government counsellor/social worker was appointed to Christmas Island.

⁵ ABS, *Voluntary Work, Australia*, Catalogue Number 4441.0.

129. We have concluded that, on the whole, welfare services on Norfolk are below those available to small mainland communities, notwithstanding that there are areas where the need is relatively low and a few where assistance exceeds that on the mainland. The nature of welfare services is such that the beneficiaries of the various initiatives are often different and extra benefits in some areas might not offset the lower levels of government support needed for other community based programs.

Housing

130. On the mainland, welfare housing is primarily a State Government responsibility.

131. **Existing services.** There is no public housing on Norfolk Island and no provision of rent relief for low income earners. However, the Mawson flats in the hospital grounds provide self contained accommodation with subsidised rent and one meal a day for social security recipients.

132. **Comparisons.** State Housing Authorities indicate that while there is public housing in small rural communities, it is unlikely that new stock would be purchased or built in communities the size of Norfolk Island unless there were specific demands for, say, the Aboriginal community or the mining sector. The Queensland housing department has indicated that it provides housing assistance through community or social housing groups. Although most housing on Christmas Island was sold recently, the Commonwealth retained some houses for welfare purposes.

133. The ACT applies an income test to applicants for public housing. This is currently \$407 gross a week for a single applicant, and \$679 gross a week for a family of two persons, increasing by \$68 for each child. The ACT charges rent but residents are not expected to pay more than 25 per cent of gross household income in rent.

134. The Commonwealth provides rental assistance to low income households as part of the social security system. Under the Commonwealth-State Housing Agreement, there are also provisions for short term mortgage and rent assistance to low income families facing problems gaining access to home ownership or private rentals. Such assistance is not available on Norfolk Island.

135. The 1996 Norfolk Island Census indicates that over 25 per cent of households on Norfolk rent their houses. Although there are no details of the income of these people, it is possible that some of them would qualify for rent assistance under the schemes on the mainland.

136. The provision of public housing and rental assistance on Norfolk Island is not comparable with that available in similar sized communities on the mainland or on Christmas Island. However, accepting that there are no homeless people on Norfolk Island, there is little or no need for the provision of Government owned housing. Rental subsidy or mortgage relief programs, as on the mainland, would be a more effective means of meeting any need for housing assistance on Norfolk Island.

Employment Conditions

137. The Commonwealth and State Governments share responsibility for these services on the mainland.

138. **Existing services.** The Norfolk Island Government has executive responsibility for employment matters such as labour and industrial relations, employees' compensation, and occupational health and safety, but legislative proposals are subject to Commonwealth veto.

139. The Norfolk Island Government commenced a review of its Employment Act 1988 in late 1994 and in late 1995 informed the Commonwealth that amendments to the Act would be made in two stages:

- stage 1 would improve the rights of employees, clarify the rights and responsibilities of employers and improve sick leave and occupational health and safety provisions; and
- stage 2, which was considered unaffordable on Norfolk at the time, was to cover long service leave, maternity leave and superannuation.

140. A draft Bill covering the stage 1 amendments was introduced in 1995 but did not proceed. A revised Bill was passed in 1996 but it dealt only with workers compensation and the occupational health and safety issues from stage 1.

141. **Industrial relations.** The Norfolk Island Government said that the Employment Act 1988 sets out minimum employment standards to protect workers and operate as a safety net. If conciliation fails, disputes about employment agreements are heard by the Court of Petty Sessions sitting as the Employment Tribunal. However, it has been suggested to the Commission that, relative to procedures followed on the mainland, this mechanism could disadvantage employees, particularly holders of Temporary Entry Permits. The Public Service Association is the only employee organisation on the Island.

142. **Wages and salaries.** There are a number of separate wage structures on Norfolk Island. Some employees, including Australian Federal Police officers, New South Wales teachers and bank employees on short term postings, receive salaries based on their normal mainland gross salary structures. A Public Sector Remuneration Tribunal determines general wage increases for all members of the Norfolk Island public sector and Legislative Assembly, except those working for the Tourist Bureau. Public Sector wages are set at approximately 80 per cent of their mainland equivalents. Some doubts were raised about whether Norfolk Island public servants would have the qualifications or the experience to obtain a similar level position on the mainland. If not, it could imply that public sector employees are, in effect, receiving in excess of 80 per cent of mainland pay rates.

143. Wage levels in the private sector are set by enterprise bargaining, constrained by minimum wage provisions. Most employees receive more than the minimum wage (about \$10 an hour was said to be typical). Under 18 year olds receive the minimum wage, which is seen as a big disincentive to employing young people.

144. The minimum wage on Norfolk Island is \$7.00 an hour for full time employees and \$8.10 an hour for casual employees. It appears that the appropriate Minister sets the minimum wage, based on the arguments in submissions received and on community perceptions about the adequacy of the minimum.

145. It seems that many private employees on the Island receive salaries at a mainland after tax level — 80 per cent of the mainland rates was often mentioned as a standard. Managerial staff often receive salaries equivalent to the mainland, although this is not so in the hospitality industry. The minimum terms and conditions of employment include ‘enforcement machinery’ for employment agreements providing for more than the minimum conditions. This involves financial penalties for non-complying employers, but there is no provision in the Act for the checking of salary and wages books. The enforcement machinery can only be used if an employee makes a formal complaint to the Employment Liaison Officer.

146. **Workers compensation.** Employers must insure for workers compensation through the Norfolk Island Government scheme. All employers on Norfolk Island pay into a workers compensation fund at the rate of 18 cents an hour for every hour worked by employees, regardless of the level of risk involved in the occupation. There is a maximum ongoing payment of \$904.10 a fortnight to an injured worker and a maximum lump-sum payment of \$117 570 for permanent injury or loss of limb. The Norfolk Island Government is examining the possibility of charging employers different rates depending on the level of risk involved in the work undertaken.

147. Payment of the levy is on an ‘honour’ system because the Government does not have the power to audit the returns of employers. Our analysis of levy collections and employment suggests that collections are only about 60 per cent of what they should be.

148. It is not compulsory for self employed people to contribute to the workers compensation fund. They may insure privately.

149. **Occupational health and safety.** Occupational health and safety provisions in the Norfolk Island Employment Act 1988 are based on the Victorian legislation. The Norfolk Island Government asserted that these provisions allow for effective and flexible maintenance of occupational health and safety standards. However, it is understood that entitlements to payments for incapacity are limited to two years. Moreover, the Island does not have effective codes of practice to enforce the provisions of its legislation. It is an offence not to have safe working practices, but proving that practices are not safe is very difficult.

150. **Superannuation.** The Norfolk Island Employment Act 1988 imposes no obligation on employers or employees to contribute to a superannuation fund. The Provident Account Ordinance 1958 requires that officers of the Public Service contribute five per cent of their fortnightly salary. The Administration contributes from five to eight per cent of an employee’s salary, depending on length of service.

151. **Comparisons.** The general employment conditions for Public Sector employees, both Commonwealth and Norfolk Island Administration, appear to be comparable with conditions that applied on the mainland before recent public sector

reforms. However, Norfolk Island employees do not have the same overarching legislative support on occupation health and safety or workers compensation. There are some areas in the private sector where the protection of workers is inadequate. The combination of lack of employee support legislation and the requirement of temporary entry permit holders (the itinerant workers on the Island) to have employment is said to allow some employers to take advantage of their staff.

152. The lack of powers to verify workers compensation levy payments and of binding codes of practice for occupational health and safety are of general concern. Such omissions are not comparable with mainland provisions.

153. Other areas where Norfolk Island employment legislation is below mainland standard are the relatively low minimum wage and the lack of entitlements such as long service leave, maternity leave or superannuation (except for the public sector).

154. In relation to superannuation, mainland employers are required to contribute six per cent of an employee's ordinary time earnings:

- to a specified fund if they have an award obligation; or
- into a complying superannuation fund; or
- into the Taxation Office collection system, called the Superannuation Holding Account Reserve, if they cannot find a fund to protect small superannuation payments.

The employer contribution is set to increase to nine per cent by the year 2002-03.

Roads

155. All three levels of government on the mainland play a part in building and maintaining roads, although they are primarily a State and local government responsibility.

156. ***Existing services and infrastructure.*** Outside the National Park, there are 67 kilometres of sealed roads and 9 kilometres of unsealed roads on Norfolk Island, classified into primary and secondary roads.

157. Apart from a few sections of the main shopping area in Burnt Pine, there are no footpaths on the Island. This was said to represent a potential danger for pedestrians; especially for tourists who are often elderly and prefer to walk.

158. The works depot is responsible for the maintenance and reconstruction of all roads, except those within the National Park. However, it performs the roadworks within the Park under contract for Parks Australia. It also provides tar sealing services on private properties on a fee for service basis. The Executive Member determines the priority of the roadworks.

159. Before the roads were sealed, dust and mud were perennial problems for the road system and it was sometimes impossible to travel around the Island. Sealed road

construction was originally performed using a six inch road base, but the Island now uses only a four inch base. Roads are generally five to six metres wide and lanes are unmarked.

160. As a matter of policy, the only maintenance until the late 1980s was the filling of potholes. In the last ten years, the works depot has been resealing and reconstructing roads (twenty kilometres have been reconstructed). This reconstruction work has been greatly assisted by using soil stabilising methods rather than traditional methods of constructing road bases. While construction of a road base by the traditional method costs around \$125 000 a kilometre, the new method costs about \$98 000.

161. A major problem for road construction and maintenance is the lack of base material on the Island. Very little suitable rock is left in the approved quarry area. Moreover, there has been some difficulty of obtaining crushed rock because of the frequent breakdowns of the Island's privately owned crushing plant.

162. There are also some weather induced maintenance problems — for example, the effect of water drainage on road edges because of the absence of guttering, although the recently constructed drainage in the Burnt Pine area was said to be functioning well. A further cost of road construction arises from the need to avoid protected Norfolk Island Pines on roadsides.

163. Road use also has implications for the amount and cost of the road maintenance task. Table 6-6 indicates that there were 2 364 vehicles on the Island at 30 June 1996. Although this number is relatively high compared with most mainland remote communities, the most important influence on road maintenance is the number of heavy vehicles. There is only a small number of heavy commercial vehicles, even though some of the Administration vehicles should be classified as heavy, and the proportion of heavy vehicles is relatively low compared to the mainland. Other things being equal, this should result in a reduced need for road maintenance expenditure.

164. The Commission was told that the average life of road building equipment on the Island is eight years. Nevertheless, the replacement policy for vehicles is 120 000 kilometres or ten years use for heavy vehicles, and five years for other vehicles. In spite of this replacement policy, the works depot is still using a grader that is 45 years old, and the age of several other vehicles is greater than ten years. As a matter of policy, cost savings have been achieved recently by replacing some smaller vehicles and other pieces of equipment with second hand equipment from Japan. In some cases, however, this policy is resulting in greater maintenance costs and downtime as spare parts are difficult to get.

165. The vehicle fleet employed by the works depot experiences major maintenance problems with rust and rapid wear of tyres. The Commission was shown a cabin of a vehicle that was being repaired for the third time because of rust damage — each time the repair required being larger. The roads and potholes are hard on tyres, which are often replaced before they have travelled 10 000 kilometres.

Table 6-6 VEHICLES ON REGISTER, 30 JUNE 1996

| Type of Vehicle | Number |
|-------------------------------------|--------------|
| Privately owned motor cars and vans | 1 473 |
| Motorcycles | 130 |
| Trailers | 104 |
| Tourist buses and vans | 20 |
| Hire vehicles | 404 |
| Heavy commercial vehicles | 38 |
| Light commercial vehicles | 24 |
| Not used | 61 |
| Administration vehicles | 110 |
| Total | 2 364 |

Source: Finance Branch, Norfolk Island Government.

166. **Comparisons.** Table 6-7 compares road lengths on Norfolk Island with those on Christmas Island and local government type roads in shires in New South Wales with similar populations.

Table 6-7 ROAD LENGTHS FOR SELECT LOCAL AUTHORITIES, 1994-95

| | Population | Urban local sealed | Non-Urban local sealed | Other local unsealed | Total Local Roads | Road length for each 100 persons |
|------------------|------------|--------------------|------------------------|----------------------|-------------------|----------------------------------|
| | | km | km | km | km | km |
| Norfolk Island | 1 772 | | 67 | 9 | 76 | 4.3 |
| Christmas Island | 2 200 | 141 | n.a. | n.a. | 141 | 6.4 |
| Bingara Shire | 2 170 | 29 | 99 | 394 | 522 | 24.1 |
| Conargo Shire | 1 500 | 3 | 300 | 534 | 837 | 55.8 |
| Jerilderie Shire | 1 940 | 22 | 265 | 671 | 958 | 49.4 |
| Nundle Shire | 1 400 | 9 | 71 | 183 | 263 | 18.8 |
| Urana Shire | 1 590 | 50 | 194 | 620 | 864 | 54.3 |

Sources: New South Wales Local Government Grants Commission, *Annual Report 1994-95*, New South Wales Department of Local Government, 1995; Commonwealth Grants Commission, *Report on Christmas Island Inquiry 1995*, Australian, Government Printing Service, 1995.

167. The estimated costs of building roads in remote areas of New South Wales vary from \$50 000 a kilometre to over \$200 000 a kilometre. Shires with terrain similar to Norfolk Island estimated the cost of road construction to be in the higher end of this range. While there are many factors to be considered regarding quality, such as the width and depth of the bitumen, the reconstruction cost of about \$98 000 a kilometre on Norfolk suggest a cost efficient operation.

168. Recent research carried out by Victoria and Queensland on road maintenance costs indicates that:

- (i) maintenance costs do not decline proportionally with reductions in use because the environment emerges as the primary cause of road surface deterioration — at 2 000 vehicles a day in each lane, only about 25 per cent of maintenance is attributable to use; and
- (ii) average annual maintenance costs for each kilometre of sealed one lane and two lane roads are approximately \$2 000 and \$4 000 respectively.

169. An estimate of the annual minimum maintenance cost for the Island is \$2 000 x 76 kilometres or about \$150 000 a year — an amount that is comparable with the present expenditure level. This estimate is based on the lowest mainland cost figure mentioned in the previous paragraph and an assumption that road use is less than 2 000 light vehicles a day for each kilometre (the Australian average for two lane sealed rural arterial roads in 1981 was about 500 vehicles a day). However, the lower standard construction methods employed on the Island and the relatively high rainfall could be expected to increase maintenance costs above this estimate.

170. The level of service provided by the Norfolk Island road network is considered generally comparable, at present rates of use, to that of Christmas Island and remote mainland communities of similar population size. This conclusion has been reached after taking broad account of the length and distribution of the road system, the proportion of the total network that is sealed, surface quality, level of use and the terrain of the various areas.

171. We have some concerns about the quality of the road through the Burnt Pine commercial area but it is understood that this is to be improved as part of the Burnt Pine redevelopment project. This work has been given a high priority and is ready to proceed. Footpaths will also be laid in this area.

172. The condition of the equipment used by the works depot to construct and maintain the Island's road network is well below that of equipment currently used in mainland remote centres of similar size. Following the recent upgrading of the limited equipment on Christmas Island, it is also below the standard there.

173. Were road use to grow in the future, the Island's road system could become progressively inadequate. Even to maintain its current standard, an upgraded stock of equipment would be needed to cope with increased use.

Public Works – Other

174. **Existing services and infrastructure.** As well as maintaining the roads, the works depot provides capital works, maintenance, painting and joinery services to all public buildings (except for the KAVHA buildings and the hospital), and it maintains the equipment and the motor vehicle fleet. It also maintains all the parks and reserves, including the cleaning of public toilets and barbecue areas.

175. **Comparisons.** These services are generally comparable with those in remote centres with a similar population on the mainland, although it is obvious that some tools and equipment at the works depot are old, inadequate and probably unsafe.

Electricity Supply

176. On the mainland, the generation and distribution of electricity is primarily a State Government responsibility, although some States have moved to privatise these activities.

177. **Existing services and infrastructure.** The electricity generators on Norfolk are diesel powered and have a safe working capacity of 1.8 to 2 megawatts, with back up of the same capacity. Maximum demand on the Island is now 1.4 megawatts. Hence, it was said that the capacity is sufficient for the next 2½ to 3 years, providing there is no large increase in demand from tourism. Use of electricity is strictly controlled by restrictions on the import and use of some types of appliance (cookers and air conditioners in particular) and by limitations on public lighting. The high price of electricity also limits the use of large appliances.

178. The five generators are old, the newest having been installed in 1989, and the Norfolk Island Government has announced that one generator will be replaced in 1997. The electricity generators are maintained by six staff who have electrical qualifications and four with mechanical qualifications. Maintaining the generators is only a part of their normal duties. Diesel fuel for the generators is the largest single cost item for the service.

179. Service reliability is said to be high with a very small number of failures in recent years. However, there are frequent episodes of surging and dropping current which interfere with the normal operation of computing and other equipment.

180. Studies done on alternative sources of energy (including wind, solar and wave) have shown that these are either too expensive or not viable on Norfolk. However, we were told that an examination of the possibility of changing the fuel used in the generators from diesel to heavy fuel oil is proceeding. Such a change could produce lower operating costs but would have environmental disadvantages.

181. **Comparisons.** On Norfolk Island, electricity tariffs in December 1996 were 28 cents a kilowatt hour. Up to date information for Western Australia, the State with the highest tariffs, indicates that domestic consumers now pay 14.1 cents a kilowatt hour, and a supply charge of 23.39 cents a day, regardless of whether they live in Perth or a remote community. Western Power is also introducing off peak electricity, which reduces the tariff

to 6 cents for each kilowatt hour in off peak times, but increases it to 18.5 cents a kilowatt hour in peak times. The Western Australian power charges are also applied on Christmas Island.

182. The most recent year for which comparative information is available for all States is 1994-95. Charges to domestic consumers are shown in Table 6-8. The less populous States have a policy of supplying electricity at the same price across the State.

183. The Household Expenditure Survey conducted in 1995 showed that, on average, electricity costs households on Norfolk Island \$16.30 a week. On the mainland, in 1993-94, the figure was \$12.05 a week. Thus despite their lower consumption of electricity, Norfolk Islanders spend about a third more on it than mainland residents.

Table 6-8 ELECTRICITY CHARGES FOR ALL STATES, 1994-95

| State | Minimum Price | Maximum Price |
|------------------------------|------------------------------|------------------------------|
| | Cents for each Kilowatt Hour | Cents for each Kilowatt Hour |
| New South Wales | 8.7 | 12.4 |
| Victoria | 11.8 | 14.2 |
| Queensland | 9.6 | 10.2 |
| Western Australia | 14.1 | 14.1 |
| South Australia | 11.2 | 11.2 |
| Tasmania | 9.1 | 9.1 |
| Australian Capital Territory | 8.1 | 8.1 |
| Northern Territory | 13.4 | 13.4 |

Source: Electricity Supply Association of Australia, *Electricity Australia*, 1996.

184. At current rates of use, the standard of the electricity supply service is probably comparable with many mainland remote areas. However, because of the restrictions placed on the use of certain electrical appliances, the overall standard of the service is below that which applies in comparable remote centres on the mainland.

185. Further, the generators are much older than those in the Indian Ocean Territories and remote mainland communities not connected to a State grid. A planned replacement program should be developed to avoid an emergency.

186. The electricity charges on Norfolk are at least twice those charged by the States. These high charges reflect the high cost structure of the electricity service and its contributions to the Revenue Fund. If the existing generators were replaced with more efficient machines, reduced unit costs of electricity could result. This would reduce

operating costs of all businesses on the Island, which could lead to reduced charges for residents, reduced prices to tourists and increased investment in tourist and other activities.

Water Supply and Sewerage

187. On the mainland, water supply and sewerage services in small communities are generally local government responsibilities.

188. ***Existing services and infrastructure.*** There is no public water supply on Norfolk Island. Every household and tourist accommodation facility has its own rainwater storage facilities. However, hotels and motels, in particular, are unable to service all their requirements from rainfall and draw on bores tapping underground reserves. The Administration monitors the quality of the bore water but there is no charge for its extraction.

189. The fact that most water supplies on the Island are independent of each other is believed to be an advantage as it makes each household responsible for the quantity used, and the risk of water borne diseases spreading throughout the community is reduced. On the other hand, the available water supply may impose limits on the tourism industry and the economy.

190. The Norfolk Island Government asserted that the shortcomings of the water supply arrangements were well known before the devolution of power in 1979. It also said that in 1979 there were many instances where sewage systems on the Island were inadequate.

191. As an indication of the importance of these issues, sewage polluted water was a possible cause of an outbreak of viral illnesses in the summer of 1991-92. The publicity generated was said to have had an adverse effect on tourism. Following this episode, the Commonwealth provided \$2 million of the \$4.2 million total cost for the Norfolk Island Water Assurance scheme. This provides sewerage services to the high population density areas of Burnt Pine and Middlegate (about 25 per cent of the area and 50 per cent of the total population, including most of the tourist accommodation). The remainder of the population uses septic tanks and effluent trenches, which appear to be providing a satisfactory service. To sewer the whole Island would be prohibitively expensive due to the terrain and the small and relatively dispersed population. Tourist accommodation units outside the area covered by the Water Assurance Scheme are required to provide systems that produce a high quality effluent suitable for use in on site irrigation.

192. The current residential water assurance levy charges are approximately \$200 a year for each household.

193. Because of lower than average rainfall over the last five years, there are concerns about the availability of water and a lowering of the water table. This has led to the Government commissioning studies into water retention and conservation, a requirement that new buildings or extensions have adequate water storage, and a proposal for the possible construction of dams at Headstone and Cascade. Although the Bores and

Wells Act 1996 placed a moratorium on the drilling of additional bores and wells, further drilling will be considered as part of an Island wide water conservation strategy.

194. Administration employees perform daily maintenance of the water and sewerage system, but construction, major maintenance and connections are contracted to private enterprise.

195. **Comparisons.** The Christmas Island water treatment system has recently been refurbished at a cost of \$3.5 million and the Island is fully seweraged, although some of the sewerage mains are said to be in poor condition and to pose health risks. The charges on Christmas Island for water supply are \$175 a year for residential properties, \$305 a year for commercial properties, \$110 a year for vacant properties and \$440 a year for government premises. The charges for sewerage services are \$124.85 for residential properties, \$305 a year for commercial properties and \$110 for vacant properties. The Commonwealth is encouraging the Christmas Island Shire Council to introduce connection and meter reading charges. Water supply and sewerage are subsidised by the Commonwealth to about \$300 000 a year as the shire is prohibited from charging more for these services than remote shires in Western Australia.

196. On the Cocos (Keeling) Islands, the sewerage services consist of septic systems. While sludge is retained in the tanks, some treated effluent is piped to ocean outfalls. Studies of these systems have found that, in general, their standard would be equal to that of similar mainland communities, if some work were done to replace older pipes and ensure that outfalls were below the low water mark.

197. Norfolk Island's approach to water supply is much the same as that in country areas on the mainland that have similar sources of supply. However, small country towns usually have a public water supply although water quality does not always meet World Health Organisation standards. When allowance is made for the terrain and dispersed nature of settlement on Norfolk, the sewerage system on Norfolk Island is broadly comparable with those in rural areas on the mainland and those in the Indian Ocean Territories.

198. If water storage systems were upgraded on the Island, especially in the tourist accommodation areas, it would have benefits for the tourism industry. The likelihood of restrictions on water use would be much reduced and some uncertainty about the viable operation of such businesses could be removed.

Postal Services

199. On the mainland, postal services are a Commonwealth responsibility.

200. **Existing services.** The *Australian Postal Corporation Act 1989* does not apply to Norfolk Island and the Norfolk Island Government has power in respect of postal services under Schedule 2 of the *Norfolk Island Act 1979*. The Norfolk Island Postal service operates under the *Norfolk Island Postal Service Act 1983*. It is made up of two departments — the postal operation and the philatelic bureau.

201. The postal operation is seen more as a service than a revenue earner, although recently it has shown a profit, mostly due to increased mail order activity. The cost of a local mail delivery is just five cents compared to 45 cents for a letter on the mainland. There is no mail delivery to houses or businesses. Mail is delivered only to post office boxes that are leased to members of the community for rates comparable with the mainland.

202. The philatelic bureau raises revenues from philatelic sales through its mail order service and commissioned agents. Over 95 per cent of its stamps are sold on the mainland or internationally. The Norfolk Island Government recently released a strategic plan for the future development of philatelic products.

203. It is Australia Post's responsibility to deliver mail to Norfolk Island and Norfolk Post's responsibility to deliver mail to Sydney. Under an MOU signed in October 1994, Australia Post pays compensation — similar to the compensation charges negotiated under Universal Postal Union agreements — to the Norfolk Island Government for the imbalance in handling the incoming and outgoing mail of the Island.

204. The Norfolk Island Government officially objected to Australia Post's 1994 proposal for a steep increase in parcel post rates between Norfolk Island and the mainland. As a concession, Australia Post undertook to phase in the increases over a 12 month period beginning on 1 January 1996. Sections of the community are still concerned about the increase in charges for parcels sent by air.

205. Previous Norfolk Island Governments have argued that the Island community has a right to postal services delivered at rates that apply to other rural and remote Australian communities. They did not accept that the scale of the increased charges was equitable or justifiable by reference solely to cost recovery considerations. Australia Post argues that the costs of sending mail to Norfolk Island have always exceeded the postal charges and that the new charges are a true reflection of those costs. The new charges for parcels over 500 grams from Sydney to Norfolk are the same as those for sending the same parcel from Sydney to Perth, and are considerably less than the cost of sending that same article to country areas of Western Australia and the Northern Territory.

206. A major problem with parcel deliveries to Norfolk Island is that there are only two options — Express Post or Surface Mail. Express Post is charged at a rate for 'next day deliveries', which is not always possible with the current aircraft schedules. If Express Post is not used, the other option, Surface Mail, can take up to six weeks, depending on shipping schedules. Mainland communities are usually serviced with more regular rail and road transport services, making surface mail a more acceptable and affordable option.

207. Some members of the community also objected to the use of the 2899 postcode for Norfolk Island. They argued that some international firms have declined to enter agency arrangements with Norfolk businesses because the postcode was interpreted as implying that their Australian agents covered Norfolk Island. We are unable to comment on this argument. However, we note that the postcode is intended to increase the efficiency of the mail sorting process and we received evidence that omission of the postcode often results in much increased delivery times.

208. **Comparisons.** The Norfolk Island Postal Service provides a local postal service that is comparable with the service provided on Christmas Island where all mail is also delivered to post office boxes. Offsetting the disadvantage of not having home delivery, the cost of local mail on Norfolk is lower than on the mainland.

Telecommunications

209. On the mainland, telecommunications are a Commonwealth responsibility.

210. **Existing services and infrastructure.** The Norfolk Island Government, through Norfolk Telecom, is responsible for providing domestic telecommunication services on the Island. There is a five year agreement (which commenced in May 1994) between the Norfolk Island Government and Telstra, under which Telstra provides international telecommunications services (of high quality and adequate capacity, but of any mode Telstra chooses) between Norfolk Island and the Australian mainland, and between the Island and other countries.

211. More particularly, under the Norfolk Island Telecommunications Act 1992, the Norfolk Island Administration has reserved rights to provide:

- central switching for the Island's public network and the links between that network and other networks;
- line links;
- public payphones;
- public mobile telecommunications services; and
- PABXs.

212. Norfolk Telecom employs 12 staff and supports more than 1 200 local and International Direct Dialling (IDD) subscribers.

213. The Norfolk Island Government and Norfolk Telecom are not parties to the ANZCAN Construction and Maintenance Agreement. This agreement sets out ownership arrangements and responsibilities for the cable system linking Sydney and Vancouver via Norfolk Island, Fiji and Hawaii, with an extra segment linking Auckland with Norfolk Island. To meet its obligations under the ANZCAN Agreement, Telstra owns property and telecommunications equipment on Norfolk Island.

214. The Norfolk Island Government owns and operates the technical infrastructure necessary to provide domestic telecommunications services on Norfolk Island, as well as linkages with the ANZCAN cable station. The exchange has recently been upgraded at a cost of \$1.3 million. Norfolk Telecom is looking into satellite IDD calls, but enhanced services (using ISDN) will require upgrading software at a cost of about \$200 000.

215. There is a limited trunking phone service on the Island. Its extension is waiting on the mainland's decision between analogue and digital systems for its future services. However, Norfolk Telecom has recently installed a trunking radio system for emergency services and the general public, and has introduced EFTPOS facilities. This trunking service has been described as unsatisfactory, being unreliable in low lying areas of the Island, susceptible to crashes if overloaded, and insecure. It was claimed that the Police refuse to use the service because it can be monitored.

216. We were told that access to telephone and facsimile lines is good and investigations are underway into more economical access to E-mail, Internet and other electronic media. The Norfolk Island Government is considering several proposals for businesses based on the use of the Telecom services. There may be a need for further investment in Telecom equipment if these proposals are accepted.

217. ***Fees and charges.*** Local calls on Norfolk are free but IDD calls to the east coast of Australia cost \$1.50 a minute. The normal line and equipment rental for private subscribers is \$25 a quarter. Information seemingly necessary for management purposes was not made available to us to measure the Norfolk Island Government's capacity to raise revenue from either IDD calls or local calls, although we have estimated this in Chapter 7. Most of the revenue comes from IDD calls made by residents, mainly for business purposes, indicating that the revenue is raised from locals rather than tourists.

218. On the mainland, charges for local calls are set at \$0.25 a call from a private connection. Handsets obtained from Telstra are either purchased or leased. Charges for long distance calls vary in accordance with the distance of the call and its duration. The cost of a Telstra call from the east coast of Australia to Norfolk in peak periods is \$0.90 a minute. Optus charge \$0.84 a minute for a similar call during peak periods (Monday to Friday 9am to 6pm) and \$0.77 a minute for off peak periods.

219. ***Comparisons.*** The services provided on Norfolk appear to be generally comparable with those available on the mainland. However, there are large differences in the charging policies. Local calls are cheaper on Norfolk, but calls from Norfolk to the mainland are about 60 per cent more expensive than those in the opposite direction. Whether these differences result in individual Norfolk residents or businesses being better or worse off than their mainland counterparts would depend on their pattern of calls.

Broadcasting

220. Control of broadcasting is a Commonwealth responsibility on the mainland, but services are provided by both the private and public sectors.

221. ***Existing services and infrastructure.*** The Norfolk Island Government provides the Norfolk Island Broadcasting Service, the operations of which are managed by a full time staff member, supported by casual and voluntary labour.

222. Radio services on both the AM and FM bands are provided and include about 30 hours live local radio a week. Re-broadcasts of ABC radio, Radio Australia and ABC and SBS television programs are also provided by the Norfolk Island Broadcasting

Service. A small private television service provides tourist information and local advertising. The live local radio services have been supported by a sponsorship scheme since July 1991 but, following a recent decision that the sponsorship revenue is to be paid into the Revenue Fund, such revenue has halved.

223. The radio equipment was purchased 10 to 15 years ago. Some is now out of date. Most repairs are done on the Island but there are continuing problems with one machine and technical parts need to be supplied from the USA. The Commission observed that the building is very small and crowded. It was said to be badly situated and too hot in summer.

224. *Comparisons.* The Norfolk Island Government is providing broadcasting services comparable to those provided by the Commonwealth Government in rural areas of the mainland and better than those in the Indian Ocean Territories (where there are community radio services and free to air television consists of week old replays of ABC programs). Even though most of mainland Australia is covered by at least one commercial television station, we conclude that Norfolk's radio and television services are adequate.

Recreation and Sport

225. On the mainland, recreation and sporting facilities are State and local government responsibilities.

226. *Existing services and infrastructure.* Recreation and sporting facilities on the Island include:

- three ovals;
- two netball courts;
- squash courts;
- a tennis club;
- a golf club;
- a skateboard ramp;
- a gym;
- a racecourse;
- a bowling club;
- a gun club;
- a pistol club;
- an archery club; and

- a clay pigeon club.

227. The Norfolk Island Government operates the netball courts and the sporting ovals at Kingston and at the school. Where possible, charges are imposed for the use of the facilities. The Government also supports sporting activities by subsidising airfares and making grants to individual sportsmen and women or to sporting bodies. The Parents and Citizens Association largely funds facilities at the school.

228. One submission raised the point that, on the mainland, a wide range of sporting facilities receives support from either the local or State government, and that not all sports on Norfolk Island receive funding of this kind.

229. There is no coach/referee/umpire accreditation scheme on the Island. Previously, coaching accreditation was available under the Australian National Coaching Accreditation Scheme. Tightening of regulations on the number of hours of training an accredited coach must do, and the introduction of a number of compulsory workshops on the mainland, meant that many coaches on Norfolk Island have lost their accreditation.

230. *Comparisons.* Sports provide an essential social outlet in remote communities. The sporting facilities on Norfolk Island are comparable with those on the Christmas and Cocos Islands and in many remote communities on the mainland.

Culture

231. On the mainland, cultural activities are generally State and local government responsibilities.

232. *Existing services and infrastructure.* Cultural facilities on the Island include:

- a public hall which has a stage, a large supper room and a (rarely used) facility for screening films;
- a public library;
- a museum;
- an amateur theatrical society (the Norfolk Amateur Theatrical Society); and
- a Community Arts Society.

233. The Norfolk Island Government runs the library, the museum and the public hall. It also provides some cultural activities, including Bounty Day or Foundation Day, and meets some of the costs of Norfolk Island representatives at the South Pacific Festival of Arts.

234. One submission said that the library has a very limited collection, and that there is little promotion of fine arts on the Island. At the July conference, it was suggested

that a cultural officer could help develop local crafts and exhibitions, and promote the cultural side of Norfolk Island to tourists.

235. The Community Arts Society has recently approached the Norfolk Island Government for the funding of a cultural officer and the establishment of guidelines for cultural promotion and protection. The theatre society, which recently lost the use of its theatre, has applied to the Norfolk Island Government for a grant of crown land and other financial assistance.

236. *Comparisons.* Some small remote communities on the mainland probably have a better level of access to the fine arts. The library does not have the same access to books as remote communities on the mainland, which can share books with other remote libraries, or have a mobile library visit from larger towns.

237. The hall is probably at about the standard of halls in many remote areas of the mainland.

238. Given the emphasis placed on culture by some sections of the community, it is surprising that there is little government assistance for the promotion of Pitcairn culture and the provision of cultural services. We understand that this issue is under consideration by the Norfolk Island Government.

Promotion of Tourism

239. Tourism promotion on the mainland is a State Government responsibility with some Commonwealth input.

240. *Existing services.* Tourism is the main industry on Norfolk Island. The Norfolk Island Government Tourist Bureau promotes the Island in both New Zealand and mainland Australia. The bureau is a statutory body of community members working on a voluntary basis.

241. Most visitors to the Island are aged over 50, but there has been a recent move towards marketing for backpackers, a younger age group, and executives. A new destination brochure for the Island has been developed, targeted at eco-tourism and younger people. The Tourist Bureau also has an Internet site for marketing the Island, and has permanent agents (consultants) in Sydney and Auckland.

242. Expenditure by the tourist bureau is currently about \$640 000 a year including the cost of consultants. It is funded through a five per cent commission on departure fee collections and a \$605 000 subsidy from the Norfolk Island Government.

243. The announcement by Ansett that they would cease services to Norfolk Island in July 1997 initially led to a fall in tourist numbers, but there are now two operators to Norfolk Island, with another one proposing to start in September or October. There has been a large promotion push, including cheap deals offered on the mainland, and it is hoped that tourist numbers will recover.

244. **Comparisons.** The number of tourist nights a year spent on Norfolk Island is about 240 000, hence the subsidy to the Tourist Bureau represents a cost to the Norfolk Island Government of about \$2.50 for each visitor night. It is difficult to compare this cost with other tourist destinations since not all tourists are a direct result of tourist promotion expenditure, but the Tasmanian tourist board spends about \$1.99 on tourism promotion for each visitor night. Compared to Tasmania at least, expenditure on Tourism promotion on Norfolk Island seems to be high.

Services to Industry other than Tourism

245. On the mainland, State Governments spend about \$95 per capita on services to industry, other than tourism. A large part of this is directed towards regulatory, research, administrative and promotional support of the agriculture, fishing and manufacturing industries.

246. **Existing services.** The Norfolk Island Government has a 'Stock Inspector and Noxious Weeds' officer who provides some regulatory support and advice for the agriculture industry. In addition, it was said that minor amounts of government money assist in the control of weeds and soil erosion, and in the construction of private landowner fencing.

247. Investigations into some possible economic developments have been conducted by or for the Administration for industries other than tourism — for example the Offshore Finance Centre, and the telecommunications/high technology industry. The low tax status of the Island could also be viewed as providing an incentive for some types of industrial development.

248. However, other than tourism, there does not appear to be an overall strategy for industry on the Island. In particular, no policy direction has been set down which might improve productivity of the agriculture, forestry, fishing or other industries, or which might encourage import replacement or support the establishment of manufacturing enterprises.

249. **Comparisons.** The range and level of services to industry provided on Norfolk are below those provided on the mainland.

Waste Disposal

250. Waste disposal is a local government responsibility on the mainland.

251. **Existing services and infrastructure.** The Norfolk Island Government is responsible for waste management. However, residents and businesses are responsible for the removal of their own waste. While there are some private services that can be contracted to do this, we understand most residents prefer to take the rubbish to the tip themselves.

252. The Island has two tips at Headstone which are maintained by the Norfolk Island Administration. The bottom tip consists of a burning cage that reduces combustible material to ash, and a sea dump chute to dispose of non-combustible material into the ocean.

The top tip consists of a burning pit for combustible matter. Ash from this pit is transferred to a landfill located near the airport runway. Tyres are burnt only when the wind is blowing offshore.

253. Since the practice of dumping them into the sea ceased in 1996, batteries have been stored at the works depot. To minimise environmental problems, a scheme has recently been introduced under which the batteries are exported to the mainland to remove the lead, acid and plastic.

254. The waste management procedures used on the Island were said to be an example of neglect of the environment. Although publicity brochures for the Island claim that a 'specially designed waste disposal area on the Island ensures no harm is done to the ecosystem'⁶, the dumping of waste into the sea at Headstone is believed to be inconsistent with Commonwealth Government undertakings to the United Nations Conference on Environment and Development. Other practices, apparently left over from the days of Commonwealth responsibility, such as the burning of tyres, the dropping of car bodies over Headstone cliff, and the outflow pipe dropping treated sewage into the sea, were also claimed to be detrimental to the environment. Moreover, the sea dumping process could harm the Island's tourist potential since, as we observed, rubbish is often washed up on a nearby beach.

255. Waste management has been a concern on Norfolk Island for a long time and Unimelb Ltd was contracted in 1993 to conduct a study aimed at developing a Norfolk Island Waste Minimisation Strategy. Proposed reforms and services mentioned in the report include waste reduction; recycling; composting; and burning and dumping of waste generated on the Island. The Norfolk Island Government has yet to decide on its course of action, but said that this matter will receive a high priority.

256. Another report submitted to the Seventh Assembly recommended the purchase of a 'Pactherm Pit Burner' which is more efficient than a batch incinerator but requires considerably more electricity to operate. There is no plan, however, to cease using the Headstone bottom tip chute for the disposal of large metal waste, including car bodies, roofing iron, fencing wire and burnt out whitegoods.

257. One suggestion made to us was for a waste disposal levy to be imposed immediately on the adult population so that action can be taken on the waste disposal problem in the near future.

258. **Comparisons.** The waste collection services on Norfolk Island are not up to the standard of those applying on Christmas Island, where contractors collect rubbish from domestic properties twice a week. The Cocos (Keeling) Islands and small remote communities in Queensland (such as Thursday Island and Weipa) also have at least weekly waste collections.

259. Since the Norfolk community appears to be largely satisfied with the existing arrangements for garbage collection, there is no strong reason for the Government to take on that task. However, given the importance of the environment to the Island's future,

⁶ *Norfolk Island – Be tempted by the Bounteous Isle*, Norfolk Island Government Tourist Bureau, p9.

especially the tourist industry, and the failure to meet national and international standards, there is an urgent need to improve the processes for the disposal of waste.

260. Moreover, there is a potential public safety problem, particularly from the inhalation of poisonous smoke produced by burning plastics and partially full pesticide and herbicide containers that can escape the sorting process. We have been informed that, for the same reason, treated timber is no longer burnt but no plan is in place for its disposal.

261. We conclude that the procedures for the disposal of waste are below standard.

Street Lighting

262. On the mainland, street lighting is primarily a local government responsibility and is generally provided for safety and security reasons. In commercial areas it is sometimes funded by a special levy on businesses.

263. ***Existing service and infrastructure.*** There is only one street light on Norfolk Island and it was installed as a traffic safety measure. It is not located in the main commercial area where the businesses leave internal lights on to provide some service. We were told that the shopkeepers are generally in favour of having streetlights and had offered to contribute towards the cost.

264. During the July conference, Government representatives said that street lighting would be installed as part of the Burnt Pine development and beautification project. That project was expected to proceed in the near future as preparatory works were completed during 1996-97.

265. ***Comparisons.*** This service is below that in similar sized population centres in rural areas of the mainland and in the Indian Ocean Territories. However, this deficiency should be at least partly overcome when the Burnt Pine project is completed.

Public Transport

266. On the mainland, public transport is primarily a State Government responsibility.

267. ***Existing services.*** There are no public transport services provided on the Island, but there is one privately owned taxi. Most residents drive motor vehicles and there are over 1 600 privately owned motor vehicles and motor cycles in use. If people without private transport need to travel on the Island, informal transport arrangements are made through the community.

268. School children walk to school, ride bicycles or small motorcycles, or are driven to and from school by their parents. (Senior students aged 15 and 16 are permitted, under special licensing arrangements, to ride motorcycles of engine size less than 125cc during daylight hours.) Sixteen year olds can obtain a driver's licence, so senior students can drive cars to school. This creates problems with parking in the vicinity of the school.

269. **Comparisons.** In mainland communities of similar size and remoteness, most people rely on their own vehicles for transportation and governments provide very little (if any) public transport services. However, some transport for aged and disabled people is provided under community care programs. On Christmas Island, there is a school bus service provided, and another provided by the Women's Association to take children to and from the playgroup service. On the Cocos (Keeling) Islands, the Shire Council provides a public bus service on West Island because the residential area and the jetty used by the inter-island ferry are at opposite ends of the island.

270. In the light of these comparisons and the transport arrangements that currently exist on Norfolk Island, including the plentiful supply of inexpensive rental vehicles, we consider that there is little need for a public transport service on the Island. However, there may be a case for some assistance to service clubs or community organisations to enable them to assist aged people without access to a private vehicle.

Quarantine Services

271. On the mainland, quarantine services are a Commonwealth responsibility.

272. **Existing services.** The Norfolk Island Government can legislate on human, animal and plant quarantine under the *Norfolk Island Act 1979*. Quarantine officers are employed in the Health and Building section of the Administration to oversee imports and exports of plants and animals, and to monitor arrivals of aircraft and ships.

273. The general inspection and quarantine rules used by the Australian Quarantine and Inspection Service (AQIS) apply to the importation of animals to the Island. However, the Norfolk Island Government has developed its own legislation and regulations for the importation of plants. Of fruit and vegetables, only onions, potatoes and garlic are allowed in. Specific rules have been established to prevent fruit fly, fire blight and other diseases from being introduced to the Island, but some pests have gained entry (for example, the paper wasp and the redback spider).

274. Interiors of aircraft are disinfected with aerosol sprays on arrival. The service also treats the holds of ships with insecticides after checking shipping manifests. We were told that the service is fortunate in that essentially all goods imported to the Island originate from three air or sea ports (Sydney, Brisbane and Auckland) and that this makes the inspection and quarantine tasks easier.

275. **Comparisons.** We conclude that the Norfolk Island Government is providing an adequate ongoing inspection and quarantine service.

Shipping, Harbour and Lighterage Services

276. On the mainland these are mainly State responsibilities.

277. **Existing services and infrastructure.** Norfolk Island relies on sea transport for the importation of most foodstuffs and all gas, fuel and general cargo. A number of shipping companies currently service the Island. Due to the lighterage fee structure, which

imposes a minimum charge equivalent to the fee for 300 tonnes of freight, each ship brings a minimum of that amount.

278. The lighterage service is a business enterprise of the Norfolk Island Government. It employs one permanent officer as the Manager who, among other things, maintains the gear and equipment. Lighterage crews are called up when ships arrive and are paid according to the freight tonnage brought ashore.

279. Because of outlying reefs and the lack of harbour facilities, all general cargo ships (and any visiting passenger liners) anchor up to one kilometre off the Island. Lighters are then used to transport the goods (or people) from the ships to one of two small jetties at Kingston and Cascade Bay, weather and sea conditions determining which is used. It was estimated that 16 ship working days were lost in 1993 due to unfavourable weather. Ball Bay is used to land fuel and gas — it allows ships to reverse in close enough for a floating pipe to be attached to the fixed inlet in the Bay.

280. Because of the inability to get standard shipping containers onto the Island, the current sea freight arrangements entail added costs through delays and handling inefficiencies. In particular, a ship's cargo has to be unloaded in pieces weighing a maximum of seven tonnes, the most that the crane can lift when transferring freight from the lighters to the piers. Large pieces of equipment are 'broken down' so that individual components weigh no more than the seven tonne limit. However, it was said that there is some cultural attachment to the current lighterage arrangements, since the lighters are similar to the whaling boats used in the past.

281. In 1993, PPK Consultants Pty Ltd estimated the minimum costs of construction of a deepwater harbour at \$27.8 million, and recommended Cascade as the preferred site for harbour facilities.⁷ If the development of a harbour was unattainable, the contingency option suggested by PPK Consultants was an extension of the pier at Cascade Bay to provide for larger ships. No cost was estimated for this option. There has also been a proposal by a Norfolk Island company for the construction of jetty facilities at Ball Bay to enable a containerised shipping service using a stern loading vessel.

282. In the 1995 report *Delivering the Goods*, the Joint Parliamentary Standing Committee on the National Capital and External Territories was 'of the view that the existing lighterage service is inadequate for Norfolk Island's future freight handling requirements...'⁸.

283. The Committee found that the need for action on Norfolk Island's freight handling facilities was urgent. Five ways of improving the freight handling infrastructure were suggested to the Committee. These were:

- upgrading the existing jetties and lighterage system;
- installation of a land based derrick;

⁷ Report on a Preliminary Investigation for the Provision of Harbour Facilities for Norfolk Island, PPK Consultants Pty. Ltd., 1993.

⁸ Report of the Joint Standing Committee on the National Capital and External Territories, *Delivering the Goods*, AGPS, 1995, p. 168.

- use of motorised barges for ship to shore transport of containers;
- construction of a deep water harbour; and
- use of a stern loading vessel requiring minimal infrastructure.

284. The Committee favoured the stern loading vessel proposal because it offered the greatest potential efficiencies in freight handling on Norfolk Island.

285. Several submissions to this inquiry commented on the lack of a safe harbour. For example, one submission suggested that it could be technically feasible to use rock from Cascade Cliff to form breakwaters at Ball Bay. Such an option was said to solve several problems at once — it would make Cascade Cliff safe, provide a safe harbour and provide smaller rock for crushing and subsequent use as road aggregate.

286. It is understood that alternatives for improving the harbour facilities are being considered by the Norfolk Island Government in an attempt to find one that is more economically viable than the PPK recommendation.

287. *Comparisons.* The level and frequency of shipping services provided to Norfolk Island are of a reasonable standard at present levels of demand for sea freighted goods.

288. As for infrastructure, the most suitable basis of comparison is the Indian Ocean Territories. Christmas Island has a deep water port although it is not an all weather facility — it was closed for a total of 24 days in 1994-95. As well as handling general cargo, it is used to export phosphate and to import equipment for the mine and materials for the Christmas Island Rebuilding Program and other construction activity. The harbour has a 34 tonne crane and employs 18 people. The jetty area and associated buildings and amenities were refurbished in 1993-94 at a cost to the Commonwealth of \$11 million.

289. At the Cocos (Keeling) Islands, ships anchor in the lagoon and freight is off-loaded in containers onto barges for transport to a jetty on Home Island, or to West Island where it is dragged up onto the beach by tractors. These operations are very labour intensive. The level of shipping activity is low at one ship approximately every six weeks.

290. Norfolk Island's port facilities are well below the standard of those on Christmas Island but so are the volume of trade and the number of days lost due to sea conditions. Christmas Island is also more dependent on its harbour for trade, with much of the industry on Christmas Island relying on the export of phosphate. The lighterage operations on Norfolk have some similarities to the freight handling arrangements on the Cocos (Keeling) Islands, but the volume of freight is greater.

291. Taking account of the differences between Norfolk, Christmas and the Cocos (Keeling) Islands, and the lack of facilities on Norfolk Island to unload containerised vessels, we think that the infrastructure available to the Norfolk Island Government to provide these services is less than satisfactory.

292. This conclusion is similar to the one reached in *Delivering the Goods*, which was that freight handling on Norfolk Island is not in line with freight handling operations in

the Indian Ocean Territories.⁹ That report also noted that the inability to handle containerised cargo is the main relative deficiency.

293. If the infrastructure at Cascade Bay or Kingston were upgraded, then more efficient landing of goods should result which, in theory, would lead to reductions in handling costs for the benefit of all people on the Island. The tourist industry could benefit not only from these freight cost reductions, but also from a possible small increase in tourist numbers if the infrastructure upgrade allowed ocean going yachts to moor at the Island with comparative ease.

Airport Services

294. On the mainland, airports are generally the responsibility of the Commonwealth, although it has started a process of selling its assets (excluding land) at many of them.

295. ***Existing services and infrastructure.*** Norfolk Island's economy relies heavily on tourism, which in turn relies heavily on air services.

296. The airport covers 120 hectares and operates two runways — one can support a Boeing 737-300 and the other a Fokker 27. Because the main runway is only 1 950 metres long, the maximum take off weight for a Boeing 737-300 is restricted to 56 tonnes (on a runway of 2 750 metres, the take off weight can be 62.8 tonnes). The runway cannot be lengthened because of the Island's topography.

297. There is no flight control at the Airport, but a mandatory broadcasting zone exists below 9 500 feet for 30 nautical miles. As a result of bad weather and poor visibility, commercial flights are turned back about six times a year.

298. In February 1991, under the Airport Local Ownership Plan, the Commonwealth transferred to the Norfolk Island Government freehold title to the airport, including residences, plant, vehicles, equipment and spare parts. As part of the transfer arrangements, the Commonwealth also made a one off grant of \$2.5 million to the Norfolk Island Government to overlay the landing strips. In October 1991, those runway reconstruction works were completed at a cost of \$3 million. Airport management, run by the Norfolk Island Government, is now responsible for everything located at the airport except the Meteorological Office.

299. Runway maintenance costs are much higher than at most mainland facilities. Ongoing runway inspections reveal loosening of the tarmac surface, resulting from weathering and aircraft use. Pave coating is used to bind the surface. This inspection process and the resulting preventative maintenance are currently planned until the year 2003 (based on an assumed number of movements of Boeing 737 aircraft, loaded to 56 tonnes), when both runways are to be overlaid completely. An average of about \$127 000 is budgeted for preventative maintenance and pave coating in each of the next five years and \$2.93 million is budgeted for an asphalt overlay in 2003.

⁹ Report of the Joint Standing Committee on the National Capital and External Territories, *Delivering the Goods*, AGPS, 1995, p. 187.

300. The current terminal is too small and there are too few seats for departing passengers. Consequently, an upgrade of the airport terminal at an expected cost of \$2.2 million is planned to commence shortly. About \$700 000 has already been spent on the planning and design of this facility, although \$267 000 of that amount was written off in 1995-96 after a community referendum rejected the initial plan.

301. The Norfolk Island Airport Act 1991 generally applies to the administration of the airport but is mainly concerned with the imposition of landing charges. The revenues so derived remain in trust for the operation, upkeep and development of the airport. The Norfolk Island Government charges:

- (i) landing fees of \$18.30 for each paying passenger for both landing and taking off; or
- (ii) \$8 for each 1 000 kilogram of maximum take off weight of aircraft for landing and take off.

Generally, these charges influence ticket prices. Some airlines show the charges separately, and some have absorbed them into their prices. The charges would also affect the number of tourists visiting Norfolk Island.

302. Flights to Norfolk Island generally originate either on the mainland or in New Zealand. Those from the mainland are classified as 'domestic' and no fire tender is required or provided during their arrival and departure. The New Zealand flights, however, are international and such services are required.

303. *Comparisons.* Table 6-9 compares the movements and landing charges at a number of airports on the mainland. There is no international airport on the mainland catering for only 60 000 passenger movements a year. The two smaller international airports on the mainland have a lot more traffic than Norfolk Island airport, and do not have a landing charge. Airports with a similar number of movements to Norfolk Island charge from \$5 a person, and other airports with more movements than Norfolk Island can charge up to \$18. The fees charged at Norfolk Island Airport for landing and take off are higher than all local government owned airports on the mainland. There does not seem to be any consistency in the way fees are determined on the mainland.

304. The runways and aircraft handling facilities on Norfolk provide a service comparable to that on the mainland. There are, however, aspects of the airport service that compare less favourably. In particular, the relatively high tourist demand means the level of service provided within the airport terminal is below general mainland standards for an airport servicing more than 60 000 passenger movements a year. We understand that the Norfolk Island Government is addressing this situation. There is also the issue of the Norfolk Island landing charges imposed on passenger movements, which are higher than the mainland landing fees, and among the highest in the Pacific.

Table 6-9 PASSENGER CHARGES AND MOVEMENTS AT AUSTRALIAN AIRPORTS, JULY 1997

| Airport | Total Revenue Passengers ^(a) 1993-94 | Landing Charge ^(b) 18 July 1997 | International |
|-----------------------|--|---|---------------|
| | Movements | \$ | Y/N |
| Norfolk Island | 55 550 | 18.30 | Y |
| Port Hedland | 149 326 | - | Y |
| Townsville | 520 367 | - | Y |
| Mount Gambier | 57 282 | 5.00 | N |
| King Island | 36 389 | - | N |
| Kalgoorlie | 113 403 | 15.80 | N |
| Albany | 16 961 | 17.00 | N |
| Yulara | 249 983 | 18.00 | N |

(a) Passengers paying 25 per cent or more of the normal applicable fare and all domestic passengers paying any portion of a fare.

(b) Payable on each landing and each takeoff.

Sources: Department of Transport and Communications, *Airport Traffic Data 1983-84 – 1993-94*, July 1996; Ansett Australia, *Passenger Head Tax details effective 18 July 1997*.

Immigration

305. Immigration services are exclusively the responsibility of the Commonwealth in mainland Australia. On Norfolk, however, immigration is a Schedule 3 item under the *Norfolk Island Act 1979*.

306. **Existing services.** Entry to and residence on Norfolk Island are controlled by the Norfolk Island Immigration Act 1980, which provides for four categories of persons who are allowed entry to the Island (as outlined in Chapter 3).

307. There are MOUs between the Norfolk Island Government and the Commonwealth concerning the granting of permits to Commonwealth employees, and General Entry Permits and declarations of residency to persons who are not Australian or New Zealand citizens. A further MOU is under negotiation to enable Norfolk Island to implement the *Immigration (Visa) Act 1995* which will require persons who travel to Norfolk Island (other than Australian and New Zealand citizens) to hold a valid Australian visa.

308. Norfolk Island Customs officers perform border control procedures at the Norfolk Island airport. The Administrator's Office provides immigration advisory services, passports and visas for the purpose of Commonwealth immigration.

309. Submissions have suggested that limiting the stay for professionals (for example, teachers, bank managers, senior management and hospital staff) through the immigration policies means that these people do not have sufficient commitment to the community. It was also said to increase labour costs as the employer bears the costs of

advertising, interviewing, removals and temporary accommodation every time a new person is employed. One estimate of this cost was \$4 500 for qualified tradespeople and middle management, and \$500 - \$800 for casual employees (waitress, bar person, shop assistant).

310. Some other representations questioned the seeming anomaly that a passport or other travel document is required for travel by Australians from one part of Australia (Norfolk) to another (the mainland). However, we understand that this is due to the provisions of Commonwealth legislation.

311. **Comparisons.** Norfolk Island has special immigration laws designed to keep population in line with the Island's physical and economic capacity. This seems a reasonable policy objective.

312. As regards processing documents of travellers, the Norfolk Island Government is providing a satisfactory level of immigration services at current levels of demand. Were demand at the Island's airport to increase, it is likely that greater resources would be required to ensure that the service continued to operate effectively.

Police Services

313. On the mainland, Police services are mainly a State Government responsibility. The Australian Federal Police (AFP) look after Commonwealth facilities and are concerned with the maintenance of Commonwealth law.

314. **Existing services and infrastructure.** AFP officers provide police services on Norfolk. The costs are funded 70 per cent by the Norfolk Island Government and 30 per cent by the Commonwealth. The Commonwealth contribution reflects the costs of Commonwealth responsibilities carried out by the local police which would normally be conducted by the AFP in States with their own police forces. These funding arrangements have some similarities to those in the ACT, where the AFP also provides community policing.

315. There are three police officers on the Island, with locally engaged special constables to support them on Friday and Saturday nights. The special constables have no training but have the same powers as police and are paid \$15 an hour. The police officers work in two shifts during the week (8 am to 4 pm and 3 pm to 11 pm), and extended shifts on Friday and Saturday nights (9 am to 5 pm and 5 pm to 1 am). The special constables are employed from 8 pm to 1 am on Friday and Saturday nights. As is the case in many small communities, much of the time of the Norfolk Island police is taken up in talking to people and sorting out problems without laying charges. Much time is also spent in pro-active policing. Officers meet all planes and regularly patrol the school zone to minimise speeding.

316. Norfolk Island experiences little of the social tensions often evident in small towns on the mainland. There were no groups identified as requiring more police input than others.

317. The police station on the Island was built in 1993. The vehicle (a four wheel drive) is part funded by the AFP and maintained by the Norfolk Island works depot. It is replaced every three or four years.

318. **Comparison.** There are 1.7 police for every thousand people on Norfolk Island. Police to population ratios are shown in Table 6-10. The police to population ratio on Norfolk Island is below all the mainland States. On the mainland, stations serving a population of between 1500 and 2500 people have an average of 2.6 police. However, more than half those stations have one police officer, and only 33 per cent have three or more police. Special constables have not been considered in this analysis.

Table 6-10 POLICE TO POPULATION RATIOS, 30 JUNE 1996

| | Norfolk Island | NSW | VIC | QLD | WA | SA | TAS | ACT | NT |
|---------------------------------|----------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Police for each 1000 Population | 1.7 | 2.1 | 2.4 | 1.9 | 2.6 | 2.4 | 2.2 | 1.8 | 4.5 |

Source: Commonwealth Grants Commission, Police Special Data Collection, 1996.

319. The number of police on Norfolk is influenced in part by its isolation. There are often long periods when the number of officers on the Island is reduced to two — the minimum number considered necessary to provide a service in an isolated locality. Moreover, if there were ever a situation on Norfolk Island which required specialist police support, the isolation of Norfolk Island would mean that it could take a long time for that assistance to arrive. On the other hand, the reported crime rate is relatively low, which would suggest a lower need for police.

320. Even allowing for Norfolk's isolation, we think the police service is above mainland standards.

Corrective Services

321. On the mainland, corrective services are a State Government responsibility.

322. **Existing services.** The police station has two lockups, built to the standards recommended by the Royal Commission into Aboriginal Deaths in Custody. These cells can also be used for detention under the Mental Health Act and the Periodic Detention Act 1996. They are rarely used except for those serving periodic detention orders and the logistical time limit for holding a prisoner was said to be two weeks. If an offender is sentenced to a term in prison, the New South Wales prison system is used, though the transfer procedures are cumbersome and slow. Prisoner transfer to the mainland is a problem for all external Territories. At mid 1997, there were no prisoners in the New South Wales prison system from Norfolk.

323. **Comparisons.** The lockups on Norfolk Island are equivalent to new lock ups in mainland communities.

Court Services

324. Court services are a State Government responsibility except where the offence falls under Commonwealth legislation.

325. **Existing services.** Norfolk Island is serviced by a court of petty sessions, a Family Court and the Supreme Court. The court of petty sessions can sit with either one magistrate of the Australian Capital Territory or three local magistrates appointed by the Administrator. It can hear civil claims of less than \$10 000 and summary criminal offences. This court generally sits once a month. Family Court matters are dealt with by the Parramatta or Brisbane registries, and the Supreme Court may sit — in civil matters only — in New South Wales, Victoria or the ACT. Criminal matters must be heard on the Island. Because the Family Court rarely sits on Norfolk Island, it is necessary for complainants to travel to Sydney or Brisbane, making proceedings very expensive. There has been a suggestion that uncontested divorce cases could be handled by the court of petty sessions.

326. Although its availability does not seem to be generally known to members of the community, legal aid is available on Norfolk Island, with conditions the same as the ACT Legal Aid scheme. Funding is 80 per cent Commonwealth and 20 per cent Norfolk Island Government. The Norfolk Island Government collects interest on trust accounts operated by real estate agents, accountants and solicitors on the Island to fund Legal Aid. There have been eight applications for Legal Aid. All have been denied, mainly because they were for traffic offences for which Legal Aid is not available.

327. **Comparisons.** Country towns on the mainland also have limited access to courts. Generally, country Magistrates courts are on a circuit from a major centre, and sit once a month. Higher courts are in major towns, and offenders are transported to these courts.

328. Access to courts and the availability of legal aid on Norfolk Island are equivalent to mainland standards.

Fire Services.

329. On the mainland, fire services are a State or local government responsibility.

330. **Existing services and infrastructure.** There are two fire services on the Island, one for domestic calls and one for the airport. The domestic voluntary association has nine volunteer firefighters and uses three domestic fire vehicles maintained by the works depot. This can be expensive, as some of the vehicles are old (the oldest was built in 1962) and parts need to be shipped from the United Kingdom. Some of the old fire engines will need to be upgraded in the near future.

331. The airport fire service has two full time officers and three auxiliary firefighters and uses three airport fire vehicles. This service provides coverage for all international flights to and from the Island. The Airport vehicles need to be available for international flights, but are available at other times for firefighting elsewhere on the Island.

The Airport staff are trained to Australian competency standards in Melbourne, and then train the local volunteers.

332. Due to the lack of reticulated water on the Island (except in the KAVHA district), all fire vehicles carry their own water supplies. This leads to problems with rust in the containers. There is also the problem of having to refill vehicles when a fire is burning.

333. **Comparison.** The Western Australia Fire Brigades Board runs Christmas Island's fire service under a Service Delivery Agreement with the Commonwealth. Since the SDA commenced in 1993, the fire service has been improved to a level consistent with that provided to a Western Australia rural community. This includes new equipment, cellular communication equipment and training for the volunteer brigade. A new fire station is in the current capital works program for Christmas Island.

334. The Norfolk Island Fire Service does not have the support and training of a State fire body which all mainland services and Christmas Island do. Some staff are trained to Australian standards, but there is not the access to training that mainland firefighters have. For this reason, and the age and unreliability of the fire fighting vehicles, the level of service on Norfolk Island is lower than on the mainland.

Emergency Management

335. On the mainland, this is generally a State Government responsibility but often involves local government.

336. **Existing services.** There is an Emergency Management Committee on the Island, which is a co-ordinating body for dealing with natural and man made disasters. The committee receives some training support and small ad hoc grants from Emergency Management Australia, a Commonwealth agency.

337. There is also a Volunteer Rescue Squad on the Island with ten members. This squad was formed in 1985 and in 1986 the Norfolk Island Government provided funding for three members to receive training in cliff rescue and recovery from the AFP Rescue Squad in Canberra. The squad was formed to assist the Norfolk Island Police in the areas of search, rescue and recovery and has been trained for those tasks.

338. The squad is financed solely by fund raising and donations. It does not receive grants from the New South Wales Volunteer Rescue Association, with which it is affiliated, because the Norfolk Island squad is not accredited, due to the high cost of bringing a six member accreditation team to the Island. It operates a covered rescue trailer with a range of emergency equipment, including communications radios, ropes, a variety of stretchers and hydraulic rescue tools. All the costs of wet weather gear, vehicle running and first aid certification are paid for by the volunteers.

339. A number of emergencies have occurred on the Island, including cars driving off cliffs, wrecked yachts, and bushwalkers falling off cliffs.

340. **Comparisons.** Overall, the Island has an adequate emergency management procedure, comparable with those in mainland centres of 2000 people. Access to training

for emergency management staff is easier on the mainland, but Norfolk Island does have links with Emergency Management Australia and the AFP for training on an ad hoc basis.

Heritage Areas

341. On the mainland, heritage areas are the responsibility of different levels of Government depending on the importance of the site.

342. ***Current situation.*** The main heritage area on Norfolk Island is the KAVHA, which is a larger 'penal era' historic site than those on the mainland. This area is listed on the Register of the National Estate and, in 1995, the question of assessment for World Heritage listing was raised by the Commonwealth. The Norfolk Island Government has said that it wants to quantify the benefits of world heritage listing, including possible increases in tourism, before deciding whether it supports formal nomination.

343. Before 1958 and since 1973 the Commonwealth has had the main responsibility for the national heritage buildings in KAVHA. Most of the buildings have been restored and interpretive work performed on them. Since 1962 the Commonwealth has provided funds for the restoration of the buildings at Kingston.

344. In 1988, the Norfolk Island Government agreed to share funding of the works in KAVHA with the Commonwealth and to manage the site by a joint board established under a MOU. The Commonwealth contribution to this board in 1995-96 was \$392 000 and that by the Norfolk Island Government was \$247 500.

345. The site has significance for the whole of Australia and the Commonwealth has no current plans to divest more power over the area to the Norfolk Island Government, which would like it to do so.

346. Many other areas on Norfolk Island are also included in the Register of the National Estate, including:

- Longridge Agricultural Settlement Site;
- St. Barnabas Chapel;
- Anson Bay Reserve;
- Buck's Point Reserve;
- Crystal Pool Reserve (Point Ross Reserve);
- Bumboras Reserve;
- Nepean Island; and
- Phillip Island.

347. **Comparisons.** All parties agree that the current management of KAVHA is working well, and that the buildings at the site are up to standard for World Heritage assessment. The management and condition of the KAVHA historic site compares well with important historic sites on the mainland (Port Arthur, Hyde Park Barracks and Fremantle Prison).

348. However, it is not clear that the other sites listed on the National Estate receive the same comprehensive management.

Environmental Issues

349. On the mainland, all three levels of government have responsibilities in this area.

350. **Existing services.** On Norfolk, responsibility for environmental protection services is split between the Commonwealth and Island governments. Parks Australia, which had a budget on Norfolk Island in 1995-96 of about \$659 000, is responsible for the maintenance and operation of the National Park as well as representing other Commonwealth Government authorities such as the Australian Heritage Commission and the Environmental Protection Agency.

351. The Norfolk Island Government said that environmental assessments and issues are dealt with as they arise. Advice, evaluation and other related services are obtained on a consultancy basis. The Commonwealth Environment Protection Agency was consulted on the Norfolk Island Airport Upgrade (1991), the Stern Loading Vessel Port Proposal at Ball Bay (1995) and the Cascade cliff face and quarry (1997).

352. The forestry section of the Norfolk Island Administration administers, *inter alia*, a 120 hectare site on the western boundary of the Mt Pitt section of the National Park. Its task is to convert the woody weed forest into native pine plantations. In 1996 the forestry section planted four hectares of Norfolk Island pine in the forestry zone. A nursery produces native plants for forestry plantations, the National Park and public sale. The section is also responsible for control of noxious weeds on the Island. As well as fulfilling those purposes, the expenditure by this section, which was \$290 000 in 1995-96, was said to be used as a means of maintaining employment.

353. Several submissions made points which can be summarised by the following:

The whole economic future of the Island is bound up with an overall policy of conservation – of its water, soils, and pastures, its forests, birds and plants, its fascinating landscape, its historical and architectural survivals.¹⁰

354. Those submissions generally argued that the Norfolk Island Government has neglected the environment for many years and that it has no conservation strategy, no policy on strategic planning and no management plans for the coastal reserves. They argued that such strategies and plans should be prepared and implemented.

¹⁰ Turner, Smithers and Hoogland, *The Conservation of Norfolk Island 1968*, Australian Conservation Foundation, p8.

355. A general concern in these and other submissions was that the number of residents and visitors on the Island could have adverse effects on the environment. This issue is discussed in Chapter 3.

356. The following other points relating to environmental and conservation matters were also made in submissions.

- The Island should have a Conservation Trust, among other things, to assist in the protection of areas and acquire valuable conservation sites.
- Special consideration by the Commonwealth is required to rescue endangered species, control weeds and rehabilitate critical areas. In particular, Phillip Island has been stripped of up to 20 metres of topsoil by bad management, and an extra \$80 000 to \$100 000 is required to implement a specially designed plan of management.
- More effort should be made to promote eco-tourism as that could have the dual benefits of diversifying the tourist market and reducing the environmental impact of tourists. However, it was also noted that the development of eco-tourism projects would require additional planning to avoid adverse effects on the environment.

357. The environmental dangers associated with Norfolk's methods of waste disposal were discussed earlier in the chapter.

358. A long standing concern on the Island is the danger posed by the Cascade Cliff. This cliff is unstable and rocks fall on the road near the jetty. The road is closed to normal traffic. Attempts have been made to stabilise the cliff but the danger has not been removed. Submissions have said that the cliff face could be progressively benched and the rock used in a crushing plant. This would also require costly landscaping of the area once the benching is completed. The latest estimate of costs to stabilise the cliff is \$3.1 million, an amount the Norfolk Island Government cannot afford, but this appears to be a gross figure before sales of rock are considered. In any case, the more dangerous part of the cliff is on a Commonwealth reserve. We are unsure what contribution the nearby quarry has made to the instability of Cascade cliff, although an assertion was made that the Army was largely responsible for any damage to the cliff as it had used the wrong blasting material in the quarry.

359. *Comparisons.* Most rural communities elsewhere on the mainland are covered by comprehensive building, planning and environmental protection legislation. There is severe land degradation on Phillip Island and in some areas of the cliffs on Norfolk Island, although there has been much good work done on rehabilitating the cliffs in the last ten years. The adverse environmental impact of the waste management procedures is greater than in mainland rural areas.

360. We had no indication that people on Norfolk Island have been injured from rocks falling at Cascade Cliff. Christmas Island also has an unstable cliff face. In that case, a full scale study was commissioned by the Commonwealth to provide information on the

probability of a rock fall in different areas and to give recommendations on what should be done to ensure protection of those living and working below. Unstable cliff faces on the mainland (for example, the coast road from Wollongong to the Royal National Park) are regularly reinforced, although the amount of traffic on these roads is also much higher.

361. Given these points and the importance of the natural and built environment to the future of Norfolk, we conclude that the standard of general conservation and environment protection services on Norfolk is below that on the mainland. We also note that Cascade Cliff is a safety problem.

Land Administration and Planning

362. On the mainland, land administration is primarily a State responsibility.

363. ***Existing services.*** Norfolk Island has an area of 3327 hectares. About 770 hectares are Crown leasehold, 1697 hectares are freehold and the rest (860 hectares) is Crown land and includes the National Park. The Commonwealth has responsibility for land administration on the Island but the Norfolk Island Government has executive and legislative control over various land administration components such as building control, roads, recreational areas and coastlines. The Norfolk Island Government is seeking full responsibility for the administration of all land on the Island.

364. Crown leasehold land may be held by people with resident or GEP status. Freehold land is held under common law title. It is not subject to the same constraints on transfer as Crown leasehold land, and holdings of freehold land convey no residency status.

365. The Registrar of Lands Office is staffed, funded and managed by the Norfolk Island Administration. Expenditure on the office far exceeds revenue from land related functions.

366. A joint Commonwealth/Norfolk Island Review of Land Administration Working Group was established in 1994 to address longstanding problems with land administration on Norfolk Island. Some of the problems were:

- difficulties with Crown lease conditions and duration;
- no statutory land use or development zoning and zoning controls;
- no guaranteed land title system;
- no administrative review of decisions;
- no effective environmental assessment or controls; and
- leasehold problems.

367. The Working Group's May 1995 report recommended the introduction of a comprehensive land administration scheme, including a statutory land use and planning scheme, enactment of guaranteed land titles legislation and new Crown lands legislation.

Chapter 6

Both Governments endorsed the report and it was agreed that the cost of implementing the program would be shared Commonwealth two thirds and Norfolk Island one third. Over \$500 000 has been spent on the land review process.

368. On 29 June 1996, the Norfolk Island Legislative Assembly introduced a land administration package. The legislation passed through the Assembly and received the Governor-General's assent. A number of elements of the land legislation package were reliant on administrative and planning processes being in place.

369. The Norfolk Island plan came into effect on 1 June 1997 and, on 23 June 1997, the Administrator approved the majority of the remaining elements of the land package. The Norfolk Island Government will consider when to introduce revised rents for Crown lease land.

370. The Working Group also recommended that the Norfolk Island Government satisfy the Commonwealth that sufficient resources are available for effective operation of the plan before responsibility for land administration was handed over.

371. Part of the land administration legislation package was the introduction of an Administrative Review Tribunal (ART). A local person will be a senior member of ART. Initially, this tribunal will have the power to review administrative decisions of the Norfolk Island Government relating to land management issues. It will be available to the public (including TEPs).

372. We were told that it has been estimated that up to one third of freehold titles on the Island could be defective, largely because of inadequate survey data. It was also said that some underground cables and other services are not mapped, and there are no gazetted easements, although this has not posed a problem so far because 'people know where the cables and pipes are'.

373. **Comparisons.** Norfolk Island is more advanced in land administration than Christmas Island where a ground audit was being done for the first time in 1996. New legislation has now been implemented which seems to give Norfolk Island arrangements similar to other small rural communities on the mainland. These arrangements cover comprehensive land administration and title registration legislation and practices. However, the legislation has not been in place for sufficient time to make an assessment of its effectiveness.

Customs

374. On the mainland, Customs is a Commonwealth responsibility.

375. **Existing services.** The Norfolk Island Government has executive responsibility for customs matters, with the Commonwealth retaining power of veto over the decisions. The Norfolk Island Government has its own Customs service, governed by its own Act and it operates independently of the Australian Customs Service.

376. The Norfolk Island Customs Service carries out:

- Customs Duty assessment, processing and collection;
- prevention and detection of prohibited imports through inspection and clearance of arrivals by ship and aircraft; and
- immigration border control measures.

377. Coastwatch from the mainland provides a surveillance service in the 200 nautical mile Exclusive Economic Zone around the Island to detect illegal fishing vessels and suspicious activities.

378. The Customs service maintains co-operative relations with customs services in other jurisdictions, particularly those on the mainland and within the Pacific Area.

379. A comprehensive review of the Norfolk Island Customs legislation has been undertaken. Concerns have arisen as to the constitutional validity of Norfolk Island Customs Legislation as a result of the High Court decision in a case involving the ACT. But the Norfolk Island Government believes it has the power to collect duties of customs and excise. Advice from the Commonwealth Attorney-Generals Department supports this belief.

380. Several submissions noted that, while customs duty represents the largest single source of revenue for the Island, it is also a significant cost burden for residents and visitors.

381. **Comparison.** The standard of Customs services and the manner in which they are provided on Norfolk Island are similar to the mainland.

National Parks

382. On the mainland, National Parks are usually a State responsibility but in the other external Territories they are a Commonwealth responsibility.

383. **Existing services and infrastructure.** Parks Australia has primary responsibility for the Norfolk Island National Park (including Phillip Island) and the Norfolk Island Botanic Garden. The Norfolk Island National Park covers 12 per cent of Norfolk Island, and includes the highest peaks, Mt Pitt and Mt Bates. Parks Australia also maintains the 10 kilometres of roads and walking tracks in the park.

384. Parks Australia employs four permanent staff to maintain the park. Two are from the mainland and two from the Island. It also employs approximately twenty other locals on a temporary or casual basis and provides them with training.

385. Parks Australia operates a weed control program, three endangered species recovery programs and an endangered and threatened plant species program, with more than 40 species of native plants regarded as threatened. A rat control program is in place, despite difficulties in developing the program without jeopardising the owl recovery program.

386. Most large national parks on the mainland have information centres in the park, with information on walks, native flora and fauna, and guided tours. This function is served by the privately run Norfolk Island Museum of Natural History. Parks Australia also produces pamphlets on walking tracks on the Island, posters and other interpretive materials.

387. Proposals to transfer the Norfolk Island National Park and Botanic Garden to the Norfolk Island Government have been discussed. The Commonwealth has some concerns about whether the Norfolk Island Government has the expertise or resources at present to replace Parks Australia. The Australian Conservation Foundation and the Norfolk Island Conservation Society share these concerns and are strongly opposed to a transfer of control of the park to the Norfolk Island Government.

388. **Comparison.** Compared with Christmas Island and many national parks on the mainland, Norfolk Island National Park has more staff for each hectare and higher expenditure each hectare. However, such simple comparisons are affected by differences in access costs, visitation rates, infrastructure levels and economies of scale and thus are unlikely to reflect the comparative standards of service. Many of these factors combine to increase the costs of the Norfolk Island National Park. The high expenditure a hectare on Norfolk Island is also partly explained by the high costs of ecological rehabilitation and weed control, and the remoteness of the Island. For example, we were told that 55 per cent of expenditure on the National Park could be attributed to rehabilitation and weed control, much higher than for other national parks.

389. Overall, in comparison to other remote national parks, the resources available to manage the National Park appear above average, but are probably not far out of line given its particular environment and conservation requirements.

Foreign Affairs/Defence/International Obligations

390. On the mainland, foreign affairs, defence and international obligations are Commonwealth responsibilities.

391. **Existing situation.** The Norfolk Island Government is treated the same as State Governments when it comes to Australia's ratification of proposals to become a signatory to international treaties, conventions and protocols. The consultation is often co-ordinated through the Territories Office, but some Commonwealth Departments deal direct with the Norfolk Island Government.

392. **Comparison.** In relation to these matters, there is no difference between Commonwealth consultation with the States and Commonwealth consultation with Norfolk Island.

SERVICES NOT COVERED BY LEGISLATION

393. There are a number of services on the Island that the Norfolk Island government has powers to provide but for which it has not legislated. These are mainly regulatory and administrative tasks and include:

- quarrying;
- gases and hydrocarbon fuels (especially safety of gas installations or the qualifications of gas fitters);
- explosives and dangerous substances (except for some poisons legislation);
- archives;
- navigation, including boating;
- prices and rent control;
- printing and publishing;
- industry, including forestry and timber, pastoral, agricultural, building and manufacturing (while there is some legislation in some of these areas, there are no laws governing manufacturing or some other aspects of industry);
- provision of rural, industrial and home finance credit and assistance;
- scientific research (except for the Birds Protection Act 1913 and the Migratory Birds Act 1980);
- censorship;
- the legal profession (it was said that the Legal Profession Act 1993 is not fully effective and there are no defined disciplinary processes for legal practitioners on the Island); and
- private law (there is no legislation relating to bankruptcy or insolvency, no third party motor vehicle insurance and the Companies Act 1985 has not maintained parallel provisions with Australian Corporate Law).

394. In some other cases, such as fire prevention and control, civil defence and emergencies, garbage collection and trade waste disposal, the services are provided or supported by the Government, but there is no governing legislation.

SUMMARY

395. Table 6-11 summarises our conclusions based on the comparisons set out in this chapter. The range and level of services provided on Norfolk Island are allocated to one of three broad groups — those above, those below and those comparable with services on the mainland.

Table 6-11 SERVICES ON NORFOLK ISLAND RELATIVE TO MAINLAND STANDARD

| Above mainland standard | Below mainland standard | Comparable with mainland standard |
|-------------------------|--|---|
| Police | Pre-school education and child care | School education |
| National Park | Vocational education and training | Hospital, public health and community health services |
| | Health insurance | Road services |
| | Social security | Sewerage services |
| | Welfare services | Postal services |
| | Housing assistance | Telecommunications |
| | Water supply | Broadcasting |
| | Employment conditions | Recreation and sport |
| | Waste Disposal | Promotion of tourism |
| | Culture | Quarantine services |
| | Environment protection | Immigration |
| | Land administration and planning (although the new legislation should rectify many of the shortcomings). | Corrective services |
| | Fire services | Court services |
| | Sundry regulatory and administrative services | Emergency management |
| | | KAVHA |
| | | Customs services |

396. There are also some cases where we consider that the condition of particular items of infrastructure on the Island is below that found on the mainland or will become inadequate in the short term, even though the existing service provided may be satisfactory. These include:

- school infrastructure;
- hospital infrastructure;
- road building and maintenance equipment;
- electricity supply machinery;
- waste disposal facilities;
- street lighting infrastructure;
- harbours and lighterage equipment and infrastructure;
- airport infrastructure (especially the terminal); and
- fire services equipment (especially tenders).

However, decisions have been taken to upgrade some infrastructure in 1997-98, including an electricity generator and some hospital equipment. In addition, the streetlighting issue should be addressed as part of the Burnt Pine redevelopment and a long term plan is in place (and funds are set aside) for the work on the airport terminal and runways.

CHAPTER 7

TAXING AND CHARGING

Norfolk Island's revenue capacity was analysed before the High Court's ruling on 5 August 1997 that State business franchise fees on petroleum, liquor and tobacco were invalid. Since then, the Commonwealth and States have agreed that their total net tax effort will not change before 30 June 1988. As a result, our estimate of Norfolk's revenue capacity relative to the mainland has not been affected.

1. The financial capacity of the Norfolk Island Government is the extent to which it is able to raise revenue, from whatever source, to fund services for which it is, or might become, responsible. This chapter looks first at Norfolk Island's policies on raising revenue (that is, its effort), and then makes some estimates of its ability (that is, its capacity) to obtain revenue from:

- the tax bases it is using;
- the range of tax bases normally used on the mainland; and
- a more broadly based or global tax base, such as income, assets, or consumption.

2. As discussed in Chapter 2, the capacity of the Norfolk Island Government to raise revenue from its own sources has been estimated by applying taxes rates and charges, similar to those raised on the mainland, to the Island's tax bases. This process is modified if special circumstances that prevent Norfolk Island from imposing the standard (average) tax rates are thought to exist. An example is our assumption that, on cultural grounds, Norfolk has a capacity to raise revenue from lotteries but not from other forms of gambling.

3. This chapter deals with government revenue from all sources. No distinction is made between taxes, charges, interest earnings and dividends from government business enterprises (GBEs). Where appropriate, references to taxes should be understood to refer also to charges, interest earnings and dividends from GBEs. For Norfolk Island, total dividends from GBEs are deemed to be their total net operating surplus.

4. The total revenue figure shown in this chapter is lower than that shown in Chapter 5 because in this chapter we are only interested in the dividends from GBEs. Thus, only the net operating surplus is treated as revenue, whereas in Chapter 5 all GBE income was treated as revenue.

REVENUE RAISING CAPACITY

Financial and Related Policies of Government

5. Table 7-1 shows that in 1995-96, the Norfolk Island Government raised \$5571 revenue per capita, \$3342 (37 per cent) less than the \$8913 per capita raised by mainland Governments (Commonwealth, State and local). This lower revenue performance could be because:

- the community prefers a lower level of government service provision and therefore supports a smaller government sector (choosing to pay lower levels of tax);
- the Island is restricted to using narrower tax raising powers;
- the Island has chosen a different mix of taxes; or
- the policy of the Norfolk Island Government is to have low tax rates.

6. ***Community preference.*** The existence of a community preference on Norfolk Island for a lower level of government service provision was supported by some participants at both the May and July conferences. They believed that there is a high level of community voluntary effort on the Island that reduces the need for the government to provide as many services. Some submissions referred to this community effort as voluntary taxation.

7. A number of submissions provided information on a range of community contributions. During our discussions, we formed the impression that the level of community voluntary effort on Norfolk is larger than on the mainland, but that it would not amount to more than about \$200 000 worth of services a year.

8. We cannot be sure that the lower revenue performance is due to a community preference for a smaller government sector and a larger voluntary effort. However, it does appear to have some influence.

9. ***Taxing powers.*** Norfolk's lower revenue performance might arise because it is restricted to using narrower tax raising powers.

10. The revenue raising capacity of the States is constrained by the Constitution and Commonwealth law. They do not have the ability to access income direct through income tax and they cannot impose customs duties, excise or departure taxes. State tax regimes rely heavily on narrowly based indirect (or expenditure based) taxes. The only broad tax power available to them, Payroll Taxation, is their major source of tax revenue. The Commonwealth transfers revenue it has raised to the States to supplement their financial capacity.

Table 7-1 TAX REVENUES BY CATEGORY OF TAX, 1995-96

| Category of tax | Norfolk Island | Mainland |
|--|----------------|----------|
| | \$ pc | \$ pc |
| Taxation Revenue | | |
| Direct taxes | | |
| Health levy ^(a) | 188 | 184 |
| Income tax – residents | 0 | 3 151 |
| Income tax – companies | 0 | 1 141 |
| Broadly based indirect taxes | | |
| Wholesales sales tax | 0 | 714 |
| Customs duty | 1 421 | 172 |
| Pay-roll taxation | 0 | 554 |
| Workers compensation levy ^(b) | 116 | 0 |
| Narrowly based indirect taxes | | |
| Petroleum | 170 | 85 |
| Tobacco | 0 | 144 |
| Alcohol | 31 | 40 |
| Motor vehicle taxes | 123 | 192 |
| Gambling taxes | 46 | 183 |
| Financial institutions and stamp duties | 603 | 339 |
| Accommodation levies | 111 | 0 |
| Departure taxes | 413 | 4 |
| Landing fees | 694 | 16 |
| Other indirect taxes | 293 | 1 032 |
| Wealth taxes | | |
| Land taxes | 33 | 82 |
| Municipal rates | 0 | 280 |
| Other wealth taxes | 0 | 16 |
| Total taxation revenue | 4 242 | 8 330 |
| Non-taxation revenue | | |
| Interest earnings | 231 | 178 |
| Mining revenue | 0 | 57 |
| GBE dividends ^(c) | 1 098 | 348 |
| Total non-taxation revenue | 1 329 | 583 |
| Total revenue | 5 571 | 8 913 |

(a) For Norfolk Island, the Healthcare Levy.

(b) For mainland governments, workers compensation levies are included in other indirect taxes.

(c) For Norfolk Island, the net operating surplus of GBEs (excluding the Healthcare Levy, Workers Compensation Levy and Landing Fees).

Sources: *Taxation Revenue, Australia, 1995-96*, ABS Cat No 5506.0. The Administration of Norfolk Island, *Financial Statements, Year Ended 30 June 1996*. *Budget Statements 1996-97, Budget Paper No. 1*, ABS Cat No 5506.0. Commonwealth Grants Commission, *Report on General Grant Relativities, 1997 Update*.

11. A DEST submission contained advice on the Norfolk Island Government's taxation power. This was that:

- the Norfolk Island Legislative Assembly has the power to pass laws imposing the full range of taxes and charges imposed on the mainland, provided such laws:
 - (a) (i) are for the purposes of Schedule 2 matters,
 - (ii) are for the purposes of Schedule 3 matters and are agreed to by the Commonwealth,
 - (iii) are for purposes outside the Schedules but are assented to by the Governor-General, and
 - (b) are not inconsistent with all or part of a Commonwealth Act, and
 - (c) do not purport to bind the Commonwealth; and
- the Assembly's power to levy taxes and charges is not otherwise limited.

12. We take this advice to mean that the revenue raising capacity of the Norfolk Island Government is subject to very few legislative constraints.

13. On Norfolk Island, the Commonwealth has vacated major taxing areas normally within its purview (notably sales tax and income tax). Commonwealth legislation levying customs duty and sales tax does not extend to the Island. Historically, the Commonwealth has advised the Administrator to assent to Island legislation raising customs duty. There is no sales tax on Norfolk. The *Income Taxation Assessment Act 1936* applies to Norfolk Island but exempts income derived by Island residents from sources within the Island. Application of the *Income Taxation Assessment Act* does not, of itself, prevent the Norfolk Island Government from developing an Island income tax regime — it would be a matter of drafting the local legislation in a way that was not inconsistent with the Commonwealth Act. Thus, the Island Government has had the opportunity to craft a tax regime to suit the Island's special circumstances.

14. One caveat to this is that the Commonwealth's attitude to an attempt by Norfolk Island to raise some major Commonwealth taxes — in particular, income tax — has not been tested. It would be open to the Commonwealth to circumvent an Island income tax by:

- withholding assent to Island legislation;
- advising the Governor-General to disallow the legislation under Section 23 of the *Norfolk Island Act 1979*; or
- introducing Commonwealth legislation to override the local legislation.

15. It is clear that restricted access to tax powers is not the reason for Norfolk's lower revenue performance and, for the purposes of this inquiry, we have assumed that the Norfolk Island Government has the capacity to impose the full range of taxes imposed on the mainland.

16. **Choice of taxes and rates.** In this and the following sections, we address the question of whether Norfolk's lower revenue performance is due to its choice of taxes and tax rates.

17. Looking first at the **mix of taxes**, Table 7-1 provides a summary of how taxes were collected on the Australian mainland and on Norfolk Island in 1995-96. Table 7-2 provides a list of the revenues raised on Norfolk and those raised on the mainland but not on Norfolk. The tables show that Norfolk Island imposes a very different range of taxes from governments on the mainland. In these tables, taxes are classified into:

- (i) direct taxes;
- (ii) broadly based indirect taxes;
- (iii) narrowly based indirect taxes;
- (iv) wealth taxes; and
- (v) non-taxation revenue¹.

18. Figures 7-1 and 7-2 show the percentage of revenue raised by each class of tax on the mainland and on Norfolk.

19. These figures and tables show the importance of:

- broadly based taxes (including income tax) on the mainland (mostly Commonwealth);
- the taxation of income and wealth on the mainland;
- narrowly based indirect taxes, which fall heavily on the tourist sector, on Norfolk Island; and
- business enterprise income on Norfolk Island.

20. About 66 per cent of mainland tax revenue was raised from broadly based taxes (income taxes, sales taxes and payroll taxes) in 1995-96. The figure for Norfolk Island was close to 31 per cent, comprising:

- Customs Duty (26 per cent of tax revenue);
- the Healthcare Levy (3 per cent of tax revenue); and
- the Workers Compensation Levy (2 per cent of tax revenue).

¹ This group includes charges, interest earnings and dividends from GBEs.

It is the compulsory nature of the Healthcare and Workers Compensation Levies that leads us to include them as taxes and the wide scope of their application to classify them as broadly based. Customs Duty is by far the largest revenue source for the Island.

Table 7-2 REVENUE RAISED ON NORFOLK ISLAND AND ON THE MAINLAND BUT NOT NORFOLK, 1995-96

| Revenues raised on Norfolk | Additional revenues raised on the mainland |
|---|---|
| Direct taxes | |
| Healthcare levy | Income tax – residents Income tax – companies |
| Broadly based indirect taxes | |
| Customs duty ^(a) | Sales tax and other excise taxes |
| Workers compensation levy | Pay-roll taxation |
| Narrowly based indirect taxes | |
| Fuel levy | Tobacco franchise fees |
| Liquor licence fees | Stamp duty on motor vehicles registrations and transfers |
| Vehicle registrations and drivers' licences | Other gambling taxation |
| Lottery taxation | Other financial institutions levies |
| Financial institutions levy | |
| Stamp duty on cheques | |
| Conveyancing fees | |
| Accommodation levy | |
| Departure taxes | |
| Landing fees | |
| Company fees | |
| Other charges | |
| Wealth taxes | |
| Absentee landowners levy | Municipal rates Other land taxes |
| Non-taxation revenue | |
| Interest earnings | Mining revenue |
| Dividends from GBEs | |

(a) For Norfolk, this includes customs duty levied on tobacco, alcohol and fuel.

21. Broadly based taxes, including income tax, offer a government a means of ensuring equity and fairness within its tax system. For example, they allow governments to impose higher taxes on those who earn higher incomes or who are wealthier.

Figure 7-1 SOURCES OF REVENUE, MAINLAND, 1995-96

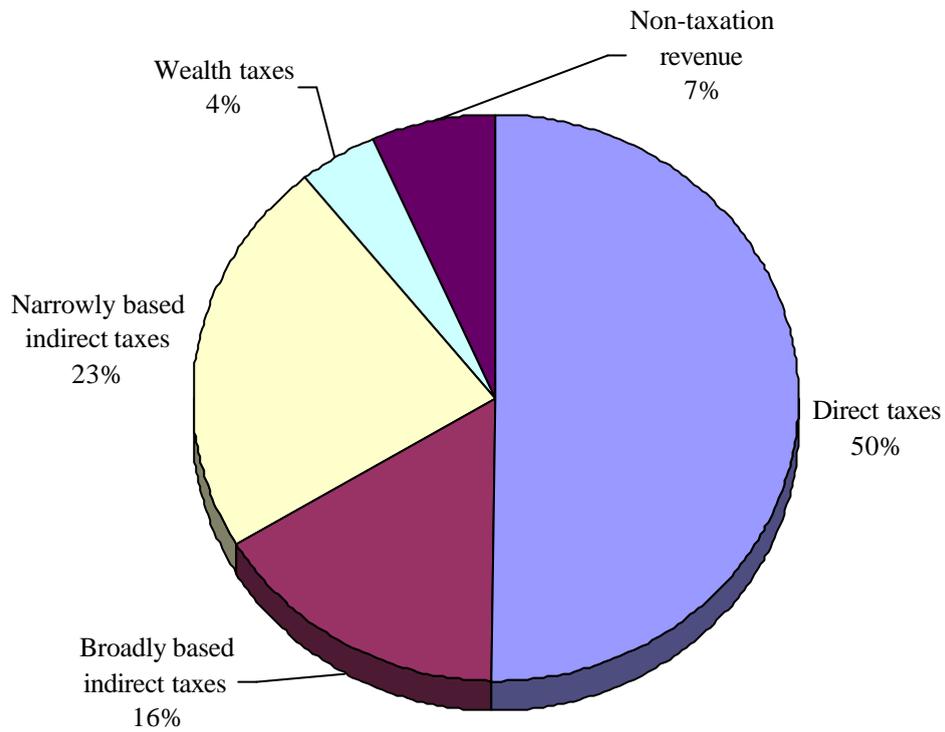
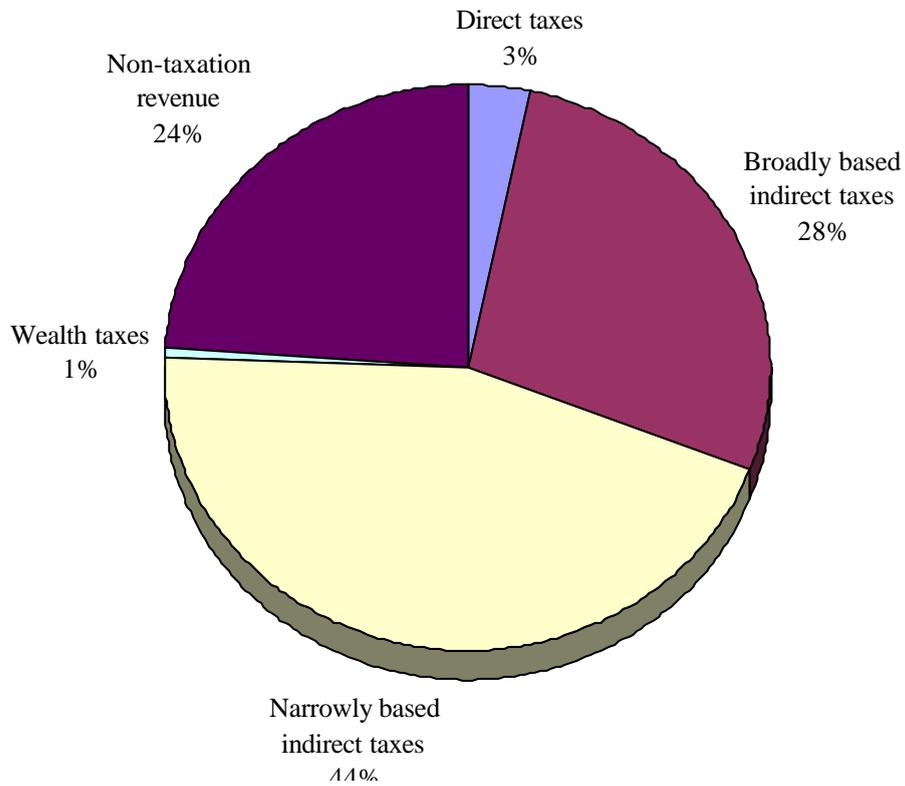


Figure 7-2 SOURCES OF REVENUE, NORFOLK ISLAND, 1995-96



22. Governments can tax income, wealth and expenditure. Most governments tax all three and have to find an appropriate balance between them. In 1995-96, the Commonwealth and States raised 54 per cent of their tax revenue by taxing income and wealth, whereas Norfolk Island raised only 4 per cent of its tax revenue from these sources. While the mainland may be over reliant on taxes on income, the Norfolk Island Government's capacity to develop an equitable and fair tax system seems to be limited by its policy of relying on expenditure based taxes. These can be distortionary (affecting some businesses but not others) and, in the extreme, can lead to some residents or businesses paying little or no tax. The structure of the Norfolk taxation regime is regressive; that is, it is highly likely that wealthier residents pay a lower proportion of their income or wealth in tax than poorer residents do.

23. A high proportion of the Island's tax revenue is raised from tourists. Three taxes are collected largely from tourists — Departure Tax, Landing Fees and the Accommodation Levy. In Chapter 4, the tourist share of these taxes is estimated at \$2 million, that is, about 22 per cent of the Island's total revenue. In addition, tourists contribute revenue through the Island's expenditure based taxes and it could be assumed that, as a minimum, this would match their average population share.

24. The taxation of tourists is not in itself bad. First, because tourists at any particular time comprise a large share of the Island's population, it would be reasonable for them to make some contribution towards the services they use during their stay — one example raised by the Norfolk Island Government is Landing Fees which it considers to be user pays charges for the purpose of financing future airport maintenance and capital requirements. Second, the taxation of tourists and others living elsewhere is a way for the Norfolk Island Government to export its tax burden to residents of other jurisdictions. Provided there are no serious adverse effects on its tourist trade, this is to the benefit of the Norfolk Island community.

25. However, our analysis of the figures in Table 7-1 does not support a suggestion made at the May conference that tourists are paying only a share of the tax burden proportionate to their numbers. In 1995-96, tourists comprised an average of 26 per cent of the number of people on the Island². Because they also pay indirect taxes, the tourist share of all taxes is much larger than the 22 per cent mentioned above. On a rough calculation, the figure is probably 40 per cent, not far short of the 46 per cent estimated in the recent Access Economics Report³.

26. Business enterprises are also an important source of recurrent revenue for the Norfolk Island Government. In 1995-96, 20 per cent of its revenue was obtained from GBEs⁴. The main revenue earners were the Liquor Supply Centre, Norfolk Island Telecom and the Norfolk Island Postal Service. These GBEs earned part of their revenues from tourists and foreigners. Compared to mainland governments, the Norfolk Island Government receives three times the revenue per capita from GBEs.

² Based on 1772 ordinary residents and an average tourist population figure of 632. Table 4.2 in Chapter 4 shows this calculation. The comparable figure for the period 1990-91 to 1995-96 is 25 per cent.

³ Access Economics Report, p35.

⁴ The 20 per cent figure does not include the Healthcare Levy, the Workers Compensation Levy or Landing Fees which are included elsewhere.

27. It is clear that Norfolk's choice of tax mix, with its much more limited range of taxes, partly explains its lower revenue performance.

28. Norfolk's revenue performance is also affected by its **tax rates**. We calculated average tax rates for Norfolk and the mainland by:

- (i) choosing an underlying tax base; and
- (ii) dividing revenue collected by the chosen tax base.

29. Table 7-3 lists the tax bases that were used to calculate the tax rates shown in Table 7-4 and also gives estimates of the size of those tax bases on Norfolk and the mainland. Actual tax bases are not available in a number of cases. Thus, we have chosen wages and salaries as the tax base for personal income tax because information on other forms of personal income on Norfolk is not available. We have also chosen wages and salaries as the tax base for the Workers Compensation Levy, even though it is imposed at the flat rate of 15 cents an hour worked by each employee. Because there is no Norfolk Island tax on tobacco sales, we estimated the tobacco tax base by increasing the value of tobacco imports (excluding re-exports) by 20 per cent.

30. Relevant aspects of Table 7-3 are:

- the mainland has a relatively larger tax base for Fuel Levy, Financial Institutions Levy, mining revenue and land taxes;
- Norfolk has a relatively larger tax base for all other taxes levied on the Island; and
- Norfolk has a relatively larger overall revenue base (gross product) than does the mainland.

31. To illustrate how average tax rates have been calculated, the average tax rate for the Workers Compensation levy was obtained by:

- taking the amount the Government raised through the Workers Compensation Levy in 1995-96 (\$204 678); and
- dividing it by the figure for total wages and salaries on Norfolk estimated in Chapter 4 to be \$24.3 million in 1995-96.

The average tax rate obtained was 0.84 per cent.

Table 7-3 TAX BASES, NORFOLK ISLAND AND THE MAINLAND, 1995-96

| Category of tax | Specified tax base | Norfolk Island | Mainland |
|--------------------------------------|-------------------------------------|----------------|----------|
| | | \$pc | \$pc |
| Direct taxes | | | |
| Health levy | Wages and salaries | 13 735 | 13 218 |
| Income tax – residents | Wages and salaries | 13 735 | 13 218 |
| Income tax – companies | Private sector profit | 22 553 | 10 342 |
| Broadly based indirect taxes | | | |
| Sales tax | Gross product | 45 343 | 26 911 |
| Customs duty | Value of imports | 13 910 | 4 244 |
| Workers compensation levy | Wages and salaries | 13 735 | 13 218 |
| Payroll tax | Wages and salaries | 13 735 | 13 218 |
| Narrowly based indirect taxes | | | |
| Petroleum | Value of sales | 852 | 2 370 |
| Tobacco | Value of sales | 160 | 154 |
| Liquor | Value of sales | 1 558 | 353 |
| Motor taxes | No of registered vehicles | 1.33 | 0.74 |
| Tattersalls lotteries | Wages and salaries | 13 735 | 13 218 |
| Other gambling | Wages and salaries | 13 735 | 13 218 |
| Financial institutions taxes | Value of transactions | 50 270 | 145 611 |
| Conveyancing fees | Value of land | 11 128 | 31 201 |
| Company fees | Private sector profit | 22 553 | 10 342 |
| Accommodation levy | Number of tourists | 16.81 | 0.21 |
| Departure tax | Number of tourists | 16.81 | 0.21 |
| Landing fees | Number of travellers ^(a) | 18.21 | 2.73 |
| Other indirect taxes | Gross product | 45 343 | 26 911 |
| Wealth taxes | | | |
| Land taxes | Value of land | 11 128 | 31 201 |
| Municipal rates | Value of residential land | 8 308 | 26 745 |
| Other land taxes | Value of land | 11 128 | 31 201 |
| Non-taxation revenue | | | |
| Interest earnings | Gross product | 45 343 | 26 911 |
| Mining revenue | Value of sales | 0 | 438 |
| Dividends from GBEs | Gross product | 45 343 | 26 911 |

(a) Both international and domestic.

32. Table 7-4 provides the estimates of average tax rates for a range of taxes applying on Norfolk Island and on the mainland⁵. It shows that, for most of the taxes imposed on the Island, Norfolk's average rate of tax is higher than on the mainland. This suggests that the Norfolk Island Government's low revenue performance is not because it imposes low rates in the taxes that it levies.

⁵ All these tax rates were calculated using the method discussed previously. Where the underlying tax base is number of people or vehicles, the average tax rate would be a dollar figure for each person or dollar figure for each vehicle rather than a percentage.

33. Its lower performance appears, therefore, to be due to the narrower range of taxes imposed than on the mainland, despite relatively larger tax bases across the board. The next sections explore these issues further. First, we look at the capacity of the Government to raise revenue from the range of taxes raised on the Island and then we examine its capacity to raise revenue from the wider range of taxes on the mainland.

Table 7-4 AVERAGE TAX RATES, NORFOLK ISLAND AND THE MAINLAND, 1995-96

| Category of tax | Chosen tax base | Norfolk Island | Mainland |
|--------------------------------------|-------------------------------------|----------------|----------|
| | | %(a) | %(a) |
| Direct taxes | | | |
| Health levy | Wages and salaries | 1.37 | 1.39 |
| Income tax – residents | Wages and salaries | 0.00 | 23.84 |
| Income tax – companies | Private sector profit | 0.00 | 11.03 |
| Broadly based indirect taxes | | | |
| Sales tax | Gross product | 0.00 | 14.38 |
| Customs duty | Value of imports | 10.21 | 4.06 |
| Workers compensation levy | Wages and salaries | 0.84 | 0.00 |
| Payroll tax | Wages and salaries | 0.00 | 4.19 |
| Narrowly based indirect taxes | | | |
| Petroleum | Value of sales | 20.00 | 3.59 |
| Tobacco | Value of sales | 0.00 | 93.60 |
| Liquor | Value of sales | 2.00 | 11.47 |
| Motor taxes | No of registered vehicles | \$92.51 | \$260.45 |
| Tattersalls lotteries | Wages and salaries | 0.33 | 0.26 |
| Other gambling | Wages and salaries | 0.00 | 1.12 |
| Financial institutions taxes | Value of transactions | 1.02 | 0.13 |
| Conveyancing fees | Value of land | 0.80 | 0.50 |
| Company fees | Private sector profit | 0.12 | 0.00 |
| Accommodation levy | Number of tourists | \$6.62 | \$1.51 |
| Departure tax | Number of tourists | \$24.55 | \$20.94 |
| Landing fees | Number of travellers ^(b) | \$38.11 | \$5.86 |
| Other indirect taxes | Gross product | 0.59 | 0.96 |
| Wealth taxes | | | |
| Land taxes | Value of land | 0.30 | 0.26 |
| Municipal rates | Value of residential land | 0.00 | 1.05 |
| Other land taxes | Value of land | 0.00 | 0.05 |
| Non-taxation revenue | | | |
| Interest earnings | Gross product | 0.51 | 0.66 |
| Mining revenue | Value of sales | 0.00 | 13.04 |
| Dividends from GBEs | Gross product | 2.42 | 1.29 |

(a) Unit of measurement is percentage. If the chosen tax base is number of people, the unit of measurement is dollars a person. If the chosen tax base is number of vehicles, the unit of measurement is dollars a vehicle.

(b) Both international and domestic travellers.

34. To simplify the presentation of the analyses in these sections, we have grouped taxes by the applicable tax base as follows:

- (i) taxes on personal incomes;
- (ii) taxes on expenditure;
- (iii) taxes on travellers;
- (iv) motor taxes;
- (v) land taxes;
- (vi) taxes on companies; and
- (vii) other taxes, charges and dividends.

While the analyses are presented using these tax groups, they were undertaken separately for each tax. Table 7-5 shows which taxes have been classified to each group.

35. **Summary.** Figures 7-3 and 7-4 show, for Norfolk Island and the mainland, the percentage of revenue collected from each tax group. They confirm the greater reliance on expenditure tax and taxation of travellers by the Norfolk Island Government compared with the mainland Governments' greater reliance on income tax (of individuals and companies) and land taxes.

Table 7-5 CLASSIFICATION OF TAXES, NORFOLK ISLAND AND THE MAINLAND

| Tax group | Norfolk taxes | Mainland taxes |
|------------------------------------|--|--|
| Taxes on personal incomes | Healthcare levy Workers compensation levy Tattersall's lotteries | Income tax – individuals Income tax – Medicare levy Pay-roll taxation Gambling - lotteries Gambling - other |
| Taxes on expenditure | Customs duty Fuel levy Liquor licence fees Financial institutions levy Stamp duty on cheques | Customs duty – imports and other Petroleum franchise fees Petroleum excise taxes Liquor franchise fees Tobacco franchise fees Financial institutions levy Stamp duty on cheques Other financial transaction taxes Mining revenue |
| Taxes on travellers | Accommodation levy Departure tax Landing fees | Accommodation levy Departure tax Landing fees |
| Motor taxes | Vehicle registrations and licences | Vehicle registrations and licences Stamp duty on registrations and transfers |
| Land taxes | Conveyancing fees Absentee landowners levy | Conveyancing fees Land tax Municipal rates Other land taxes |
| Taxes on companies | Company fees | Company fees Income tax –companies and other |
| Other taxes, charges and dividends | Interest earnings Operating surplus of GBEs Other charges | Interest earnings Dividends from GBEs Sales tax Excise tax – other Other fees and fines Other taxes |

Figure 7-3 REVENUE BY TAX GROUP, NORFOLK ISLAND, 1995-96

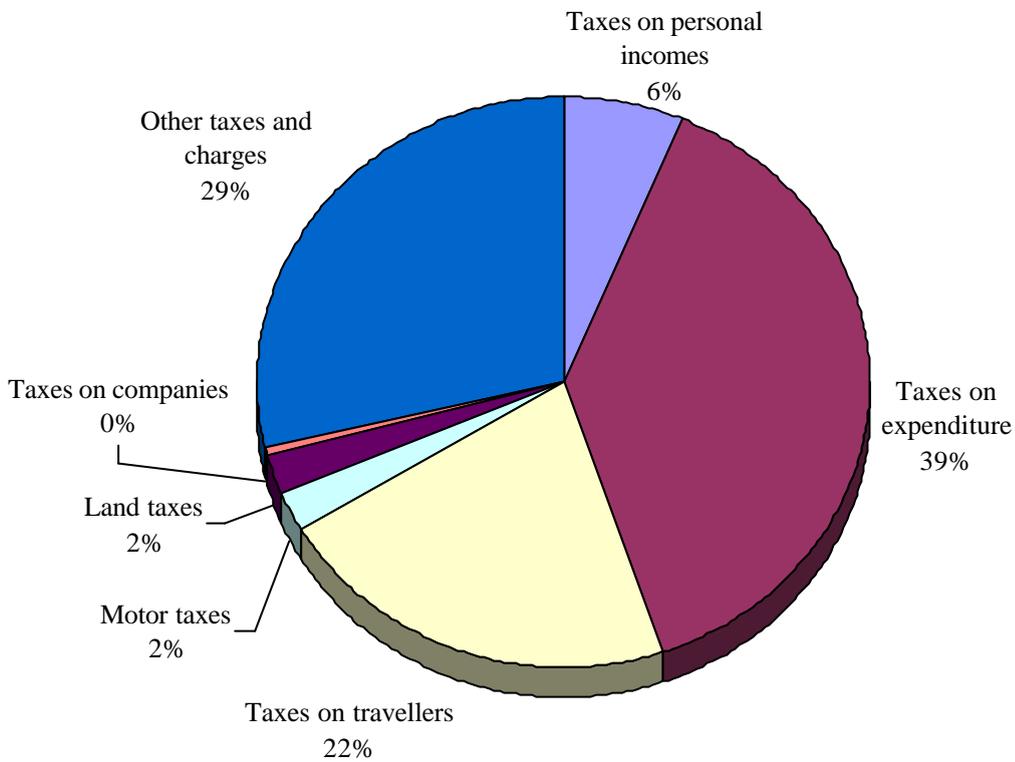
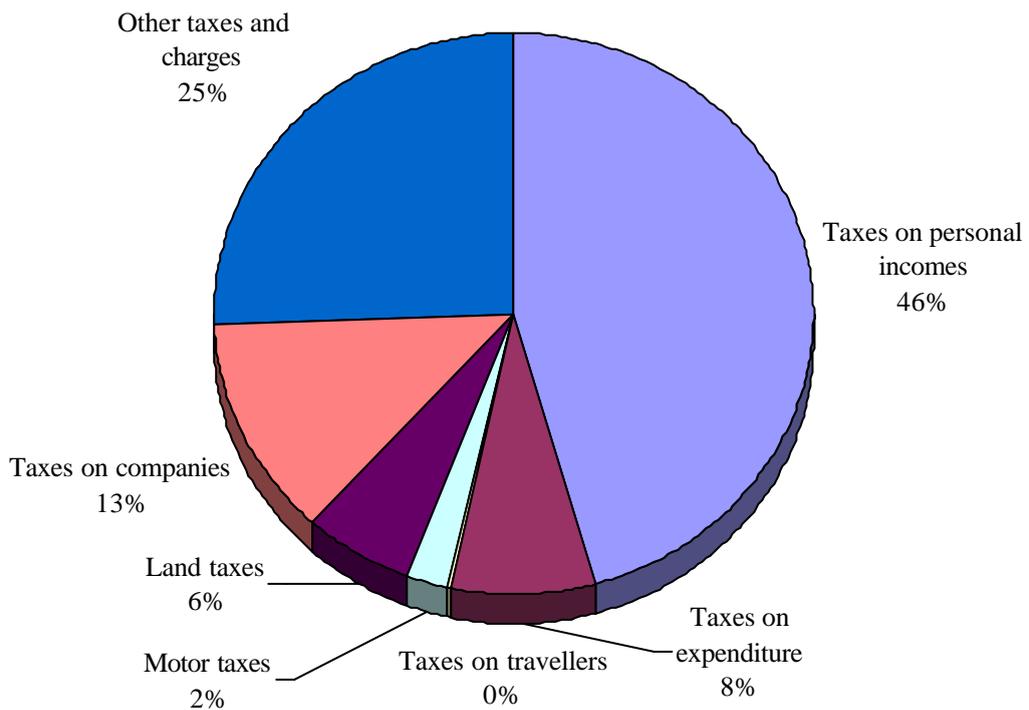


Figure 7-4 REVENUE BY TAX GROUP, MAINLAND, 1995-96



Taxes Raised on Norfolk Island

36. This section examines the Norfolk Island Government's financial capacity for the range of taxes imposed on the Island. Financial capacity is a measure of what a government could raise from a tax. For example, if wages per capita were higher on Norfolk Island than on the mainland, then a tax on wages should, if it were imposed at the same rate, raise more revenue per capita on Norfolk than on the mainland. From the Commission's perspective, financial capacity is more relevant than how much revenue is actually raised because it allows a comparison of how much revenue could be raised from different communities if their governments imposed the same tax burdens on them.

37. We have calculated Norfolk Island's financial capacity by applying the mainland tax rates, shown in Table 7-4, to the Norfolk Island tax bases shown in Table 7-3. For example, the mainland tax rate for conveyance fees is 0.50 per cent and for land tax is 0.26 per cent (see Table 7-3). The Norfolk Island land tax base is \$11 128 per capita (see Table 7-5). Thus, Norfolk's taxable capacity to raise similar land revenues is \$84 per capita (that is, 0.76 per cent times \$11 128).

38. Table 7-6 presents an analysis by tax group of the taxes raised on Norfolk Island. It shows that Norfolk raised \$5571 per capita from the taxes it imposes, more than twice the amount (\$2345 per capita) raised by mainland governments. The difference of \$3226 per capita (\$5571 less \$2345) is partly due to Norfolk's relatively higher tax bases and partly to its higher tax rates overall.

39. If Norfolk had imposed its taxes at mainland tax rates, it would have raised (because of its relatively larger tax bases) \$3027 per capita. Thus \$682 (\$3027 less \$2345) or about 20 per cent of the \$3226 per capita difference is attributable to greater taxable capacity. The remainder — \$2544 or about 80 per cent — is attributable to higher tax rates overall.

40. We conclude that Norfolk's overall lower revenue performance is not due to low rates of taxes imposed on the Island. On the contrary, for the range of taxes imposed, the Norfolk Island Government accesses the financial capacity available to it at greater than mainland severity.

Table 7-6 NORFOLK ISLAND'S ASSESSED FINANCIAL CAPACITY PER CAPITA FOR TAXES RAISED ON NORFOLK ISLAND, 1995-96

| Tax group | Revenue raised | | Effect of | | |
|------------------------------------|--------------------------|-----------------|--|---|---|
| | Norfolk Island (1) | Mainland (2) | Norfolk's assessed capacity (3) | Norfolk's different tax rate (4)=(1)-(3) | Norfolk's different tax base (5)=(3)-(2) |
| | \$pc | \$pc | \$pc | \$pc | \$pc |
| Taxes on personal incomes | 349 | 772 | 803 | -454 | 31 |
| Taxes on expenditure | 2 136 | 403 | 810 | 1 326 | 407 |
| Taxes on travellers | 1 218 | 21 | 5 | 1 213 | -16 |
| Motor taxes | 123 | 127 | 2 | 121 | -125 |
| Land taxes | 122 | 236 | 84 | 38 | -152 |
| Taxes on companies ^(a) | 26 | 0 | 0 | 26 | 0 |
| Other taxes, charges and dividends | 1 596 | 785 | 1 322 | 274 | 537 |
| Total | 5 571 | 2 345 | 3 027 | 2 544 | 682 |

Note: Totals may not add due to rounding.

(a) Company fees for Norfolk; on the mainland, company fees are included in other taxes, charges and dividends.

Taxes not Raised on Norfolk Island

41. A number of taxes applied on the mainland are not used on Norfolk. In these areas, Norfolk uses none of the capacity available to it. It is useful to ask what revenue the Norfolk Island Government could raise if it decided to impose the full range of taxes. Our estimate of the potential revenue from taxes not imposed on Norfolk Island is presented in Table 7-7. It is \$5929 per capita, a total of about \$10.5 million.

Table 7-7 ASSESSED NORFOLK ISLAND CAPACITY AND MAINLAND REVENUE COLLECTIONS PER CAPITA FOR TAXES NOT RAISED ON NORFOLK ISLAND, 1995-96

| Tax group | Assessed capacity | Mainland |
|------------------------------------|-------------------|----------|
| | \$pc | \$pc |
| Taxes on personal incomes | 1 637 | 3 299 |
| Taxes on expenditure | 177 | 280 |
| Taxes on travellers | 0 | 0 |
| Motor taxes | 1 | 65 |
| Land taxes | 93 | 296 |
| Taxes on companies | 1 515 | 1 141 |
| Other taxes, charges and dividends | 2 506 | 1 488 |
| Total | 5 929 | 6 568 |

42. This estimate of financial capacity was assessed in a manner similar to that discussed earlier. It is conservative and is based on our assumptions that:

- for whatever reason, Norfolk would raise only half as much income tax as the mainland (per capita) if it imposed the same tax rates;
- on cultural grounds, Norfolk has no gambling base other than lotteries; and
- Norfolk has no capacity to earn mining revenue.

43. A rough estimate of Norfolk Island's financial capacity in 1995-96 from the full range of taxes imposed on the mainland is therefore \$8956 per capita, about \$15.9 million. This consists of \$3027 per capita for taxes raised (see Table 7-6) and \$5929 per capita for taxes not raised (see Table 7-7). It compares with the \$5571 per capita (\$9.9 million) it actually raised (see Table 7-1).

44. We conclude, therefore, that the main cause of Norfolk's lower revenue performance is the narrower range of taxes and charges imposed on the Island compared to mainland Governments.

An Alternative Broader Measure of Capacity

45. At the beginning of this chapter, it was noted that Norfolk Island's wider revenue raising powers, compared to the States, provided it with an opportunity to craft a tax regime to best suit the Island's special circumstances. It might be useful to estimate the Island's capacity on an overall basis — that is, to compare the ratio of total per capita public

sector revenue from all sources to total per capita gross product for Norfolk and for the mainland. This is done in Table 7-8. It confirms that the Norfolk Island Government has additional, unused taxation (financial) capacity when compared with governments on the mainland.

Table 7-8 BROADER MEASURE OF NORFOLK ISLAND CAPACITY, 1995-96

| Category of tax | | Norfolk Island | Mainland |
|--|-------------|----------------|----------|
| Total public sector revenue (\$ per capita) | | 5 571 | 8 913 |
| Total public sector revenue adjusted for Norfolk's special circumstances (\$ per capita) | | 5 571 | 6 469 |
| Gross product (\$ per capita) | (1) | 45 343 | 26 911 |
| Ratio of adjusted revenue to gross product (%) | | 12.29 | 24.04 |
| Mainland ratio of adjusted revenue to gross product (%) | (2) | 24.04 | |
| Broader measure of Norfolk Island capacity (\$ per capita) | (3)=(1)*(2) | 10 900 | |

46. If the Norfolk Island Government raised the same proportion of revenue from gross product as on the mainland, it would have raised \$10 900 per capita, or approximately \$19.3 million. This is higher than the assessment based on individual taxes and charges which suggests that the Norfolk Island Government could raise \$15.9 million if it applied mainland tax rates, adjusted for Norfolk Island's special circumstances, to Norfolk tax bases.

47. The rest of this chapter uses the lower estimate.

The Norfolk Island Government's Tax Effort

48. Norfolk Island's financial capacity has thus been assessed as \$15.9 million or \$8956 per capita for:

- the range of taxes and charges imposed on Norfolk; and
- the range of taxes and charges imposed on the mainland but not on Norfolk.

Table 7-9 summarises these findings.

Table 7-9 FINANCIAL CAPACITY, NORFOLK ISLAND, 1995-96

| Category of tax | Financial capacity | |
|---|--------------------|-------|
| | \$000 | \$pc |
| Taxes, charges and dividends raised on Norfolk Island | 5 364 | 3 027 |
| Taxes, charges and dividends raised on the mainland but not Norfolk | 10 506 | 5 929 |
| All taxes, charges and dividends | 15 870 | 8 956 |

49. Table 7-10 provides information on revenue raised by Norfolk Island in 1995-96, for the two groups shown in Table 7-9. It shows that Norfolk Island actually raised \$9.9 million or \$5571 per capita. Table 7-11 shows the Norfolk Island Government's revenue effort. This is calculated by dividing revenue raised by the assessed financial capacity. For example, the revenue effort for taxes, charges and dividends raised on Norfolk Island is equal to \$5571 per capita (Table 7-10) divided by \$3027 per capita (Table 7-9), that is, 184.1 or 184.1 per cent. Revenue effort gives an indication of the relative severity of tax rates. A revenue effort of more than one hundred per cent implies that Norfolk imposes a higher tax rate than is applied on the mainland.

Table 7-10 REVENUE RAISED, NORFOLK ISLAND, 1995-96

| Category of tax | Revenue raised | |
|---|----------------|-------|
| | \$000 | \$ pc |
| Taxes, charges and dividends raised on Norfolk Island | 9 872 | 5 571 |
| Taxes, charges and dividends raised on the mainland but not Norfolk | 0 | 0 |
| Total revenue raised | 9 872 | 5 571 |

Table 7-11 REVENUE EFFORT, NORFOLK ISLAND, 1995-96

| Category of tax | Revenue effort |
|---|----------------|
| | % |
| Taxes, charges and dividends raised on Norfolk Island | 184.1 |
| Taxes, charges and dividends raised on the mainland but not Norfolk | 0.0 |
| Total revenue raised | 62.2 |

50. This calculation confirms that, for the range of taxes and charges raised on Norfolk, the Norfolk Island Government imposes them at rates that are considerably higher than elsewhere. However, overall it seems that residents of the Island are paying only about 60 per cent of what they would pay if they lived on the mainland. Major taxes not imposed are:

- income tax; and
- sales tax (although Norfolk's relatively high Customs Duties mean that they might, to some extent, be performing the same function as sales tax).

Issues in Norfolk Island Government Revenue Raising

51. ***Tax evasion.*** We have some concerns about the systems employed by Norfolk to ensure payment of tax. Mainland governments make a big effort to ensure compliance with their tax laws. For Norfolk, our analysis of the Workers Compensation Levy indicates that, on the basis of amounts paid, the average hours worked would be less than 25 whereas the 1996 Census of Population and Housing indicated that it exceeded 35. The Norfolk Administration confirmed that this tax is levied on an honesty basis; there are no checks on whether employees are working more hours than claimed. It appears that some Norfolk employers are evading their liability. We do not know the extent of evasion of other taxes, but this is not the only case where the honesty system applies.

52. ***Mobility of tax bases.*** One of the difficulties for the Norfolk Island Government is the mobility of the population and its resources. Governments normally consider the mobility of tax bases when setting their tax rates. Some Norfolk Island taxes may be more mobile than their mainland counterparts. Financial Institutions Levy (FIL) seems to be an example in that modern communication and banking methods have enabled Norfolk businesses to bank outside the Territory. A 37 per cent fall in the level of transactions liable to pay the Island's FIL accompanied a four fold increase (to one per cent) in the levy in 1990. Experience with the Island's FIL indicates that taxpayers can adjust quickly to a tax change.

53. Table 7-12 provides a comparison of transactions liable for the FIL and importation of goods for the period 1989-90 to 1995-96. Imports are used as an indicator of economic activity because of the lack of other information. The table shows that, while imports fell by 14 per cent at one stage, by the end of 1995-96 they were 1 per cent above their 1989-90 level. The FIL tax base, however, was still over 30 per cent lower. As it seems that economic activity has not declined, most of the decline in the FIL tax base must be assumed to be due to tax minimisation.

Table 7-12 COMPARISON OF TRANSACTIONS LIABLE FOR THE FINANCIAL TRANSACTIONS LEVY AND IMPORTS OF GOODS

| | 1989-90 | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|
| FIL levy (%) | 0.25 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| FIL revenue raised (\$m) | 0.3 | 1.2 | 1.1 | 0.9 | 0.8 | 0.8 | 0.9 |
| FIL tax base (\$m) | 129.3 | 116.4 | 109.3 | 91.3 | 83.3 | 81.3 | 89.1 |
| Imports of goods (\$m) | 24.4 | 25.9 | 24.4 | 21.0 | 20.9 | 24.8 | 24.6 |
| Ratio of FIL tax base to imports | 5.30 | 4.50 | 4.48 | 4.34 | 3.98 | 3.28 | 3.61 |

Source: Norfolk Island Government Submission, April 1997, pages 66 and 67. Import figures from Access Economics, *Norfolk Island: Recent Economic Performance, Present Situation and Future economic Viability. Is There A Case For Change?*, Canberra, March, p36.

54. Had the ratio of the FIL tax base to imports not declined, then the level of transactions liable to pay the FIL would have been over \$130 million rather than \$89.1 million, and the increased revenue to the government would have been about \$400 000 (or \$225 per capita). Access Economics estimated a level of taxable transactions of \$154.9 million after allowing for inflation. This would have led to an increase in government revenue of about \$650 000. Again their estimate is higher than the ours, but on any reckoning, it is obvious that there is much tax minimisation by Island residents. Given the extent of the FIL minimisation, it would be naive to believe that other taxes were not being minimised or avoided.

55. Taxes that are based on the usual place of residence of the taxpayer are usually the least mobile. Taxes on tourists are also immobile. In our view, the least mobile of the Norfolk Island tax bases are those relating to taxes on:

- inputs (such as Customs Duty, Workers Compensation Levy, Fuel Levy and motor vehicle registrations);
- individuals (such as the Healthcare Levy and Motor Vehicle Licences);
- the value of residential and commercial land; and
- tourists (such as Landing Fees, the Departure Tax and the Accommodation Levy).

56. We suggest that the Norfolk Island Government should look closely at tax mobility issues when any future restructure of the Norfolk taxation system is being considered. This would apply to any expenditure or Goods and Services Tax (GST). Given what happened when the FIL was increased, it is important to take into account the likelihood of sections of the community avoiding a GST by directing their discretionary spending off Norfolk.

57. **Choosing a tax regime.** Compared to the mainland, Norfolk Island has a lower revenue performance, due largely to the narrower range of taxes imposed on the Island. We have not recommended the introduction of specific taxes or specific increases in existing tax rates. These are matters for governments to decide. However, given the unusually wide range of revenue powers available to the Norfolk Island Government a number of observations can be made.

58. The Norfolk Island Government's reliance on narrowly based indirect taxes and GBE income means that its revenue growth is dependent upon increased expenditure, particularly by tourists. This leaves the Government, as well as the economy, vulnerable to the tourist sector. Thus, in a tourist driven economic decline, the Government might not have the resources to carry out its functions at present levels. A broadening of the Government's tax base would reduce its reliance on the tourist industry.

59. The Norfolk Island Government could broaden its tax base by increasing its taxation of income and/or wealth. The earlier analysis in this chapter showed that mainland governments raised 54 per cent of their revenue from taxes on income and wealth, whereas the Norfolk Island Government raised only 4 per cent from these sources.

60. **Income.** One submission suggested that the low level of wages on the Island meant that the community could not pay income tax. Of course, income tax applies to all forms of personal income, not just wages and salaries, and generally company income as well. Our estimates in Chapter 4 of wages and salaries per capita and gross profit per capita for Norfolk suggested that these were, in fact, higher than for the mainland.

61. Whether someone would be better or worse off if income tax were introduced on Norfolk would depend on:

- the extent to which wages and salaries levels were increased to compensate;
- the definition of income and the tax scale chosen; and
- how the Norfolk Island Government used the additional revenues.

For example, assuming that the overall tax collected stayed the same, the introduction of a progressive income tax to replace the Customs Duty would result in many people on Norfolk paying less tax. Those on higher incomes would probably pay more, resulting in a more equitable distribution of the tax burden.

62. **Wealth.** If the Norfolk Island Government were to extend its taxation to wealth, it could most readily do so by imposing municipal rates or land taxes similar to those imposed on the mainland. Table 7-13 shows the estimated value of residential and commercial land on the Island. These estimates are based on valuations of crown leasehold land. Table 7-13 also shows the tax payable if a tax of 2 per cent were levied on the estimated value of residential land (the same rate as the Absentee Landowners Levy) and a tax of 5 per cent were levied on the estimated value of commercial land. Land is immobile and land tax cannot be avoided.

Table 7-13 ESTIMATED VALUE OF LAND

| Type of land | Estimated value of land | Tax payable ^(a) |
|--------------|-------------------------|----------------------------|
| | \$'000s | \$'000s |
| Residential | 14 722 | 294 |
| Commercial | 4 996 | 250 |
| Total | 19 718 | 544 |

(a) Assuming tax levied at 2 per cent of estimated value of residential land and at 5 per cent of estimated value of commercial land.

63. In 1995-96, the Norfolk Island Government raised \$58 571 from its Absentee Landowners Levy. This is about 11 per cent of the estimate of tax payable shown in Table 7-13.

64. This discussion has shown that there is some capacity for the Norfolk Island Government to tax income and wealth on the Island. The existence of this capacity underlies our conclusion that the Norfolk Island Government has a lower relative revenue performance compared with mainland Governments. Nevertheless, the choice of tax mix and tax rates remain matters for governments to decide.

SUMMARY

65. Norfolk has considerable untapped revenue sources that the Government could access, if it wished, to provide better services and infrastructure to its constituency. The main reason for its low revenue performance is the narrower range of taxes and charges imposed on the Island; a number of tax bases are not used at all.

66. In the areas that the Norfolk Island Government does tax, its tax rates are high and indicate a revenue raising effort more than twice that found on the mainland. With very limited taxation of income and wealth, its tax regime is regressive.

67. In total, Norfolk Island is estimated to have a per capita revenue raising capacity close to 40 per cent higher than the mainland. This means that the Norfolk Government could raise over 60 per cent more revenue than it actually does.

CHAPTER 8

FINANCIAL CAPACITY TO PROVIDE SERVICES

1. This chapter examines the financial capacity of the Norfolk Island Government:

- to continue providing the range and standard of services it currently provides, given the existing revenue effort;
- to provide at mainland levels the range of services it currently has the power to provide, assuming it makes a revenue effort comparable with that on the mainland; and
- to provide a wider range of services in the future, again assuming it makes a revenue effort comparable with that on the mainland.

It also comments on methods for considering whether the Island could be entitled to general revenue or capital grants from the Commonwealth and on Norfolk's capacity to borrow.

THE EXISTING FINANCIAL POSITION

2. Chapter 5 and Attachment D contain details of the recurrent budget outcomes of the Norfolk Island Government. They indicate that over the years 1993-94 to 1995-96 there was an average annual cash surplus of about \$2.1 million when the operations of the Revenue Fund and the government enterprises are consolidated. Those cash surpluses were used to fund capital expenditures, which averaged about \$1.3 million a year, and to increase cash balances. The cash balances moved from \$4.4 million at 30 June 1993 to \$6.5 million at 30 June 1996.

3. These results are partly due to decisions to increase revenue raising efforts in 1994-95. They are also due to the policies the Government appears to adopt in framing its budgets. Those policies, which exert a strong downward influence on expenditure, include:

- the objective of achieving a balance or a surplus in the Revenue Fund;
- an incremental approach to the budget and the services provided;

- constraining movements in the total public service wages and salaries bill;
- maintaining close controls over the levels of reserves held by each of the business enterprises and reallocating those reserves when it is considered necessary;
- a centralised approach to the setting of priorities for capital expenditure;
- an objective of minimising taxes; and
- a strong preference not to borrow to fund capital expenditures.

4. If the results of the Revenue Fund and the business undertakings are examined separately two points stand out:

- the Government's objective of achieving balance or a surplus on the Revenue Fund depends on transfers of dividends and other funds from the businesses and there was a large increase in those transfers in 1995-96; and
- about two thirds of the increase in cash balances occurred in the accounts of the Norfolk Island Airport.

5. *Net assets.* The value of the net assets of all the government enterprises increased from \$18.285 million at 30 June 1993 to \$18.665 million at 30 June 1996 in nominal terms, an annual increase of less than 1 per cent. That small increase is considerably below the inflation rate and it masks some potential problems. For example, if the figures for net assets are adjusted to remove the cash reserves of the Airport, they become \$17.271 million at 30 June 1993 and \$15.913 million at 30 June 1996, a fall of nearly 8 per cent. Alternatively, if the figures are based on non-cash net assets for all enterprises, they are \$15.781 million at 30 June 1992 and \$13.322 million at 30 June 1996 (a decline of over 15 per cent).

6. These figures imply that, over this period, capital expenditures were less than depreciation provisions, resulting in a run down in the value of fixed assets. Moreover, a cursory examination of the coverage of the capital expenditures that have been made over these years indicates that much of it relates to the purchase of equipment for the telephone exchange and work on the electricity distribution system.

7. A similar picture can be obtained by looking at the relationship between capital expenditure and the value of assets. Information provided by the Norfolk Island Government indicates that, over the ten years ended 30 June 1996, average annual capital expenditure by the business enterprises was about \$750 000. This is about 5.5 per cent of the value of their fixed assets (approximately \$14.0 million), and is less than the average annual amount that would be spent if, on average, the assets were replaced over a 15 year period (around \$950 000).

8. The analysis suggests that, with some exceptions, past policies have resulted in a run down of the fixed assets of the government businesses. Particular examples based on our observations could be the electricity generating equipment (where it seems that at least one, and possibly three, of the five units have exceeded their useful lives as measured for accounting purposes), some heavy vehicles and some hospital equipment.

9. Thus, there is likely to be a need for increased capital expenditures in the future. While, in aggregate, cash reserves are being accumulated to meet those future expenditures, they may not be sufficient, especially if the funds generated by the Airport continue to be earmarked for its future capital needs. Moreover, it is likely that the capital facilities required in the future will need to be of greater capacity and relatively more expensive than those they replace. With the exception of computing equipment, savings that stem mainly from depreciation of historical costs are unlikely to be sufficient to replace an asset, particularly if its technical sophistication has increased.

10. Our conclusion that the value of fixed assets held by the government businesses is falling does not necessarily suggest that the undertakings will be unable to continue to provide their services. During the July conference, it was argued that equipment on Norfolk is often used for much longer than its accounting life with little effect on the provision of services. This is undoubtedly the case and there is nothing inherently wrong with such practices, so long as they are not continued past the point where the savings from deferring replacement are more than offset by higher maintenance costs and increased risk of major breakdowns. Our discussions on the Island suggested that this point may have been passed in some cases because serious concerns were expressed about the high cost of frequent maintenance of equipment, the implications of equipment breakdowns and the difficulty of repairing old equipment when it does fail.

11. If there are large differences between the actual and accounting lives of assets on Norfolk, it might be desirable to amend the accounting practices to use the efficient useful lives in calculating depreciation charges. Such a change would produce a more realistic picture of the cost of equipment used in providing services.

12. The analysis, using the Norfolk Island Government Financial Statements, is thus sensitive to the accounting policies adopted in preparing those accounts. In particular, the criteria used to distinguish between capital and recurrent expenditure (and thus the value of assets) could influence the calculations. Transactions as low as \$485 have been classified as capital. Under criteria used by the Commonwealth, items with a value of less than \$2000 are treated as recurrent. Nevertheless, it is unlikely that the conclusions of the analysis would be much affected by different policies on this matter.

13. It has not been possible to do similar figuring for the Revenue Fund but it is probable that, on the whole, its assets are also being run down. Our observations suggest that this could be the case for some community assets and some plant and equipment used by the works depot.

The Budget Outlook

14. Our analysis indicates that, for several reasons, including the ageing of the population and the run down in its infrastructure, the Norfolk Island Government is likely to face increased expenditures in the future, even if there are no changes in the range or standard of services for which it has responsibility. If there were no downturn in the Island's economy, the Government would be able to fund those additional expenditures, especially if it were to use more of its tax base.

15. If there were a moderate economic downturn, the financing task would become harder. To illustrate such an outcome, we have used the projected movements in the Island's budget provided by Access Economics in its recent report to the Norfolk Island Government. Table 8-1 summarises the recent budgetary results and those projected results up to the year 1999-2000. The projected results are based on the Access Economics forecasts, which assume unchanged government policies and some reductions in income from the tourist industry, and an assumption that the Revenue Fund would be balanced by dividends paid by the businesses.

Table 8-1 ACTUAL AND PROJECTED RESULTS OF REVENUE FUND AND BUSINESS ENTERPRISES, 1991-92 TO 1999-2000

| | Revenue Fund Outcome ^(a) | Undistributed Profits of Business Enterprises ^(b) |
|----------------------|-------------------------------------|---|
| | \$'000 | \$'000 |
| 1991-92 (actual) | -212 | 229 |
| 1992-93 (actual) | -257 | 325 |
| 1993-94 (actual) | -134 | 765 |
| 1994-95 (actual) | 345 | 320 |
| 1995-96 (actual) | 600 | -391 |
| 1996-97 (forecast) | 423 | 574 |
| 1997-98 (forecast) | 0 | -205 |
| 1998-99 (forecast) | 0 | -111 |
| 1999-2000 (forecast) | 0 | -153 |

(a) The net surplus/deficit of the Revenue Fund including its capital expenditure and all transfers from business undertakings.

(b) The total profits or losses of business enterprises less dividends and capital amounts paid to the Revenue Fund. For the years 1996-97 and thereafter, the dividends have been estimated as \$2 million plus any deficit on the Revenue Fund forecast by Access Economics.

Source: Access Economics, *Norfolk Island: Recent Economic Performance, Present Situation, and Future Economic Viability*, March 1997, p30.

16. In both 1994-95 and 1995-96, the Revenue Fund required dividend payments from the business undertakings of about \$2 million and, on these projections, larger amounts could be required in the near future. The illustrative projections in Table 8-1 suggest that requiring the business undertakings to contribute those amounts could lead to reductions in their cash reserves or in their capital expenditure programs. Given our expectations that at least some of the businesses will need to increase their capital expenditures, either of these actions could be only short term solutions. Maintenance of existing services and capital stocks in the longer term would require the Government to increase its revenue raising effort.

FINANCIAL CAPACITY TO FULFIL PRESENT RESPONSIBILITIES

17. Chapter 6 concluded that, after taking account of the special circumstances of Norfolk Island, some services are provided at levels below those available in small remote communities on the mainland. It also noted that there are some services, mainly of an administrative or regulatory nature, which the Norfolk Island Government has powers to provide, but generally does not.

Recurrent Expenditure

18. Estimates of the additional recurrent expenditure that might be incurred in providing mainland levels of services are difficult to make, but some estimates, together with a brief explanation of the bases on which they were made, are set out in Table 8-2. These estimates include \$100 000 for additional training of public service officers, a cost that in the longer term should be offset by efficiency savings.

19. The Norfolk Island Government elected in April 1997 has not yet fully considered the range and level of services it provides. However, during the July conference, government representatives noted that action on some of the services listed in Table 8-2, such as the appointment of staff to administer the planning and land administration processes, had been taken during 1996-97. Other representatives suggested that, of the remaining services, vocational education and training would have a high priority. There was a more tentative view that expenditure on social security and welfare might need to be increased. Our view is that vocational education and training, health insurance, social security and some State-type welfare services are the main issues.

Table 8-2 ESTIMATED ADDITIONAL RECURRENT EXPENDITURE TO PROVIDE STANDARD LEVEL OF SERVICES, 1995-96

| Service | Basis of Estimate | Estimate \$ each year |
|---|--|--------------------------|
| Employment, Vocational Education and Training | Average expenditure by the States on technical education for each person aged 15 and over, increased by 30 per cent to allow for scale, isolation and other disabilities, applied to Norfolk's permanent population aged 15 and over. | 300 000 |
| Welfare services | Half the average expenditure by the States on family and child welfare for each person under 17 years applied to Norfolk's permanent population aged under 17 years; plus half the average expenditure by the States on services for the aged and disabled for each person aged 60 and over applied to Norfolk's permanent population aged 60 and over; plus half the average expenditure by the States on other welfare services for each beneficiary applied to Norfolk's welfare beneficiaries, increased by 5 per cent to allow for scale, isolation and other disabilities. | 160 000 |
| Social security benefits | Australian expenditures on age, and widows' pensions for each person aged 60 and over applied to 75 per cent of the permanent Norfolk population aged 60 and over, plus Australian disability pensions for each beneficiary applied to 75 per cent of the number of handicapped people on Norfolk, less Norfolk's expenditure on social service benefits. | 950 000 |
| Housing assistance | Half the Australian average expenditure on housing assistance per capita, applied to Norfolk's ordinarily resident population. | 50 000 |
| Health insurance | Australian per capita expenditure on medical and pharmaceutical benefits, applied to Norfolk's ordinarily resident population, less the Norfolk Government contribution to Healthcare Fund and hospital and medical expenses for approved persons. | 350 000 |
| | Hospital revenue foregone: Assume 75 per cent of inpatients would receive free hospital treatment under mainland Medicare arrangements. | 370 000 |
| Planning and environment, administration | Costs of one middle-ranking officer ^(a) . | 40 000 |
| Land administration | Costs of one middle-ranking officer ^(a) . | 40 000 |
| Fire services, training | Expenses and salaries for two people to visit Norfolk Island for one week each year. | 10 000 |
| Additional training for public service staff | Additional expenditure required to increase training expenditure to three per cent of salaries. | 100 000 |
| Other services ^(b) | Estimate. | 100 000 |
| Total | | 2 470 000 |

(a) An officer was appointed for this purpose in 1996-97.

(b) Includes regulatory and administrative services not provided and support for a pre-school and cultural activities.

Infrastructure

20. Estimates of infrastructure expenditures are more difficult to make because they require information on the condition of existing infrastructure and its remaining useful life, as well as information on the additional infrastructure needed to provide mainland standard services. We think that a useful early step in the long term planning processes for the Island would be to engage experts in the field to conduct a full review of the Island's infrastructure and its future requirements. Such a review would provide independent technical guidance on the condition of existing infrastructure, priorities for individual projects and projections for annual expenditures, which would be invaluable in the budgeting and planning processes.

21. In the absence of such advice, we have prepared indicative estimates of expenditures on infrastructure and capital equipment required to provide mainland standards of services on Norfolk. These estimates are based on information in the submissions to this inquiry, the accounts of the Norfolk Island Administration, and judgement based on what we were told and saw for ourselves. Table 8-3 contains our estimates of total capital expenditures that might be incurred over the next 10 years, and a brief indication of the basis of the estimates.

22. During the July conference, it was noted that funds were already available for some of these items and that action had begun to address them. For example, decisions have been taken on the purchase of a new electricity generator, X-ray equipment for the hospital, computing equipment and some heavy vehicles. With the completion of the undergrounding of electricity mains, the development of the Burnt Pine area, including the provision of street lights, is scheduled to proceed. A long term plan for the airport pavement works and a new terminal has been prepared. These outlays will be funded from reserves and surpluses generated by the airport operations. Moreover, analysis of options for waste management facilities and the stabilisation of Cascade Cliff are well advanced. In the Cascade Cliff case, the Government indicated that the options under consideration could result in the initial stabilisation work being done with no cost to it. However, there would be a loss of future revenue and costs would be incurred in the future when rock products were purchased for roadworks.

23. Obviously, some of the estimates in Table 8-3 are rough. If a general adjustment were made for possible overestimates, it might be that total capital expenditure needed over the 10 years would be about \$55 million. That amount would imply average annual expenditures and/or provisions of \$5.5 million. Assuming a continuation of the policy of not borrowing to fund capital expenditures, provisions of that order would need to be made out of recurrent revenues.

Table 8-3 INDICATIVE CAPITAL EXPENDITURE NEEDS OVER TEN YEARS TO PROVIDE MAINLAND STANDARDS

| Expenditure | Basis of Estimate | Total \$m |
|---|--|--------------|
| Harbour | Norfolk and DEST submissions. | 11.0 |
| Cascade Cliff | Advice during conference on draft report. | 0 |
| Hospital (including aged care facilities) – replace | Norfolk submission. | 10.0 |
| Airport – new terminal | Norfolk submission. | 2.2 |
| Airport – pavement works | Norfolk submission. | 7.0 |
| Waste management minimum facilities | Norfolk submission. | 0.8 |
| Electricity service – replace three oldest generators and other works | Three generators at \$650 000 each, plus other works at \$100 000 a year. | 3.0 |
| Emergency services – replace equipment | Norfolk submission. | 1.2 |
| Burnt Pine development | Norfolk submission. | 1.1 |
| Roads – urgent road works, on-going reconstruction and maintenance, replacement of heavy vehicles | DEST submission plus average annual expenditure on reconstruction and, say, \$250 000 for replacement of vehicles. | 4.8 |
| Works depot – replace and upgrade equipment | Estimate. | 2.0 |
| Water assurance – replace equipment and some extension of mains | Historical value of equipment plus 50 per cent of mains. | 2.4 |
| School – refurbish buildings and extend for vocational education | Estimate. | 5.0 |
| Telecom – replace and upgrade equipment | Estimate. | 5.0 |
| Lightrage service – replace cranes and equipment | Historical value of equipment. | 0.4 |
| Broadcasting – replace and upgrade buildings and equipment | Estimate. | 0.5 |
| Court house and land registry office – build | Estimate, based on cost of police station | 1.0 |
| Building refurbishment | Estimated as an average of \$200 000 a year. | 2.0 |
| Vehicles, plant and equipment, furniture and fittings, and other minor works | Average amounts spent in last few years were about \$250 000. | 2.5 |
| Total | | 61.8 |

Financial Limitations

24. If the figures in Table 8-3 were ‘within the ball park’, the Norfolk Island Government would not have the financial resources under present revenue raising policies to meet the expenditures.

25. However, Chapter 7 concludes that, while the Norfolk Island Government is making a higher effort than on the mainland in relation to the taxes and charges it actually imposes, several taxes imposed on the mainland are not imposed on Norfolk. It is estimated that, if the standard revenue raising effort were applied on the Island, \$15.9 million might be collected each year.

26. Table 8-4 shows the Commission's estimates of recurrent and capital expenditures that might be incurred on Norfolk if services were to be provided at mainland levels. It also shows the estimates of the recurrent revenue that could be raised if mainland revenue raising efforts were to be applied to Norfolk's tax bases and other funds already available to finance capital expenditure. In preparing the table, it has been assumed that the existing Commonwealth expenditure on services provided for Norfolk, such as its contribution to KAVHA, would continue.

Table 8-4 ILLUSTRATIVE 1995-96 NORFOLK BUDGET, ASSUMING MAINLAND EXPENDITURES AND REVENUE RAISING EFFORT

| | Amount |
|--|------------|
| | \$ |
| Revenue at mainland revenue raising effort ^(a) | 15 900 000 |
| Less: Recurrent expenditure ^(b) | 7 500 000 |
| Extra recurrent expenditure to provide mainland standards ^(c) | 2 470 000 |
| Surplus on recurrent account | 5 930 000 |
| Plus: Undistributed profits of business enterprises ^(d) | 280 000 |
| Funds from depreciation provisions | 1 200 000 |
| Total funds available for capital expenditure | 7 410 000 |
| Less: Annual capital requirement | 5 500 000 |
| Surplus, estimated | 1 910 000 |

(a) From Table 7-12.

(b) Total 1995-96 expenditure of the Revenue Fund less capital expenditure (\$620 000) and expenses recovered from business enterprises (\$600 000).

(c) From Table 8-2.

(d) Surplus of business enterprises for 1995-96 (\$2 100 000) less revenues at mainland revenue efforts for landing fees, Healthcare levy and transfers from business enterprises (\$1 620 000). Actual revenue from the Workers Compensation Levy (about \$200 000) has also been deducted as the analysis assumes it is part of pay-roll taxation.

27. Putting the estimated recurrent revenues and expenditures together indicates that Norfolk Island has the financial capacity for its Government to provide mainland levels of recurrent services. The financial capacity also exists to provide infrastructure at

mainland levels, given the existing cash reserves, the surplus on recurrent activities, the revenue available from the undistributed profits of the business undertakings and the funds generated by the depreciation provisions.

28. This analysis is based on the estimated average annual capital requirement over the ten years commencing 1996-97. That simple approach has been taken to avoid problems presented by the lumpy nature of infrastructure expenditure and to allow for the element of choice in its timing. That is:

- some infrastructure projects have already commenced or are planned to commence in the near future (for example waste minimisation facilities and the replacement of some plant and equipment);
- others could be deferred for a short time, pending the outcome of studies into the best options (for example, harbour facilities); and
- others are further down the track because existing facilities are adequate for the time being (for example, the hospital) or the existing demand does not justify dedicated facilities.

29. These tentative conclusions are based on an implicit assumption that the level of economic activity on the Island would remain at about the levels we estimate in Chapter 4. However, for many reasons, this may not be the case.

30. The forecast movements in the results of the Revenue Fund and government businesses shown in Table 8-1 indicate that even on the basis of unchanged policies the government could face a deteriorating budget outcome. A big downturn in tourism would cause a budget crisis.

31. Any changes in government policy to increase the standard of services and revenue raising efforts towards mainland levels could also affect the level of economic activity on the Island and thus have second round effects on the government budget. These are not likely to be large enough to negate our conclusions, given our conservative estimates of the economy.

Summary

32. Successive Norfolk Island Governments have kept the level of taxes low, resulting in low levels of services and expenditure on infrastructure. If the present Government were to use its financial capacity to the same extent as is done on the mainland, it would have the financial resources to fulfil its present responsibilities at mainland levels.

FINANCIAL CAPACITY TO ACCEPT ADDITIONAL RESPONSIBILITIES

33. At various times, it has been suggested that Norfolk Island should eventually take over responsibility for all the remaining powers reserved to the Commonwealth, except

defence and foreign affairs. In particular, it was suggested during this inquiry, not always by the Norfolk Island Government, that it should take over:

- (i) land management;
- (ii) control of the seas within the 200 nautical mile limit;
- (iii) the activities of KAVHA;
- (iv) the National Park; and
- (v) offshore financial activities.

34. The possibility of a transfer of the powers necessary for Norfolk Island to become an offshore financial centre has not been considered in this section because there is no definite proposal from the Norfolk Government. In any case, Chapter 4 suggested that, although development of an offshore financial centre may be a longer term prospect for economic diversification, there are many issues that would need to be resolved by the Commonwealth and Norfolk Island Governments before such a centre could be developed.

35. The following considers the possible transfer of each of the other functions in terms of the expenditure responsibilities involved and the revenue such a transfer might bring.

36. ***Land management.*** The current dual system of land management on Norfolk Island is both duplicative and inefficient. The Commonwealth and the Norfolk Island Governments propose to address this issue once the new land legislation package is fully operative and working efficiently. As a precursor to transfer of any further land administration powers, the Norfolk Island Land Review Working Group set out detailed arrangements that need to be in place. The Commonwealth has indicated that its view on any transfer would depend partly on whether it is satisfied that adequate resources are available for the continued operation of those arrangements.

37. During 1996-97, a land titles administrator and a planning officer were appointed to undertake tasks required by the August 1996 package of legislation relating to land management and planning (including acts covering lands titles, planning, building, subdivision, Crown lands, land administration fees, roads, heritage and public health). A computerised lands titles system for the Island has also been developed with financial assistance from the Commonwealth. Given those actions, the takeover of further land management powers should not lead to many additional financial burdens for the Norfolk Island Government. Moreover, because land not currently controlled by the Norfolk Island Government is leasehold from which revenues are raised, a transfer of this function could result in the Norfolk Government collecting sufficient additional revenue to offset any additional cost involved. Thus it would seem that the transfer of this function is a matter for consideration in a wider sense — the financial aspects do not impose constraints.

38. ***Control of the sea.*** There was considerable argument from the Norfolk Island Government concerning the prospect of having control of the sea and resources in and under it, out to the international limit of 200 nautical miles. The options for such a

transfer, the expenditures Norfolk might incur and revenues Norfolk might raise as a result of it were discussed in Chapter 4.

39. That discussion concluded that the resulting expenditures would most likely exceed the small additional revenue Norfolk might collect from fishing rights and that any royalties from oil and gas production were most unlikely.

40. ***Kingston and Arthur's Vale Historic Area (KAVHA)***. The Commission views the KAVHA district as one of the prime tourist attractions of Norfolk Island. It is an important part of Australia's history and, during the July conference, we were told that the statement of significance in the heritage listing of the area was recently amended to recognise its importance to the history of the Pitcairners. The interpretative material for the area has also been amended to increase the emphasis on the Pitcairn settlement.

41. It is said that all tourists to the Island visit the KAVHA area. However, there are indications that the Island residents undervalue its tourist potential. The KAVHA Management Board has recently begun to develop a business plan for the area that will, among other things, attempt to identify revenue raising opportunities, with the long term aim of making the area self sufficient. Based on the experience in other heritage listed areas, the achievement of that aim might be assisted if the KAVHA area were to be listed.

42. The only revenue now generated direct from the area appears to be from property leases and the activities of the Norfolk Island Government's museums. This revenue benefits the Norfolk Island budget. Unlike costs in the KAVHA area, the revenue is not shared between the Norfolk Island and Commonwealth Governments. The fact that commercial tourist enterprises are currently using KAVHA assets free of charge indicates that there is some additional revenue raising capacity here, possibly through a levy on the operators.

43. In 1995-96, the Commonwealth contribution to KAVHA was \$392 000, and this seems to be one of the keys to whether or not the Norfolk Island Government could take over this function. Unless those grants continued or the Norfolk Island Government used more of its revenue raising capacity, it would not be able to continue to provide the current level of service. We do not see a lower level of service as appropriate. The area has national, as well as local importance and the Commonwealth should continue to be involved.

44. ***Norfolk Island National Park***. With the exceptions of Uluru and Kakadu, and the park in the Jervis Bay Territory, all National Parks on the mainland are controlled and run by State Governments. Thus, there is some argument for transferring the responsibility for the services currently provided by Parks Australia to the Norfolk Island Government. However, there is a national interest in the park. Moreover, in accordance with international treaties, the National Park is run to international standards, as adapted to the Norfolk environment. Thus, any transfer would need to be conditional on an undertaking that the existing standards would be maintained.

45. The National Park on Norfolk has almost 100 per cent attendance by tourists and the tour operators do not pay any permit fees. Given the nature of the park, it is most

unlikely that a cost effective entry fee could be introduced, although it might be feasible to impose a fee on tour operators.

46. In 1995-96, Parks Australia spent \$659 000 on Norfolk Island. Hence, the Norfolk Island Government would incur considerable additional expenditure if it took over the National Park. Some improvements in efficiency might be possible by integrating the operations of Parks Australia and the Norfolk Island Forestry Department. However, since the objectives of the two organisations are different and because any integrated operation should aim to achieve both sets of objectives, it is likely that any gains would be small, possibly less than ten per cent of the Parks Australia's Norfolk Island budget. Thus, the Norfolk Island Government expenditure could increase by as much as \$600 000.

47. The analysis earlier in this chapter indicated that the Norfolk Island Government could raise such additional revenue if it chose to increase its revenue raising efforts. Thus any decision on the transfer of responsibility for the park could depend on wider considerations, including the extent of the national interest in the park and its environmental assets, and the ability of the Norfolk Island Government to recruit and retain the necessary administrative and technical expertise.

Summary

48. In general, it would seem that, of all the functions considered for transfer to the Norfolk Island Government, only land management would not result in an additional financial burden. The others would result in additional expenditures in excess of \$1 million (about \$600 000 for the National Park, \$400 000 for KAVHA and an unknown amount for control of the seas) and little extra revenue. On the other hand, given the national significance of KAVHA and some aspects of the National Park, there is a case for the Commonwealth retaining an interest in those activities or for some Commonwealth assistance.

49. Using the estimates in Table 8-4, taking over these powers should be within the financial capacity of the Norfolk Island Government, provided it increased its revenue raising effort. In fact, the figures suggest that the Norfolk Island Government could provide mainland standards of service in all areas where it currently has statutory responsibility, meet all the associated infrastructure costs and take over the extra responsibilities, if it increased its revenue raising effort to mainland levels.

COMMONWEALTH ASSISTANCE

50. The previous discussion has been based on the assumption that expenditure on services and infrastructure on Norfolk Island would be funded largely by the revenue raising efforts of the Norfolk Island Government.

51. However, in financial terms, the Australian Federation operates on the Commonwealth raising the bulk of the revenue and paying grants to both States and local government. On average, the States receive about 40 per cent of their recurrent revenue

from the Commonwealth through grants. More than half the funds transferred from the Commonwealth are untied — the States can do with them as they wish. The level of Commonwealth assistance given to a State, Territory or local government authority is not related to its contribution to the Commonwealth budget and some local government areas (for example the remote Aboriginal Councils) would contribute very little indeed.

52. As was seen in Chapter 5, Norfolk Island receives much less revenue per capita from the Commonwealth than do other Territories, either internal or external. There are many reasons why this is so, including:

- the expectation of many, both on and off the Island, that Norfolk Island should be self sufficient¹;
- the degree to which past Norfolk Island Governments have sought independence from Australia rather than reliance on the Commonwealth; and
- the consequent wider powers that the Norfolk Island Government has to raise revenues.

53. While it is ultimately for the Norfolk Island community to decide on the level of services appropriate to Norfolk, its Government's past pursuit of financial self sufficiency (and rejection of specific offers of Commonwealth assistance) has, in our opinion, resulted in lower standards of services and infrastructure than need be.

54. In principle, Norfolk Island's eligibility for assistance from the Commonwealth to fund recurrent needs could be estimated using the Commission's usual methods. Estimating such a level of assistance would require information on:

- the revenues raised by the Commonwealth, State and local governments on the mainland from those taxes which Norfolk has the power to impose;
- the expenditures by the Commonwealth, State and local governments on the mainland on those services which Norfolk has the statutory responsibility or power to provide; and
- the effects of disability factors (such as the small scale of operations, the isolation and the greater proportion of the population in the higher age groups) on the costs of providing services and the capacity to raise revenue.

55. Whether or not a grant could be justified would depend largely on a comparison between the calculated level of assistance required and the contribution the Commonwealth is already making to Norfolk in the form of expenditure on services related to Norfolk.

¹ DEST submission, p41.

56. We have been unable to make these calculations, mainly because adequate data are not available. However, our impression is that, particularly taking account of Norfolk's access to Commonwealth type taxation, and the conservative nature of our estimates of its revenue capacity, the Island would be most unlikely to be eligible for recurrent general revenue grants.

57. On the capital side, the Commonwealth provides very little capital assistance to States — there is no general purpose capital funding and only a small amount of specific purpose payments for capital purposes. A notional entitlement to Commonwealth assistance for capital requirements could be based on an assessment of need for such assistance, taking into account the following points.

- Is infrastructure provided at levels similar to, above or below, that provided in the States?
- Has the Norfolk Island community made a reasonable effort to fund its infrastructure from its own resources?
- Are there special reasons why the Commonwealth should provide capital funds for the Island?

58. A number of submissions argued that the Commonwealth had left the Norfolk Island Government a legacy of sub-standard infrastructure in 1979 and that it had an obligation to rectify this. The Commonwealth noted that, while the problems of Cascade Cliff, the lack of adequate harbour facilities and many other inadequacies with infrastructure existed prior to 1979, the Island community, in its desire to achieve self government, accepted the infrastructure as it was. For its part, the Norfolk Island Government argued that in 1979 it did not have the capacity to do more than concentrate on the major issue, the achievement of self government. Moreover, its actions did not imply that it considered the standard of the infrastructure was acceptable.

59. The Norfolk Island Government also argued that, since 1979, its capacity to improve services has been limited because resources have been required to overcome the inadequacies in the infrastructure transferred to it.

60. We have no way of assessing these arguments. However, we think there is some justification for the Commonwealth making a contribution to overcome safety problems or improve items of infrastructure that were known to be inadequate before self government, such as Cascade Cliff and the harbour.

CAPACITY TO BORROW

61. On the mainland, State and local governments have the power to borrow as and when they see fit, subject to co-ordination through the Loans Council and their capacity to repay such loans.

62. The Norfolk Island Government's capacity to borrow is limited by legislative arrangements and its capacity to repay loans. Its initial submission² outlined its borrowing arrangements. In brief, the *Norfolk Island Act 1979* authorises:

- the Commonwealth Minister for Finance to loan money to the Administration or a Territory Authority;
- Norfolk Island to borrow, other than from the Commonwealth, with the specific, prior and written approval of the Treasurer; and
- the Treasurer to act as guarantor for loans, other than from the Commonwealth.

63. The previous Norfolk Island Government said these arrangements precluded it from obtaining short term credit such as a bank overdraft. It also noted that, while there were no external loans at present, this facility had been used in the 1970s (prior to the establishment of the Norfolk Island Legislative Assembly). If the Norfolk Island Government has responsibility for service and infrastructure provision, it seems reasonable that it should also be given the capacity to take out loans, if it so chooses.

64. The Norfolk Island Government prefers to finance its infrastructure expenditure from its reserves. That is, it saves revenue raised over a period of several years and pays for its infrastructure in cash. The benefits of this approach were said to include:

- consistency with the cultural desire to avoid debt and confine spending within immediate means;
- that the government may get 'a better deal'; and
- by deferring purchase until it has sufficient funds, the government may get the opportunity to purchase a newer model or an older model at a cheaper price.

65. However, there are potential costs in this approach. The most obvious is the deferral of the benefits that flow from the replacement of the capital asset. We see little real distinction between setting aside money in the budget for estimated capital expenditure and buying the asset and setting aside the same money as repayments. Deferring capital expenditure would generally result in some cost increases due to the effects of inflation on the price of the new asset and additional maintenance costs of the old one. It would also result in a deferral of the benefits of the new asset to the community, which might include improvements in the quality of the service and additional income earning opportunities. The question is whether the value of those additional costs and lost benefits is greater or less than the total financing charges (that is, interest foregone on the savings and interest paid on the loan) associated with an earlier purchase.

66. We have some doubts about the strength of the cultural desire to avoid debt. Commercial and residential development on the Island is based, in part, on borrowing and a major sporting club is understood to have built its facilities with loan funds. There is also

² Norfolk Island Government submission, p22.

the question of inter-generational equity. Borrowing ensures that the present and future populations, which receive the benefits of an asset, share the cost of it.

67. Borrowing would increase the Norfolk Island Government's financial capacity in the short term, and maybe also in the longer term if it were to invest in assets which raise revenue, such as electricity generation, airport and port facilities, telecommunications equipment and water assurance. We fully support the argument that borrowing should not be undertaken to fund recurrent operations, and indeed there is a general movement on the mainland to fund as much social infrastructure as possible from recurrent sources.

68. Clearly, governments are best placed to decide whether the benefits of setting aside money now to buy an asset later outweigh the benefits of buying now and paying more later. It seems likely that the balance of advantage varies from time to time and from asset to asset.

CHAPTER 9

ADMINISTRATIVE CAPACITY

1. The Commonwealth's *Norfolk Island Act 1979* is the basis of self government on Norfolk Island. It created the Norfolk Island Legislative Assembly and an executive administration supported by a professional public service, based on the Westminster parliamentary model. The Act gave the Assembly law making powers over a range of issues previously within the purview of the Island Administrator. They were mainly State and local government type powers but included some that are normally reserved to the Commonwealth. The range of executive or legislative powers of the Assembly has been extended on several occasions since then. The responsibilities the Assembly now holds require a substantial administrative capacity for the community to be served effectively.

2. This chapter discusses the administrative functions and structures within which the Norfolk Island Government operates and looks at how they affect its ability to perform functions, both now and under a further possible transfer of power. It examines the resources available in the community to support these functions, by way of institutional structures, people and expertise.

COMMONWEALTH ADMINISTRATION ISSUES

The Office of the Administrator and the Territories Office

3. To facilitate the administration of Norfolk Island, the Commonwealth maintains an Administrator and staff on the Island, and what is usually referred to as the 'Territories Office' in Canberra — part of the Department of the Environment, Sport and Territories. On Norfolk, there are five office staff (including the Administrator) and two full time equivalent domestic/non-office staff. The Administrator and the Official Secretary are on short term contracts from the mainland, but the others are locally engaged and are seconded from the Norfolk Island Public Service. Because no income tax is payable on Norfolk Island, all staff in the Office of the Administrator are paid at lower than equivalent salary rates on the mainland. In the fiscus provided in Chapter 5, \$635 000 of the on-Island expenditure of the Administrator's Office in 1995-96 has been attributable to the administration of Norfolk Island.

4. The Territories Office is responsible for providing policy advice relating to all Australia's Territories. It has 33 staff in Canberra and attributed \$198 000 of its expenditure in 1995-96 to Norfolk Island. In total therefore, it has been assumed that, in 1995-96, the Territories Office spends \$833 000 on the administration of Norfolk Island.

5. At present, the Territories Office staff (with the assistance of the Island's Administrator) are expected to be able to brief the Minister on the full range of political, economic and social issues that arise on the Island. They are expected to understand and give advice on a wider range of public activities than most other groups in the Commonwealth public service.

6. In general, it can be said that, with the exception of the Territories Office, Commonwealth agencies do not give sufficient thought to Norfolk, the third self governing Territory in the Commonwealth, and it is often considered, if at all, either by implication or as an afterthought. Given its small population, this is perhaps understandable, but it does create administrative problems for both the Territories Office and the Norfolk Island community. The task of the Territories Office in keeping the Island informed is not easy but more effort, perhaps by that body, but preferably by the wider group of Commonwealth agencies, should be made.

7. Territories Office staff visit Norfolk Island about five times a year for three meetings of the KAVHA Board and to prepare for and then attend an intergovernment meeting between the Minister for Sport, Territories and Local Government and the Norfolk Island Assembly. The aim is to hold intergovernment meetings about every six months but this frequency is rarely achieved. The Territories Office staff have little contact with the Members of the Norfolk Island Assembly and tend to work through the Administrator and a small number of Norfolk Island's senior public servants. While the Territories Office staff cannot always express a Commonwealth Government opinion, we think there would be benefits if they could have a more open approach in their dealings with the people on Norfolk Island. On the Island's part, there may well be unrealistic expectations of what is feasible or what degree of priority can be given by the Commonwealth to Norfolk Island issues. For whatever reason, there is evidently a fair amount of mistrust on both sides and it is making the administration of the Island more difficult than it need be.

Commonwealth Parliamentary Representation

8. As a result of consultations with the Island community, Norfolk is a special case under the Commonwealth Electoral Act and voting in Commonwealth elections is optional for those eligible to vote and living on Norfolk Island. Island residents may enrol in a Commonwealth electorate with which they can establish a connection, or otherwise the electorate of Canberra and, as for other Australians, voting is compulsory once they are enrolled. This situation is unique in Australia and seems reasonably well tailored to the circumstances of the Norfolk Island community. However, it does mean that Norfolk Island has no representative responsible for it in the Commonwealth Parliament, either in the House of Representatives or the Senate.

9. One effect of this is that, unlike elsewhere in Australia, Norfolk Islanders have no specific Commonwealth representative to whom they can address matters of

concern or grievances, or from whom they can seek information or assistance. This seems anomalous when, ultimately, all Government decisions relating to Norfolk Island are made under the authority of the Commonwealth Parliament. Although the current arrangements in the *Electoral Act* do seem to be what the Norfolk community wants, it is still possible that not having an identifiable representative in the Commonwealth Parliament is, at least in part, fuelling the belief of some residents that the Commonwealth is authoritarian and does not consider their interests.

10. Norfolk Island does, however, have a representational voice into the Commonwealth Government through the intergovernment discussions that the Norfolk Island Government has with the Commonwealth Minister for Sport, Territories and Local Government. This is not, perhaps, a substitute for individual voters being able to go to 'their representative', but it does allow those on the Island making decisions for the Norfolk Island community to know something of what is happening at the national level.

Application of Commonwealth Legislation

11. The lack of opportunity to access a Commonwealth Member other than the relevant Minister is important because, as shown in Table 9-1, the people on Norfolk Island are subject to a considerable and increasing number of Commonwealth laws which make explicit provisions for their application to the Territory. In addition, there is some legislation, such as the recently agreed national gun laws, which, although a State and Territory responsibility, involves matters of the national interest and is debated at the national parliamentary and executive level. The assumption on the mainland (often without consultation with Norfolk) is that such legislation would be applied on the Island.

Table 9-1 COMMONWEALTH ACTS EXPLICITLY APPLYING ON NORFOLK ISLAND

| Year | Number |
|------|--------|
| 1935 | 15 |
| 1965 | 91 |
| 1979 | 121 |
| 1989 | 210 |
| 1995 | 238 |

Source: The Association of Norfolk Islanders submission and Territories Office estimates.

12. It could also be that the people and Government of Norfolk Island are at a disadvantage because it is not clear what Commonwealth legislation applies in the Territory. The Commonwealth has been unable (or unwilling due to cost) to give the Norfolk Island Government a consolidated list of all Commonwealth legislation that applies on Norfolk Island. This may be due to the applicability of Commonwealth legislation being

unclear, either because its application is implied or has not been tested in court, or because the possibility of its application is based on it being cross-referenced in ‘applicable’ legislation. Apparently, there have even been cases in the past where amendments to Commonwealth legislation have specified their applicability to Norfolk, even though the original Act was not applicable.

Australian Executive Government

13. On most matters of a national interest or affecting a number of States or Territories, the Commonwealth, the States and the Territories consult through a range of forums. These include the Premiers’ Conference, the Council of Australian Governments and a large number of Ministerial Councils. Such forums provide an opportunity for all parties to address matters of importance to the whole of Australia and to put forward issues specific to their own jurisdiction’s concerns and interests.

14. The Norfolk Island Government is a member of or has observer status in only a few of these forums, including the Tourism Ministers’ Council, the Standing Committee of Attorneys-General and the Ministerial Council on Employment, Education, Training and Youth Affairs. It does not participate in Commonwealth/State revenue sharing arrangements discussed at the annual Premiers’ Conference, or in the mechanisms and consultative processes supporting those arrangements. The Territories Office does what it can to ensure that Commonwealth agencies keep Norfolk Island informed, but we received complaints that Norfolk Island is not always consulted on the development of national policies and legislation with potential to affect it.

15. An example of this could be airline services and the application of the Commonwealth’s open skies policy to Norfolk Island without what some on Norfolk believe to have been sufficient consideration of the Island’s special circumstances. Given the importance of tourism to the Island economy and the importance of air services to the tourist industry, airline policy and its implementation should be a matter for further discussion by the Commonwealth and Norfolk Island governments.

NORFOLK ISLAND REPRESENTATION AND LEGISLATURE

Local Representation

16. The *Norfolk Island Act 1979* provides for an elected nine member Legislative Assembly, and for elections at least every three years, thus broadly following the recommendations of the Nimmo Royal Commission. The whole of the Island forms one electorate. Voting for the Legislative Assembly is compulsory. To be eligible to vote, a person must be eighteen years old or more and have been living on Norfolk Island for 150 days if previously on the electoral role or, if not, at least 900 days during the previous four years. These rules are applied to everyone on the Island. Australian citizens who do not pass the eligibility rules cannot vote, and non-Australian citizens who pass the rules can vote. There are about 1130 people on the electoral roll.

17. The electoral system, known as the 'Illinois' system after the State in the USA, provides for each elector to have as many votes as there are vacancies, and for a maximum of four votes to be given to any one candidate. This is not the system of first choice for many living on the Island who regard it as sometimes delivering unpredictable results, contrary to the wishes of voters. A one-elector-one-vote, first-past-the-post arrangement, traditional for Islanders of Pitcairn descent, was said by some to be preferred.

18. Any person ordinarily resident on the Island for five years and eligible to vote can be elected as a Member of the Assembly. The Norfolk Island Electoral Act therefore can, and does, result in non-Australian citizens who are elected to the Assembly making decisions on behalf of Australian citizens who are prevented from voting. Positions on the Assembly are not full time and it is expected that representatives will continue their previous employment. These arrangements increase the chances of conflicts of interest arising for those elected, particularly Executive Members (Ministers). The arrangements may also be preventing some residents employed in the private sector from standing for public office. Members of the Public Service, if elected, need not leave their employed positions and can be both elected representatives and employees of the elected representatives. This is a highly unusual practice that does not apply in other Australian jurisdictions because it is difficult to be both master and servant and the potential for conflicts of interest is great.

19. There do not appear to be any formal mechanisms in place on Norfolk to deal with any conflicts of interest that might result from the arrangements described above, although the *Norfolk Island Act 1979* states in Section 39(3) that:

a member of the Legislative Assembly who is a party to, or has a direct or indirect interest in, a contract made by or on behalf of the Commonwealth or the Administration under which goods or services are to be supplied to the Commonwealth or the Administration shall not take part in a discussion of a matter, or vote on a question, in the Legislative Assembly where the matter or question relates directly or indirectly to that contract.

The administration of the Territory would benefit from a more detailed set of procedures or rules on how conflict of interest is to be handled. At a minimum, some Assembly guidelines are needed.

20. Four of the elected Members (usually those who received the greatest number of votes) are chosen by the Assembly for Executive positions. One of the Executive Members holds the position of Chief Minister. Public servants elected to the Assembly cannot be elected to Executive positions but can be elected Speaker of the Assembly.

21. Matters can be brought to the attention of the House by Ministers or Members (including the Speaker if a non-Executive Member), or by petition by one or more electors. A referendum can be initiated by the Commonwealth Minister, the Assembly or by petition of not less than one third of the electors.

22. There are no political parties on the Island and there is little electoral campaigning. All candidates stand as independents and they generally do not use either the

government owned radio station or the privately owned weekly newspaper, *The Norfolk Islander*, to debate political issues. There is no attempt by the Executive Members to form a Government position on issues but it is the expected practice for Executive Members to inform their colleagues of the legislation they are taking to the House. Election issues tend to be of a local government nature and, in many ways, elections are conducted like those for a municipal council. Members are very accessible to their electors.

The Legislative Assembly and its Powers

23. Under the *Norfolk Island Act 1979*, the Legislative Assembly is empowered 'to make laws for the peace, order and good governance of the Territory', but not for unjust acquisition of property, defence forces, the coinage of money or (as a result of a recent amendment) to effect euthanasia. Within this ambit, the range of matters on which the Assembly can propose laws is technically unlimited but, in practice, is subject to the assent arrangements for legislation. The explicit areas of responsibility of Norfolk Island are set out in Schedules 2 and 3 to the Act, a copy of which is provided at Attachment E.

24. ***The Assembly's legislative powers.*** Most of the powers of the Norfolk Island Government are listed in Schedule 2 to the Act. Those singled out for specification in Schedule 3 are the functions for which the Nimmo Royal Commission recommended that the Commonwealth 'lay down a clear set of policies to be followed in the administration of Norfolk Island' and which the Commonwealth regards as having particular sensitivity and national importance.

25. Assent to laws relating solely to matters in Schedule 2 to the Act is the responsibility of the Administrator on the advice of the Island's Executive Council. Assent to laws affecting matters in Schedule 3 is the responsibility of the Administrator acting in accordance with the instructions of the Commonwealth Minister responsible for the Act. Responsibility for assent to laws affecting all other matters lies with the Governor-General.

26. In addition, the Governor-General may introduce any legislation into the Assembly, make Ordinances that override local law made under the authority of the *Norfolk Island Act 1979*, and disallow or amend a local law. The Governor-General has similar powers to these in all Australian Territories. In the case of Norfolk Island, this power has never been used.

27. One of the stated aims of the legislative arrangements when they were introduced in 1979 was to overcome what were often long delays in the drafting and consideration of Commonwealth Ordinances for the Island. Leaving aside the areas where no legislation has been introduced to the Assembly, that objective appears to have been largely achieved.

28. ***Operation of the Assembly.*** The extent of change in Assembly membership after each election causes problems of discontinuity in the legislative process and the development of the community. There have been eight elections since 1979, with 38 different people serving on the Assembly in those 18 years. Over 20 of the 38 have held Executive office. After a typical election, around half the representatives have not served on the previous Assembly and on only two occasions has a sitting Executive Member been

re-elected and re-appointed to the Executive. Five members of the present Assembly have served in three or more previous Assemblies (although not always sequential) and one has served continuously since self government, but only four were in the previous Assembly. Of the nine current Members, only two have not had experience as an Executive Member. The Speaker (renamed from President of the Assembly in 1995) is supported by a Clerk and an administrative officer, and there is a Secretary to Government who acts as the private secretary to all four Executive Members. Attachment F shows the composition of each of the eight Assemblies.

29. In the absence of political parties, and in such a small assembly, much of the apparatus normally associated with a Westminster style parliament is absent. There are no Government and Opposition benches, whips or leaders of business. The role of Speaker is, as a matter of custom, given to the candidate who gained the most votes in the most recent general election. As a result, it is generally occupied by the Chief Minister or a non-executive Member who is also a public servant. The present Chief Minister is also Speaker. The Speaker votes as any other member, but vacates the chair if he or she wishes to take an active part in debate.

30. The Assembly normally begins its sessions (that are usually of a day's duration but are longer if necessary) on the third Wednesday of each month, but meets twice in June and does not meet in January. A hansard record of the sessions is taken and the proceedings broadcast. Members also meet in 'informal' sessions at which they discuss the issues and prepare to formalise their decisions at the next sitting of the Assembly. At present, the members meet in this manner every Friday afternoon. These meetings seem to be as important to the process of government as the formal Assembly sessions. During Budget preparation, informal meetings are used for members to go through the budget proposals 'line by line' so that the revised budget can be more briefly discussed, then passed, by the Assembly.

31. The executive business of government is carried out by the whole Assembly, which can (and has been known to) remove specific executive powers from particular executive members. There is no cabinet but, in some ways, the informal meetings of Members operate as a 'cabinet of the whole'. As a result, combined with the absence of political parties, there is often no clear distinction between the Assembly and the executive government. Legislation or resolutions are, by custom, introduced by the Executive Member responsible for the power that it is proposed the Assembly use. But the only restriction on Members introducing legislation is that proposals relating to taxation must be introduced by an Executive Member (though this need not be the Minister for Finance). Sometimes, non-executive Members have a role in assisting Executive Members with some of their functions.

32. Executive Members of the Assembly carry a considerable workload in terms of sittings, official meetings of the Executive, other discussions, understanding and monitoring a range of services within the community and meeting with the constituents. They appear to work close to or, in at least the Chief Minister's case, more than a full time week on public duties. Their workload seems to be greater than that of mayors of Victorian local government authorities (part time positions), and closer to that of Ministers in the ACT and Northern Territory Governments (full time positions). Their responsibilities are certainly as wide as those of Ministers of the mainland Territories. The remuneration level

of the Chief Minister is \$37 637 and that of the other Executive Members is \$28 360. By contrast, the mayoral allowances paid in Victoria range from \$25 000 to \$82 000 and the Ministers in the mainland self governing Territories are paid \$97 875 in the ACT and \$125 437 in the Northern Territory. Even though the salaries on Norfolk are not subject to income tax, we conclude that Executive Members of the Norfolk Island Assembly are not well paid for their efforts.

33. The duties of the non-executive Members of the Assembly seem to be similar to those of Councillors in Victoria where councils usually meet about once a month and committees meet three to four times a month, and Councillors are paid an allowance of between \$5000 and \$12 000. The tax free salary of the non-executive Members of the Assembly, at \$8508, is at the mid-point of the Victorian Councillors' allowance and appears to be generally satisfactory, except that those who assist Executive Members may be relatively underpaid.

34. These comparisons are of particular interest when they are related to the difference between the range of responsibilities of the Norfolk Island Government and that of Victorian local government councils. The range is obviously much greater on Norfolk. The levels of parliamentary remuneration on Norfolk are set by a Tribunal, apparently on an assumption that even the Executive positions are part time. There is a question whether the salary levels are high enough, given the required time commitment; and a secondary question whether this is precluding some able members of the community from standing for election.

35. Naturally, the workings of the electoral system and the Assembly are not without criticism. As conveyed to us, the major areas of difficulty perceived by the community are that:

- the big changes in Assembly and Executive membership after each election slow decision making and make long term planning difficult;
- the change in membership causes discussion of many issues to be started in a number of Assemblies before they are dealt with;
- there are no guidelines or formal procedures for handling conflicts of interest, yet these are more likely in a small community;
- 'independent' members are not answerable to a community based or parliamentary group that might minimise the extent to which decisions could be influenced by their other (commercial or social) interests;
- the informal nature of many of the Assembly's operations, and the lack of a formal committee structure, do not always give sufficient transparency of government; and
- the Assembly does not have the time or administrative support under the current arrangements to cover its areas of responsibility sufficiently well.

Norfolk Island Law

36. The sources and precedence of Norfolk Island law are:
- (i) Commonwealth law in force on the Island;
 - (ii) ordinances of the Governor-General made under the *Norfolk Island Act 1979* (although no such ordinances have been made);
 - (iii) enactments of the Legislative Assembly authorised by the *Norfolk Island Act 1979*; and
 - (iv) principles of common law and equity.

37. There are also some bodies of older law, including imperial statutes and laws in force in England as at 28 July 1828, which are still in effect on Norfolk. However, these are becoming less important as new legislation is enacted.

38. The present state of law on the Island is of some concern. The position is similar to that of the ACT and the Northern Territory before the granting of self government to those Territories, in that much antiquated law technically still applied. The 1991 *Islands in the Sun Report*¹ concluded that, while ‘wholesale reform’ was not necessary on Norfolk Island, some review and revision was required to some aspects of the legal and administrative regime. No systematic process of review has yet been put in place.

39. At the end of the previous Assembly in April 1997, there were only a small number of Bills that had not been dealt with and were passed to the incoming Members for further consideration. However, there seems to be a considerable body of legislation that is either considered necessary, available for discussion in proposal or draft form, or awaited by service providers. Some of the ‘outstanding’ pieces of legislation mentioned to the Commission were a new Crimes Act, a new Public Service Act, Employee Relations legislation, aspects of motor vehicle and traffic control, Public Health legislation, bankruptcy legislation and an Administrative review mechanism to cover areas other than land matters. The procedures for deciding what legislation needs to be brought before the Assembly, and how it is developed so that it can be presented, do not seem to be well established. We believe the community would benefit if this aspect of public administration were covered in the Government’s long term planning.

40. Unless Norfolk Island can provide the professional and administrative resources to undertake an overall review of its legislation, and the Assembly extends its sittings to ensure that new and amended legislation is passed where necessary, the potential will remain for problems associated with outmoded and irrelevant laws to arise. No overall review of Norfolk Island’s legislation is likely to occur unless the Commonwealth assists in the task, either by the provision of staff on secondment or by financial assistance.

41. There is a further range of matters on which the Norfolk Island Assembly has the power to legislate but has not done so. It may be that the need for legislation in

¹ *Islands in the Sun*, Inquiry of the House of Representatives Standing Committee on Legal and Constitutional Affairs into the Legal regimes of Australia’s External Territories and the Jervis Bay Territory, 1991.

these areas has been considered and found unnecessary, but there is applicable legislation in all other parts of Australia and it would be surprising if some need for them did not exist on Norfolk Island. These matters are listed at the end of Chapter 6. Many are intended to provide for the safety and protection of the community, property and the environment.

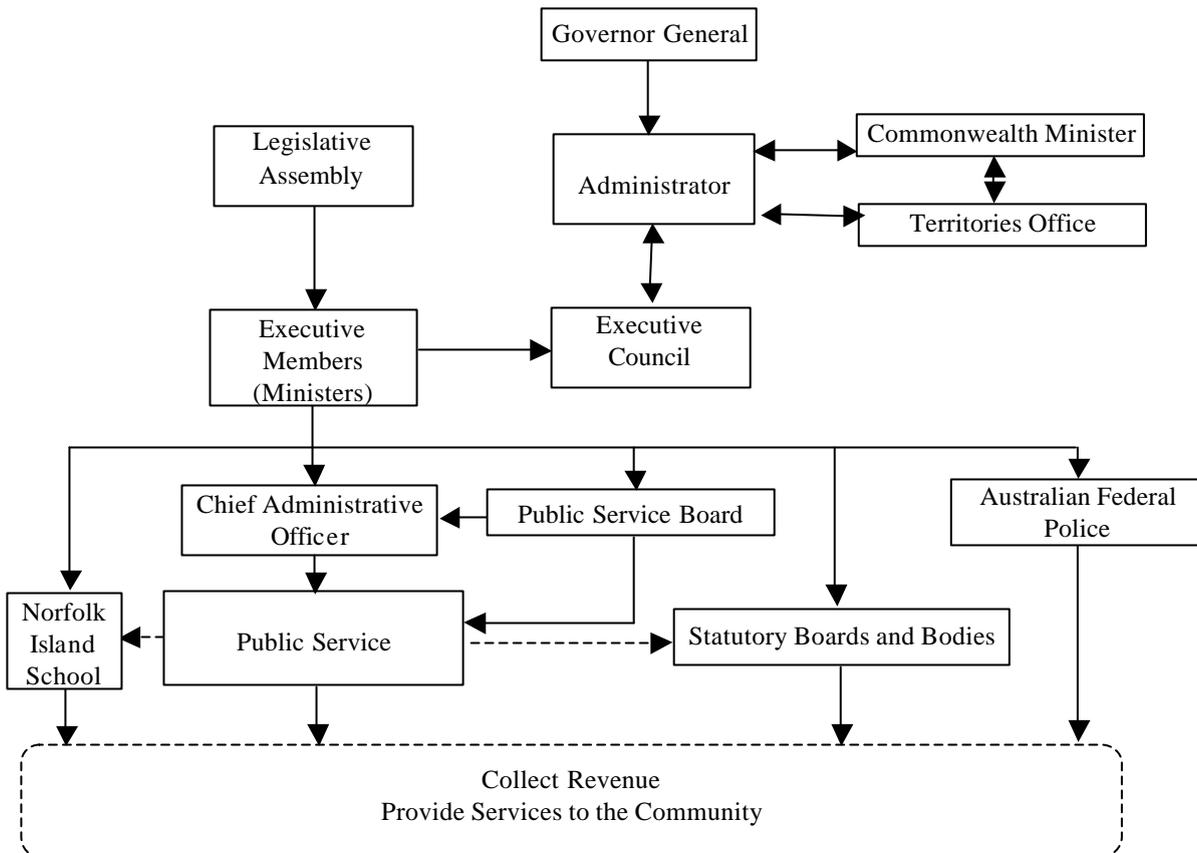
NORFOLK ISLAND GOVERNMENT STRUCTURES

Local Executive Government

42. The machinery of government put into place for Norfolk Island in 1979 was, in practice, a continuation of that existing beforehand in the Commonwealth's Island Administration. However, there were additional features because of the legislative and executive powers given to the Assembly, and the changing of responsibility for the Public Service from the Administrator to the elected Members.

43. The executive arrangements are set out in Figure 9-1.

Figure 9-1 NORFOLK ISLAND EXECUTIVE MACHINERY



44. **Executive Council.** Executive authority continues to be vested in the Administrator who is appointed by the Commonwealth, but the occupant is obliged generally to act on the advice of the Island's Executive Council. In this, the Administrator functions very much like a State Governor, though the Governor-General retains overriding powers. The Administrator must follow the advice of the Executive Council on the matters listed at Schedule 2 to the Act, and must also follow Executive Council advice on Schedule 3 matters unless otherwise instructed by the Minister for Sport, Territories and Local Government.

45. The Executive Council is made up of the four Executive Members but its meetings can be attended by all Members of the Assembly. Executive Council meetings are convened by the Administrator. It is regarded as the formal conduit for the Assembly's views to be conveyed to the Administrator, and usually meets monthly in the week after the Assembly sitting. The specific executive powers of Ministers are created by Acts and Ordinances, and relate generally to routine and regulatory matters under the legislation. Because of the organisational structure of the Public Service, Ministers have very limited power to direct staff other than the Chief Administrative Officer (CAO), the head of the Public Service, although in some circumstances they can direct the staff of statutory bodies. Clarifying authorities and responsibilities in the Norfolk Island public sector would be beneficial to its efficient operation.

46. The present allocation of responsibilities to Ministers is shown in Table 9.2.

Table 9-2 RESPONSIBILITIES OF NORFOLK ISLAND MINISTERS

| Chief Minister and Minister for Finance and Strategic Planning | Minister for Health and Immigration | Minister for Tourism and Commerce | Minister For Community and Resource Management |
|--|-------------------------------------|-------------------------------------|--|
| Intergovernmental Business | Hospital Enterprise | Tourism and Transport | Environment |
| Public monies | Legal Matters | Commerce and Industry | Lands and Buildings |
| Customs | Law and Order | Employment and Industrial Relations | Forestry |
| Government Business Enterprises | Social Welfare | Civil Works | Waste Management |
| Lotteries and Fund-Raising | Immigration | Sport and Recreation | Fishing |
| Broadcasting and Television | Emergency Services | | Firearms |
| Strategic Planning | | | Community and Culture |
| Public Service | | | KAVHA and Museums |
| Education | | | Quarrying |

Norfolk Island Public Service

47. The Public Service of Norfolk Island was established under Norfolk Island's *Public Service Act 1979*, continuing the earlier Norfolk Island Public Service that employed most staff supporting the previous Administration. Employees of the Hospital Enterprise and the Government Tourist Bureau are employed under separate enabling legislation and

are not seen on the Island as being public servants. Together, these three groups of employees attempt to provide, either direct or through contracts and the use of consultants, the full range of services for which the Government has legislated or is considering legislation. There are about 190 people employed under the Public Service Act, about 20 full time equivalent staff (FTEs) at the hospital and about eight FTEs at the Tourist Bureau. In addition, about 20 staff are provided under contract by the New South Wales Education Department to provide most of the staffing for the school, and three officers of the Australian Federal Police are stationed on the Island to provide Commonwealth and Territorial police services.

Table 9-3 PUBLIC SECTOR WORKFORCE, ALL LEVELS OF GOVERNMENT

| | Public sector workforce | |
|--------------------------------------|-------------------------|----------------|
| | No. | % of workforce |
| Mainland (1995 figures) | | |
| New South Wales | 480 800 | 17.8 |
| Victoria | 340 900 | 17.0 |
| Queensland | 262 200 | 17.8 |
| Western Australia | 147 800 | 18.1 |
| South Australia | 120 600 | 18.7 |
| Tasmania | 41 900 | 21.3 |
| Australian Capital Territory | 71 900 | 47.2 |
| Northern Territory | 20 900 | 25.6 |
| Total mainland | 1 487 100 | 18.4 |
| Norfolk Island (1996 figures) | | |
| Public Service | 190 | |
| Tourist Bureau | 8 | |
| Hospital | 20 | |
| School | 19 | |
| Police | 3 | |
| Administrator's Office | 4 | |
| Territories Office | 4 | |
| Total Norfolk Island | 248 | 23.0 |

Note: The public sector workforce is those working either in general government or public trading enterprises. The total workforce is the average labour force for the months January to March 1995.

Sources: Australian Bureau of Statistics, Catalogue 6248.0, *Employed Wage and Salary Earners, Australia*, March Quarter 1995; Australian Bureau of Statistics, Catalogue 6203.0, *Labour Force, Australia*, January to March Quarter 1995 Norfolk Island Government Submission; Norfolk Island Census 1996.

48. The public sector staff to population ratio on Norfolk Island is broadly in line with mainland experience. Table 9-3 shows that, for the States, the percentage of the total workforce in the public sector increases as population decreases (due to diseconomies of scale in the provision of services) and that Norfolk is at a somewhat higher level than the Northern Territory, doubtless reflecting greater diseconomies of scale. The Norfolk figure would reduce slightly if it excluded those working at the Liquor Bond Store, a function not elsewhere a public sector activity.

49. The administration is headed by the CAO who is employed on a contract negotiated with the Assembly through the Chief Minister as the Executive Member responsible for public administration. CAOs had previously been appointed from outside the Island community and had operated on relatively short term contracts, but the advertisement in June 1997 to fill the position required applicants to be either residents of the Island or hold General Entry Permits to the Island. The position of CAO is now filled by a Norfolk Island resident.

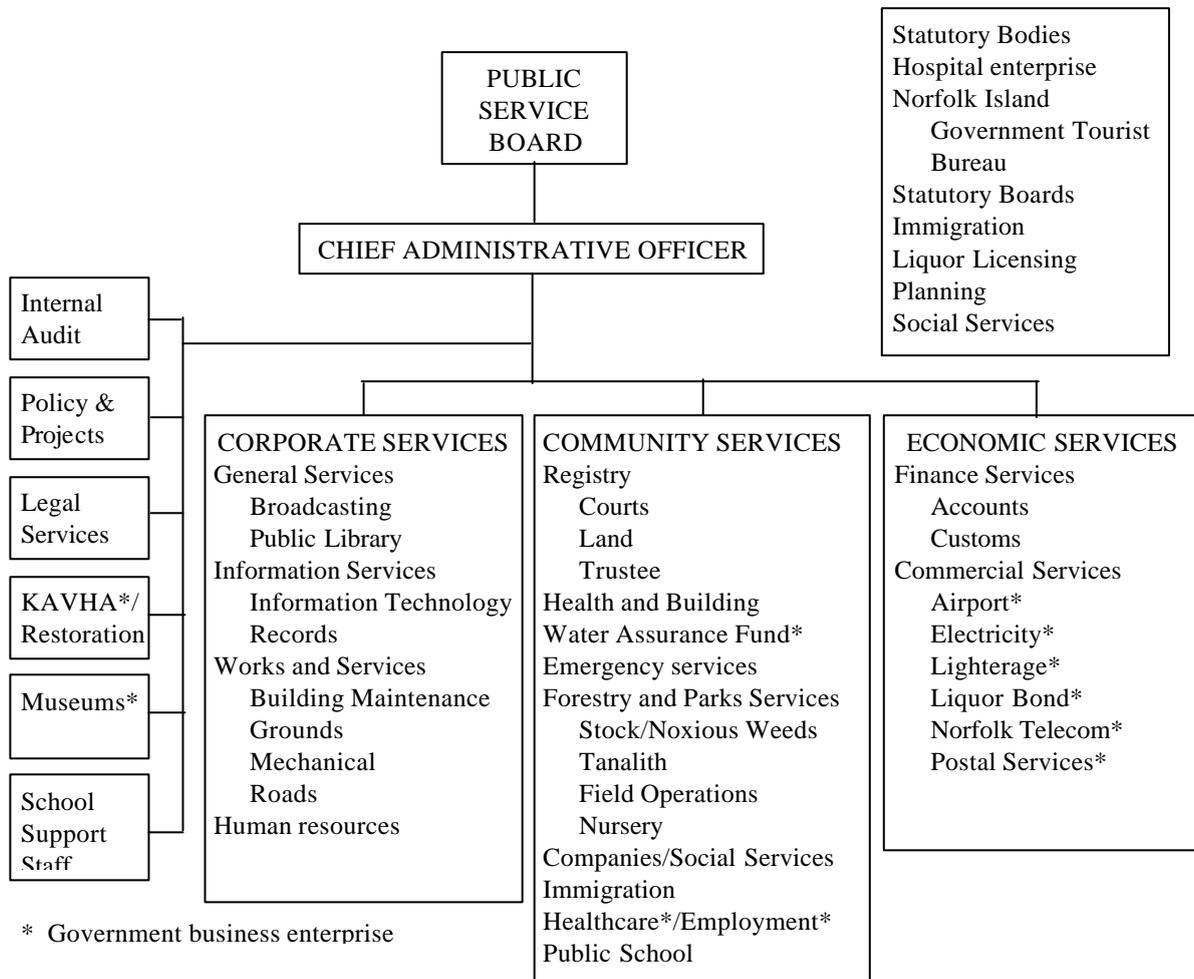
50. A Public Service Board acts as a 'board of directors' for the public service. It consists of the CAO, a member elected by staff and three members appointed by the Assembly. It is the Public Service Board rather than the CAO that has the statutory power to create and abolish offices within the service, appoint persons to those offices, engage temporary employees and determine salaries. The CAO can allocate duties to officers and employees and engage temporary staff for periods of less than six months, but is generally limited by the legislation and the Public Service Board.

51. An outline of the current structure within the Island's public administration is at Figure 9-3.

52. The interaction between the Executive Members and the Public Service is of particular interest. As all public servants are responsible to the CAO, there is effectively only one department to serve the wishes of the four Ministers. The Ministers are not always in agreement on priorities (or even the purpose of proposed legislation or research being undertaken). There are groups within the Public Service that specialise in particular areas of service provision (these are in fact called departments) but the responsible Minister has little authority over what they do. Staff and functional responsibilities are not structured to match Ministerial responsibilities (some managers are responsible for functions covered by more than one Minister) and a Minister's requirements might be met by up to nine managers of either public service departments, GBEs or statutory authorities. As a result, problems can arise in employees not understanding the lines of responsibility or being able to follow clear priorities. Ministers seem to find their lack of direct access to staff frustrating.

53. The more important difficulties faced in managing the Public Service are the antiquated nature of the Public Service Act, the statutory limits set on its growth, the broad range of expertise required, and the difficulties and high costs of recruiting and providing training to maintain the required levels of expertise. These are discussed below.

Figure 9-3 NORFOLK ISLAND PUBLIC ADMINISTRATION — STRUCTURE



54. **Public Service Act.** A Bill has been drafted to replace the existing *Public Service Act, 1979* but it is still being discussed as an exposure draft at informal meetings of the Members and by the Public Service who, through their Association, have expressed some concerns. It has not yet been presented to the Assembly for consideration. Until the present Act is amended or replaced, the Norfolk Island Public Service does not have the flexibility to:

- respond adequately to the needs of a government with the wide range of responsibilities that has been given to the Norfolk Island Assembly;
- introduce new management techniques; or
- make managers sufficiently accountable.

For example, it is not possible at present for the CAO to transfer staff within the public service without the approval of the Public Service Board and it appears extremely difficult and time consuming to terminate an appointment. In addition, managers of the commercial

enterprises do not seem to have direct responsibility for managing the inputs and outcomes of the service, or ensuring that they break even or make a profit, as the Government wishes.

55. **Limits to growth.** The *Public Service Act 1979* allows for a reduction in the size of the public service if the Assembly decides on that action. It also limits the growth of the service to a rate not greater than the rate of growth of public revenue (revenue from levies and taxes has declined in six of the past eighteen years²). The statutory relationship between staff levels and revenue imposes a constraint on what the public service can be asked to do, by limiting options to invest staff time in ventures that might return revenues further downstream, and by restricting opportunities for training.

56. **Level of expertise.** For a community as small as Norfolk Island, the breadth of knowledge and skills required to provide the range of services for which their Government is responsible is very great. The community can draw on a permanent local population of under 1100³ to fill around 215 public sector positions (including the health and tourism functions) which must cover a very wide range of knowledge and skills. As a result, many in the Public Service must be multiskilled at high levels in a number of functions. These skills are recruited locally or off-Island.

57. However, we understand that the proportion of officers in the Norfolk Island Public Service with appropriate tertiary qualifications is very low. In particular, it was said that there is little capacity in the current public service workforce to provide financial, economic or statistical advice to the Ministers. Expert senior executive staff brought in, in part to remedy this problem, are subject to the Temporary Entry Permit provisions of the Island's immigration policy and are limited to a two or three year stay.

58. A number of submissions expressed strong concerns that the level of expertise in the Public Service is not adequate to perform the range of functions expected of it. The present Public Service Act makes it difficult to remove (or even transfer) permanently appointed but inefficient officers. There are no redundancy provisions in the Public Service Act and it is extremely difficult to reduce employment levels if this is required. Maintenance of efficiency in the service is difficult because there are no effective performance management requirements. These limitations may be overcome once a new Public Service Act is passed but, in the meantime, there are limits on the capacity of managers to improve the efficiency of the Public Service and on that of the Government to meet its present obligations, let alone any future ones.

59. There are many examples where specialist skills have been purchased off-Island through contract arrangements, consultancies and Memorandums of Understanding (MOUs). Contracts and consultancies are a common means by which governments arrange the provision of services and are used more as the size of the administration reduces. MOUs and other intergovernment Agreements also become more likely as the size of the government unit reduces — for example, many services on the Indian Ocean Territories are provided through Service Delivery Agreements with Western Australian Government Departments. The use of Access Economics to provide economic advice is a recent example of the Norfolk Island Government using a consultancy to

² See Norfolk Island Government Submission, April 1997, p60.

³ From Table 4-3.

purchase skills not available to it on the Island. The Commonwealth also assists with the provision of specialist advice. Recently, it has arranged for:

- the Australian Bureau of Statistics to undertake a survey of Household Income and Expenditure and to develop a retail price index (\$125 000 was contributed by the Commonwealth, \$25 000 by the Norfolk Island Government);
- advice to be provided to KAVHA by a heritage architect and an archaeologist and by conservation, water quality management and financial planners; and
- assistance in the development and installation of a computerised land titles system (\$65 900) and the preparation of a statutory plan for Norfolk Island (\$50 000).

The arrangements for the provision of schools education and police services are the best examples of the use of MOUs on Norfolk and both appear to work well.

60. However, it seems that no systematic consideration has been given to the best ways of obtaining the expertise required by the Norfolk Island Assembly. Possibilities worth considering include further contracting out of entire services, and arranging service provision with either a State or Commonwealth agency.

61. **Recruitment.** It is essential that the necessary minimum levels of administrative and managerial expertise be maintained on the Island. While the Norfolk Island Government has a policy of attempting to recruit locally whenever possible, this is not always easy when specific expertise is required. Many previous Norfolk Island residents or their spouses return to the Island with relevant qualifications and experience, and these resources are drawn upon where possible.

62. We understand that a merit selection process is used to recruit staff locally and off-Island. However, some concerns were expressed in submissions that the processes used to recruit local staff do not always seem to produce fair merit based outcomes. It is essential to the efficiency of the Public Service and to the confidence that the community has in it that selection processes be based on merit and be seen to be based on merit. This is a function that could benefit from the availability of administrative review processes, although there was no indication to us that the Assembly intends to legislate to this effect.

63. When it is necessary to recruit specially qualified staff from the mainland, the costs can be up to \$20 000 for each appointee. If fields are big (as is usually the case for teachers), a recruitment team is flown to the mainland. Successful candidates (and their partners) are given an opportunity to visit the Island before committing themselves to the position, and relocation and repatriation expenses, frequently for families, must also be met.

64. It has been argued that limiting the length of contracts for officers recruited off-Island to two or three years is inefficient on two fronts. The rapid turnover means higher average annual recruitment costs and the frequent loss of the benefits derived from on the job training provided to these officers. It was also suggested to us that the lack of a

long term commitment to the Island by these officers, who have no on-going responsibility for the results of their decisions, can lead to less than the most efficient and effective outcomes.

65. **Training.** Maintaining and developing skills through training is both difficult and expensive, even where appropriately skilled staff are initially recruited. The training budget in 1995-96 for the whole of the Public Service was \$44 700 in a salary budget of almost \$6 million. This is about 0.8 per cent, much lower than the three per cent seen as the Commonwealth public sector benchmark on the mainland. The Commonwealth minimum target for expenditure on training for private firms is one per cent. Training for the teaching staff is covered in the Norfolk Island Government's MOU with the New South Wales Government and might therefore be seen as meeting the standard expectations. There is no indication, however, that staff training in the Hospital Enterprise or the Tourist Bureau is any higher in relative terms than in the Public Service.

66. The experience of other small organisations (including this Commission) is that the multi-skilling required to ensure the effectiveness of staff is more demanding of training than in larger offices. Given the need for training in a large range of functions, the high costs involved (either trainers travel to the Island or trainees travel off the Island) and the diseconomies of scale faced in providing it, it is quite likely that the Norfolk Island Government needs to spend more than three per cent of salaries to provide levels of training equivalent to the Commonwealth benchmark. Executive Members of the Norfolk Island Government agreed with us that training has been underfunded in the past.

67. We were told that a structured approach was not taken to skill maintenance or development for public service staff. Such an approach is standard practice on the mainland and probably more important for the Norfolk Island Public Service if it is to maintain and improve its administrative capacity.

Government Business Enterprises

68. There are 11 government owned activities that the Norfolk Island Government classifies as business enterprises (GBEs) and that operate as monopolies. The financial accounts of the enterprises are held within the Administrative Services Fund of the Public Account (described below). Six of them, the Airport, Electricity Service, Lighterage Service, the Liquor Supply Service, Norfolk Telecom and the Postal Services, form part of the Economic Services Division of the Public Service. The Norfolk Island Government considers that the first three of these should not impact on the budget and that the last three should make a contribution to the budget through dividend payments. The Airport is the only enterprise where there has been a long term assessment of capital needs, based on safety and operational requirements, and where there is a revenue policy in place (through landing fees) to fund all future maintenance and capital requirements.

69. Two other GBEs, the Water Assurance Fund and the Workers Compensation Scheme, are run by the Public Service as part of the Community Services Division and are expected to be revenue neutral. Another, the Norfolk Island Healthcare Fund, is part of the Community Services Division but there is a Government expectation that it will continue to need a subsidy. The last two enterprises, the KAVHA Restoration Authority and the

Bicentennial Integrated Museums, are subsidised from the public account and report to the Government through the CAO, but operate independently in that they retain their own revenue.

70. The positions of GBEs within the administrative structure are not related to their different impacts on the budget and we find it hard to see why some services are classified as GBEs while others are not. The tanalith plant and some aspects of the forestry operations, for example, seem much more like commercial enterprises than the work of KAVHA or the museums.

71. Most managers of the GBEs are technically skilled but they face serious impediments to their functioning as managers of business enterprises. The fact that financial information on GBE operations is held by the Finance Manager in the central administration is a constraint on their management role, as is the central control on such things as staffing, the level of stock that can be carried and when inefficient (and inaccurate) computing systems can be replaced. Charges for GBE services are not set on the basis of a pre-determined level of cost recovery, nor are they always set as part of the overall budget framework of the Norfolk Island Government.

72. There is confusion as to whether each enterprise is a separate entity (that is, separate from all other Government activities) and must fund all its own infrastructure needs from within its own budget. The community appears to think of the GBEs as separate enterprises. However, the enterprises are structurally part of the Public Service, reporting to the CAO, and the Government sees them as having a very close relationship with general government activities. To some degree, we support this view, since looking at them as separate entities could create problems with the management of capital needs in any long term strategic way when each of the individual enterprises is likely to have lumpy capital needs.

73. There may be management advantages in some grouping of the GBEs. Experience elsewhere, particularly in smaller jurisdictions, indicates that a grouping of activities with some common attributes would be worthwhile. A grouping of activities with a commercial emphasis, for example, would justify the appointment of a more senior business manager. A grouping of activities with a technical or engineering focus would justify the appointment of a more senior technical person. It may even be possible to find one person with all the required skills.

74. Naturally, any move to group GBEs into larger business units would need to be tailored to Norfolk's circumstances but we believe some grouping would be beneficial. It should assist in the development of a long term plan that satisfied the competing capital expenditure requirements of the businesses and be able to supply a regular and predictable flow of funds for general government purposes.

75. We note that, in 1990, the Norfolk Island Government's Revenue Review Working Group suggested that the organisational structure of the Public Service, which includes a separate 'Economic Services' group, distorted capital expenditure decisions. It commented that:

the core trading enterprises (Telecom, electricity) generate their own revenues for the purposes of generating reserves for future capital expenditure, whereas the Revenue Fund utilities do not. The result, in crude terms, is that new electricity generators and telephone capital equipment are fairly readily available, whereas Revenue Fund capital expenditures (for example, on roads) are not.

76. It concluded that there was a definite case for political prioritisation of all capital expenditure and, if necessary, cross-subsidisation to ensure that the politically determined priorities were achieved.

77. In general, we find it hard to understand the reasons for the operational arrangements of the various business enterprises and their relationship with general government. It seems to us that these arrangements could well be detrimental to the efficient management of the enterprises and of assets, and are likely to lead to poor investment decisions.

78. We think there would be benefits in an external review of the structure of government and public administration on Norfolk Island. Such a review should consider the machinery of government in general, and in particular the circumstances in which GBEs might best be used. In this regard, GBEs are generally defined as publicly owned and largely self managed commercial entities that have the primary role of selling goods and services to private consumers. Unlike the general government sector, GBEs do not usually rely on consolidated revenue for most of their funding — they are responsible for covering all or most of their own costs. Nevertheless, they may receive subsidies from government to cover the cost of imposed community service obligations.

Statutory Bodies, Boards and other Community Involvement

79. ***Statutory bodies.*** The hospital and the tourist bureau are run by statutory bodies. These have their own staff and their own budgets, while statutory boards use Public Service staff and are funded through the Revenue Fund. We have difficulty understanding the extent to which the members of the statutory bodies manage the health and tourist promotion services because of the complex way they interact with the Ministers and the functional managers. At the hospital, for example:

- the manager runs the hospital under direction from the Hospital Board;
- the Minister is not a member of the Board and can only attend its meetings by invitation, but the present Minister meets with the hospital manager each week and with the Chairman of the Board every two weeks;
- the Board prepares the draft Budget for the year;
- the budget is reviewed (line by line) by the finance manager in the Public Service, the relevant Minister and the Minister for Finance

before going to the Assembly for approval, and the Board has little flexibility in expenditure patterns once the budget has been set;

- the Minister has input into hospital (medical) decisions through the Health Care Referral Guidelines that specify when a patient can be moved off the Island for treatment; and
- the Minister can give the Board directions in writing after tabling them in the Assembly.

80. The budgeting processes and degree of flexibility in financial management are often good guides to the independence of a statutory body. For the Norfolk hospital, the processes do not indicate a great degree of independence. In fact, there is very little difference between the way the Hospital Enterprise is run and deficit funded, and the way the museums are run as a GBE within a department of the Administration and deficit funded.

81. **Statutory boards.** These operate in the areas of immigration, liquor licensing, planning and social services. They have power to interpret the legislation and policies of the Government and to advise the Executive Members on aspects of the legislation for which they are responsible. How the boards are provided with administrative support is somewhat unclear, but at least two of them seem to have links with Government departments.

82. **Other community input.** In addition to the permanent statutory authorities, the Norfolk Island Government involves the community and gets access to its skills by forming special advisory committees such as that established to assess the arguments for and against the introduction of a Goods and Services Tax. Generally, this community input is unpaid, but the Government does meet some support costs.

FINANCIAL ADMINISTRATION

Public Accounting Policies and Practices

83. The accounting functions of the Administration are governed by the *Public Monies Act 1979*. The Public Account is divided into four funds: the Revenue Fund; the Administrative Services Fund; the Trust Fund; and the Loan Fund.

84. GBEs and other government activities are accounted for differently. This results in accounting arrangements that do not match the administrative arrangements within the Public Service. Two of the three departments have some of their accounting records in the Revenue Fund, on a cash basis, and some in the Administrative Services Fund on an accrual basis.

85. There are no outstanding loans. The most recent example of an external borrowing was a Treasury loan of \$300 000 in the 1970s (before self government) to finance the purchase of an electricity generator.

86. The accounts are prepared on the basis of Australian Accounting Standards and provide an extensive range of excellent management information. The explanatory notes are comprehensive and, over all, the accounts are informative and easy to use. The external auditors have certified the accounts annually, but have recommended that the Revenue Fund adopt a modified accrual accounting standard as soon as possible. The Norfolk Island Government is planning to do so by the end of the 1998-99 financial year.

Budgetary Policies

87. Norfolk Island Governments since 1979 have followed conservative and incremental budgetary policies. Budgets have been revenue constrained (as a result of deliberate limited effort rather than the size of the revenue bases) and compiled with the primary aim of arriving at an end of year result that is in balance or has a modest surplus. Reserves of the GBEs have been used to fund general government activities when considered necessary, and borrowing for any purpose has been resisted. The balanced budget objective has sometimes been thought to be more important than whether the appropriate levels of services were being provided to the community. In the past, the budget has not been seen as an economic planning and management tool and for this reason, the 1997-98 appropriations and revenue raising levels have been set for only three months while some longer term planning is done.

88. The budget for the revenue fund is prepared on a traditional line item basis. In February or March each year, public sector managers prepare draft budgets showing a list of programs with desired expenditures ('wish lists'). These are collated (together with requests for subsidies such as that from the Hospital Board), examined and 'trimmed' by the Finance Manager, in consultation with the Chief Administrative Officer, before presentation to the Minister for Finance.

89. An overall review of taxes, fees and charges is not part of the annual budget process and some Assembly Members said that such a review is not needed annually. Revenue sources are reviewed on an *ad hoc* basis, but this means that the budget is rarely examined as a whole. The last review of taxes and charges was 'about four years ago'.

90. Over time, taxation decisions have minimised taxes paid by residents and raised a higher than proportionate share of taxes from tourists. This was said not to have been a deliberate policy and seems to have come about without any close analysis of what it might be doing to the single most important industry in the Territory.

91. A bill for an Appropriation Act is presented to the Assembly by the Finance Minister in May or June. Variations to the budget, after it passes into legislation, can be achieved either by supplementary appropriation or funds transfer appropriation tabled in the Assembly. Within their budgets, public service managers have little flexibility and have to get the approval of the Executive Member, through the CAO, for relatively small internal

re-allocations of resources. Such processes do not encourage managers to take responsibility for their services and can lead to inefficiencies.

92. The responsible Executive Member can approve a GBE's budget without consulting his Ministerial colleagues, though the budgets are normally approved by the Assembly at an informal meeting of Members. No Appropriation Act is required, presumably because most GBEs are net contributors to the budget. This process means that the Assembly has no formal say in the level of efficiency being aimed at or achieved by the GBEs, and implies that it has no interest in the operations other than their contribution to general revenue.

93. There is no forward estimates system in place and provision for even large capital expenditures is at least partly driven by crisis. The requirement of balanced budgets can cause the postponement of necessary capital expenditure until sufficient funds have been accumulated from recurrent revenue sources and dividends paid by the GBEs. The submission by the Norfolk Island Government in May noted that:

While this is sometimes portrayed as sound economic management such an approach is obviously not without risks. Deferred capital projects and capital replacement can become urgent at inopportune times and economic management can become management by crisis.

Public Sector Reform

94. In 1993, a process of public sector reform was articulated, with the major aims being:

- adoption of a strategic focus through corporate planning;
- introduction of program budgeting;
- introduction of performance measurement;
- development of a longer term fiscal strategy; and
- introduction of accrual accounting and improved management reporting.

Limited progress has been achieved to date.

ACCOUNTABILITY ARRANGEMENTS

95. Norfolk Island's financial accountability arrangements appear to be rudimentary. The *Norfolk Island Act 1979* requires an annual audit of the Government's accounts. Internal and external audit procedures are in place, but fraud control measures appear to be minimal. There is some thought that debt collection procedures are adequate,

or even not needed, although the levels of outstanding accounts mentioned by some managers indicate to us that some procedures are necessary and that existing arrangements need to be reviewed. There are insufficient compliance audits associated with tax collection and several taxes are paid on an 'honesty' system — the implications of this for revenue collections were discussed in Chapter 7.

96. In terms of management accountability, the Public Service had been producing an Annual Report for the Assembly, but there is no statutory requirement for it to do so and no Reports have been produced since 1993-94. We were told in July that the Annual Reports for both 1994-95 and 1995-96 were in the final stages of production and should be available before the end of August 1997. While the statutory bodies that run the hospital and tourist bureau have to provide monthly financial statements to the Assembly, and have their accounts audited annually, they are not required to produce an annual report on their activities. The Tourist Bureau is required to produce a monthly indicator of the level of tourist activities but the hospital is not required to produce any non-financial information. There is no equivalent of Parliamentary Committees with investigatory and review powers, although there may be no advantage in such committees in so small an Assembly. So far as we are aware, there are no procedures for efficiency audits.

97. There seems to be some concern in the community that it is not adequately informed about Government performance and that there is a level of secrecy surrounding many Government decisions. The annual budget documents, for example, are not generally made available for public scrutiny, although a summary of them is presented in the newspaper, *The Norfolk Islander*. There appear to be a number of Government grants and programs of which the community is not fully aware — for example, the Legal Aid scheme and the availability of funding for arts and sports grants — but, as in all communities, this could be due partly to recipients of information not reading it.

98. While the local newspaper and radio station provide much information on important community and political issues, they play hardly any watch dog role in relation to the performance of the Government and provide little avenue for public discussion. This is in contrast to most small communities on the mainland where the media, particularly the local press, play an important role in ensuring the accountability of councils and other representatives to their constituents.

99. A matter of some concern in accountability is the allocation of portfolios of responsibility to individual Executive Council members, nominally as Ministers, but without any power to give policy direction to the relevant Public Service staff, who are responsible to the CAO.

100. The Statutory Bodies are of concern for similar reasons. It is unclear what the oversight, direction and reporting arrangements are for these authorities in relation to the Public Service, the relevant Ministers and the Assembly.

101. The Norfolk Island Assembly is implementing a system of administrative review of some decisions under the Administrative Review Tribunal Act 1996. The functions of the Tribunal may eventually be wide ranging, but initially it will review only those decisions relating to the land administration package. Its powers in these cases are

intended to ensure fair dealing in property. Submissions indicated to us that many Islanders have experienced difficulties over land matters in the past.

102. The Tribunal will not have the powers or procedures of a Court. It will be an appeal body, able to review, alter, overturn or require reconsideration of an executive or administrative decision affecting any person on Norfolk Island. Decisions will 'be judged on their merits'.

103. The Tribunal will use Canberra and local magistrates to hear cases. Canberra magistrates will be paid \$700 a day (plus travel expenses) and local magistrates \$100 a day. Training for magistrates and support staff will be required.

104. The Tribunal is regarded on the Island as a model approach to making the Administration more accountable to the public. Doubts were expressed, however, about how widely the approach could be applied without considerable improvements to the administrative ability of the Public Service and the framework within which it works. Nevertheless, we think it would be beneficial if the responsibilities of the Tribunal were extended to cover a wider range of decisions, including those relating to immigration, as soon as practicable.

105. Although there is no Norfolk Island Ombudsman, Norfolk Island residents have access to the Commonwealth Ombudsman in relation to Commonwealth activities. They can also raise relevant issues with the Human Rights and Equal Opportunity Commission for inquiry. There is at present an issue concerning Norfolk Island's immigration legislation before that Commission. A report is expected about late October 1997.

CONCLUSIONS

106. Our conclusion is that administrative capacity is the major factor limiting the Norfolk Island Government's ability to deliver services. The present arrangements are too complex for a community the size of Norfolk Island, and the lines of responsibility are unclear. Some simplification and clarification is essential. The following observations are made.

107. ***Commonwealth Government issues.***

- (i) The Territories Office and other Commonwealth agencies need to make greater efforts to ensure that the Island is informed of relevant developments in the provision of services on the mainland, and of proposals for legislation which may be relevant.
- (ii) Past inadequacies in communication between the Commonwealth and Norfolk Island Governments have resulted in mistrust on both sides and a better climate needs to be established, including through improved communication.

108. ***Representation and legislature.***

- (i) The present arrangements for representation at the Commonwealth level and the legislative assent arrangements, while not perfect, seem reasonably well tailored to the circumstances of the Norfolk Island community.
- (ii) The eligibility requirements for Members of the Assembly carry the potential for conflicts of interest and, at the very least, Assembly guidelines should be developed on how this potential might be minimised.
- (iii) The large changes in Assembly and Executive membership at each election create problems. These might be reduced if the Assembly were to adopt a longer term strategic focus, with planning going beyond the life of one Assembly.
- (iv) With an Assembly and therefore a Ministry made up of independent Members, no legislation is formally proposed by a 'Government' or agreed by a 'Cabinet' prior to its presentation to the Assembly. Any changes that increased collegiality among the Ministry would smooth the passage of legislation and reduce the potential for conflict inherent in a government where Ministers can work alone.
- (v) The wide range of powers given to the Assembly seems very difficult for it to deal with, given present levels of remuneration and expected work loads.
- (vi) A review of Norfolk Island's body of law would seem beneficial, although it is unlikely that the Administration has either the expertise or the financial resources to undertake it. This could be done with Commonwealth assistance, using a joint model of delivery similar to that operating for KAVHA.

109. ***Government structures.***

- (i) The machinery of government needs to be reviewed (preferably by an appropriate external body) and clearer lines of responsibility drawn between the Ministers, the Chief Administrative Officer and the Public Service. The present confusion in lines of authority and responsibility is likely to be reducing efficiency and accountability.
- (ii) The Public Service Act is outdated, and a new Act should be pursued as a matter of urgency.
- (iii) Alternative ways of obtaining the expertise required by the Norfolk Island Administration should be considered. First, a detailed analysis of the skills required to support all functions should be undertaken,

and then the best way of developing or obtaining the required expertise should be considered.

- (iv) Selection of staff, though said to be on the basis of merit, needs to be seen to be so.
- (v) The structure of the public sector needs further consideration. In making changes to the administrative framework in the future, some questions that might be asked are as follows.
 - Are all the statutory authorities and boards needed?
 - What impact is the current use of statutory authorities having on the accountability of the Assembly and the Ministers to the community?
 - For what functions is it appropriate to have statutory authorities?
 - Is it appropriate to have GBEs operating within Government departments and under the direct control of the CAO?
 - Would there be benefits in corporatisation (or even privatisation) of some functions? Should more services be provided through MOUs or Service Delivery Agreements?
 - When MOUs are used, what is the appropriate connection with Government to ensure accountability to the community?
- (vi) Managers of government enterprises need to be given clear authority to manage within the framework of Government policy.
- (vii) It could be beneficial if there were a re-definition of what is seen as an enterprise. There seems to be scope for some amalgamation of enterprises, with possible management benefits, economies of scale and improved long term financial planning.

110. ***Financial administration.***

- (i) Differences in the structure of the accounts and the structure of the Public Service are likely to be creating management inefficiencies.
- (ii) A system of forward estimates would facilitate long term planning of recurrent and capital needs and cash flows.
- (iii) The high quality information available in the accounts provides a good basis for informed decision making.
- (iv) There would be benefit in an annual budget process involving an 'across the board' review of the needs of the community — the type and levels of services required, the sources of revenue to be used to

fund them, the rates of taxes and charges and the policies to be adopted in the operation of GBEs.

- (v) It would be useful for managers to be made aware at the start of the financial year of the level of their function's expected contribution to the Revenue Fund so that charges could be set accordingly.
- (vi) The process of public sector reform articulated in 1993 should be pursued.

111. ***Accountability.***

- (i) Arrangements for efficiency audits and fraud control do not seem to be adequate.
- (ii) The most recent Annual Report of the Norfolk Island Administration is for 1993-94. There should be regular and timely reports which cover all service delivery agencies.
- (iii) Community awareness of some government programs is inadequate, and the media is not used effectively to try to overcome this.
- (iv) The powers of the Administrative Review Tribunal to be established shortly should be extended as soon as practicable.

112. In considering any response to these general conclusions, it should be remembered that, for any small and isolated community such as Norfolk Island, there are two points that bear on what is practicable. They are that:

- the administrative capacity of the community is limited by the size of its workforce and by the level and range of expertise within it; and
- the theoretical approach relevant to large organisations (either businesses or bureaucracies) may not be effective for small groups with wide ranging responsibilities.

113. While the conclusions we have reached in this chapter might seem to be prescriptive, we believe it is necessary for the Norfolk Island Government to make, or at least have primary responsibility for, the final decisions relating to the public administration on the Island. It may not be necessary for all the formal mechanisms on the mainland to be established on Norfolk, but we believe it would be useful for their applicability to be assessed. It may well be that some truly Norfolk solutions can be found.

CHAPTER 10

ANSWERING THE TERMS OF REFERENCE

1. This chapter answers the terms of reference by summarising our advice on the Norfolk Island Government's financial and administrative capacity:

- to meet its obligations associated with existing government functions, including its capacity to provide services at appropriate levels, and the capacity of the community to contribute towards those services;
- to fund existing and foreseeable infrastructure requirements (including its ability to service loans); and
- to meet its obligations if, in the future, it were given responsibility for additional government functions in an extension of the Island's level of self government.

It discusses an issue arising from these answers — whether the distribution of functions between governments might be changed. In response to issues raised in our discussions on the Island, the chapter also provides our views on:

- how the Norfolk Island Government might go about developing a strategic plan; and
- where the *Norfolk Island Act 1979* might be reviewed.

Capacity to Meet Existing Service Obligations

2. ***Level of service provision.*** Many services provided on Norfolk Island are at levels equal to or above those provided on the mainland. Examples of such services are:

- school education;
- hospital services;
- police; and
- National Parks.

3. However, some services that the Norfolk Island Government provides are below the level of those usually provided on the mainland. The areas most below standard are:

- vocational education and training;
- health insurance;
- waste disposal;
- employment conditions;
- social security;
- welfare; and
- planning and the environment.

4. In relation to those functions that are provided by State and local governments on the mainland, it is reasonable that the Norfolk Island Government largely decide the range and level of services it provides. It is a self governing Territory and, like the States and other self governing Territories, should have the right to make such decisions. There are, in fact, large differences in the levels of services being provided by State governments.

5. For some services, particularly those where national objectives have been established, State governments do not have as much freedom. In broad terms, the areas where national objectives apply are services usually provided by the Commonwealth, and services provided by the States but partly funded by Commonwealth specific purpose grants. Under this approach, minimum standards of service for some groups in society, particularly the disadvantaged, are addressed.

6. We note that in some of the areas in which national objectives have been established, the Norfolk Island Government is not providing the level of service expected on the mainland, or indeed by some members of the Norfolk community. Such services which we think are not provided at an appropriate level (that is, at or near mainland standards) are:

- vocational education and training;
- health insurance; and
- social security.

7. Health insurance has some special aspects. We believe that it is being provided at well below mainland standards. We also note the lack of reciprocity between Norfolk and the Commonwealth and the problems this causes for both Norfolk residents visiting the mainland and mainlanders visiting Norfolk. In 1988-89, there were discussions between the two governments to try to overcome the deficiencies, but these came to nothing. We believe that negotiations should recommence as a matter of urgency. They should consider how the service can be improved, which government is best placed to

provide it (either itself or under contract with the other government) and how the costs should be shared.

8. ***Capacity to provide services at appropriate levels.*** Administrative capacity and contributions by the community (revenue raising) need to be improved if services are to be provided at appropriate levels.

9. There is a relatively low level of administrative efficiency (and hence capacity) in the Norfolk Island public sector and more needs to be done to overcome the deficiencies. The parliamentary and legislative systems, the limited range of skills in the public workforce and the legislative framework in which it operates act against the Norfolk Island Government providing, efficiently and at appropriate levels, the services for which it is responsible. For administrative efficiency and capacity to be improved, it is essential that changes be made. Our main suggestions are that:

- an external analysis of administrative structures be undertaken to provide advice on the most efficient way of fulfilling Government responsibilities;
- with respect to the Assembly and legislative arrangements, and the public service, changes be made so that responsibilities are clarified and lines of authority more clearly defined;
- decisions be taken on what skills are needed in the public service, and what skills would be better purchased under contract;
- the skills of the public service be enhanced both by training and, where necessary, changes to the staff;
- the Norfolk Island Government give priority to strategic planning and take a greater role in influencing the Island's economic and community development;
- annual and forward budgeting be seen as part of the Government's planning process; and
- the Norfolk Island Government become more open in its discussions and decision making and that methods of communicating government action and performance standards to the community be improved.

Some of these changes would require amendments to relevant legislation, including the Commonwealth's *Norfolk Island Act 1979* and the Norfolk Island Government's legislation covering the electoral system and the public service.

10. Even if such changes were made, we are not certain that a community of less than 1800 could be expected to have the administrative capacity to provide itself with the range of Commonwealth, State and local government services for which Norfolk has responsibility. Nor are we sure that to continue direct provision of the range of services for which the Norfolk Island Government is now responsible would be the best way to go. Further contracting of functions to the Commonwealth, a State or the private sector could

assist the Norfolk Island Government to fulfil its responsibilities within the limits of an improved administrative capacity. For other functions, joint arrangements, such as those for KAVHA and police, might better provide the necessary expertise.

11. The Norfolk Island Government has the financial capacity to meet its current responsibilities at an appropriate standard. If the Island Government were prepared to use its revenue capacity, there is no financial reason why Island residents could not be provided with all their services at mainland levels. Of course, the administrative limitations outlined above would still need to be addressed.

12. Norfolk Island's revenue capacity depends critically on the viability of its economy. Norfolk clearly has a very vulnerable economy and any one of a number of developments could do serious damage. Another pilots' strike or the collapse of the air services to the Island would sharply reduce tourism. Greater economic stability requires predictability of the investment environment, adequate quality of supporting infrastructure, and greater diversification of industries. The provision by the Government of economic infrastructure (harbour facilities, roads and a greater availability of power) would assist by providing prospective investors with a service environment that improved Norfolk's competitive position.

13. A minor downturn in the Island's economy, caused either by an external influence or changes in Norfolk Island government policy, could have an influence on its revenue raising capacity. However, we believe that our estimates of the economy and of the Norfolk Island Government's revenue raising capacity are conservative.

14. If Norfolk's financial capacity were to be used by increasing taxes, care would be needed to ensure that detrimental impacts were minimised. Any new tax structure should:

- not damage the tourist industry;
- not be detrimental to diversification of the economy;
- be equitable in its impost so that contributions increased as income and wealth increased (this is not the case with the present taxation regime);
and
- be imposed or administered in ways that kept avoidance to a minimum.

It would be a beneficial byproduct of a new tax structure if it generated information, through returns provided to the Norfolk Island Government, that led to a greater understanding, and therefore better management, of the Island's economy.

15. Another point to be borne in mind is that the taxes now levied on Norfolk are imposed at high rates by mainland standards. This suggests that raising those rates further could be detrimental to the economy. At the same time, little use is made of taxes on income and wealth, including land. There are possibilities for broadening the range of taxes imposed. The consumption tax (GST) is one such possibility but it could be at least partly

avoided by the more wealthy members of the community who could make their purchases off-Island. Unless there were some ‘safety net’ provisions, such as for food and medical services to be exempt, a consumption tax could also impose a greater percentage tax burden on those who can least afford it.

16. **Conclusion.** The Norfolk Island Government has the financial capacity to meet its existing service obligations, but could not do so at appropriate levels unless tax revenues (and charges) were increased and administrative capacity and efficiency improved. Community commitment would be required to achieve both objectives. Largely because of the wide revenue powers of the Norfolk Island Government, no Commonwealth assistance appears to be justified.

17. We estimate that total revenue collections by the Norfolk Island Government could be increased by at least 60 per cent before the Island’s population would be contributing more to the provision of government services than is expected of people on the mainland. We estimate that revenues would need to be increased by less than 20 per cent to provide, at appropriate levels, those services for which the Commonwealth has established national objectives which we consider are not provided at appropriate levels at present; that is, \$1.7 million more would need to be raised to provide vocational education and training, health insurance and social security at appropriate levels.

18. The conclusion that the Norfolk Island Government has the capacity to meet its existing obligations is, to some extent, based on the patterns of demand for services and the population structure that exist at present. In looking to whether existing obligations can be met in the future, it is necessary to consider how these and other elements might change. As the population ages, for example, the number of social service beneficiaries is likely to increase, and as the number of Veterans Affairs beneficiaries decreases in the future, the proportion of beneficiaries funded by the Commonwealth will decrease. It is likely, therefore, that higher costs will fall on the Island Government. Such emerging additional costs need to be kept in mind in planning for the future.

Capacity to Meet Infrastructure Requirements

19. Based on our analysis of the Island’s economy and potential for increasing revenues, we believe that the Norfolk Island Government has the capacity to fund its existing and foreseeable infrastructure requirements. The total revenue raising effort required would still be below mainland levels.

20. In our opinion, the more important infrastructure needs are for:

- better harbour facilities, to ensure delivery of goods and reduce the time and cost in unloading ships;
- better road building equipment and roads, to ensure the safe transport of people and goods;
- new airport terminal, to ensure a safe and comfortable environment for tourists and other travellers;

- a waste disposal system that meets mainland and international standards;
- street lighting and footpaths in the business precinct, to assist tourists and encourage commercial activity; and
- upgraded government assets such as plant and equipment, workshops and computers.

In addition, it will be necessary in the longer term to spend large amounts on community facilities such as the school, the hospital and aged care facilities. These costs also seem to be within the financial capacity of the Norfolk Island Government.

21. Provided Commonwealth and international standards were met with respect to the airport and the waste disposal system, whether or not to upgrade the infrastructure would be a matter for the Norfolk Island Government. There is already provision in the airport accounts for maintaining and upgrading the runways and for the new terminal. As shown in Chapter 8, upgrading the waste disposal system would cost less than \$1 million.

22. However, if Norfolk's infrastructure were to continue to be run down, the standard of services might become a disincentive for tourists to visit the Island. A program of infrastructure improvement would assist tourism and would probably help to attract other industries. It might well prove essential to the long term viability of the economy and the well being of the community.

23. Our assessment that Norfolk can fund its current and future infrastructure requirements does not require any specific assumption that it will use loan funds to assist in this process. But while it is probable that Norfolk could raise sufficient recurrent revenue to fund infrastructure requirements, the use of loans might, on occasions, be beneficial to more timely service provision and cash flow management. Norfolk Island does have the ability to service loans and can borrow, subject to the approval of the Commonwealth Treasurer. There is nothing inherently wrong with 'investing in the future' and taking out a loan to provide a necessary injection of capital into the economy, or with future users of infrastructure being asked to contribute to the cost of that infrastructure. The essential step is a realistic examination of the costs and benefits of the options.

24. As a final note on infrastructure provision, the Commonwealth might consider whether it has some obligation to provide financial assistance to the Norfolk Island Government to assist it to overcome deficiencies pre-dating self government, such as the safety problems associated with the Cascade Cliff and the inadequacies of the harbour facilities.

Capacity to Meet Future Service Obligations

25. As already noted, not all community expectations and national standards are being met by the current level of services on Norfolk Island. In particular, a number of Commonwealth type services are not being provided at an appropriate level. These matters need to be addressed before consideration of whether the Norfolk Island Government has

the capacity to meet additional obligations that might flow from an extension of self government. In relation to the additional responsibilities that the Norfolk Island Government is seeking, we conclude that:

- there are no financial constraints on the transfer of land management, but appropriate administrative resources and arrangements need to be in place before the transfer of these powers; and
- KAVHA, the National Park and control of the sea are probably better managed as joint responsibilities because of national interests.

26. It seems that both the present Norfolk Island Government and the Commonwealth have recognised the need for change. Before discussing an extension of self government, we think it would be worthwhile for both governments to examine their objectives and consider whether a different allocation of functions might allow them to achieve those objectives and meet community needs more satisfactorily.

27. Since the stated objectives of the two governments are incompatible, such an exercise would require both sides to approach the future with an open mind and a preparedness to compromise. A realistic evaluation should be undertaken of which services should be the responsibility of the Commonwealth and which of the Norfolk Island Government; and of which government has the expertise to set objectives for the service and which is best placed to deliver the service. An evaluation of the relative revenue raising capacities against the expenditure required to fund each service would also be necessary. There could be a re-arrangement of functions for each government so that they better suited the unique circumstances of Norfolk Island, or even perhaps the adoption of the usual mainland model, with a split of powers and responsibilities closer to that between the Commonwealth and the ACT or the Northern Territory.

28. For example, the Commonwealth is clearly best placed to provide defence and foreign affairs. Also, the Commonwealth might be thought to have the expertise and resources to provide social security and health insurance more easily and cheaply than does the Norfolk Island Government. These services are not provided at appropriate levels on Norfolk at present and their costs are likely to grow. Some revenue source, say departure tax, may need to accompany a transfer of them to the Commonwealth. Alternatively, it might be concluded that, while the services would be best delivered by the Commonwealth, Norfolk Island should maintain responsibility for them and contract with the Commonwealth for their delivery at appropriate standards. In that case, no revenue source would need to be transferred, but a reasonable contract price, based on marginal costing and recognising the joint interest of the Commonwealth and the Norfolk Island Government, would need to be negotiated. Such arrangements might require additional taxation to finance them.

29. It might also be concluded that a wide range of other services is best provided by the Norfolk Island Government because it is most aware of local conditions. For most services, there is little reason why the Norfolk Island Government should not be free to choose the standard at which they are provided. Such services might include land management and planning, provision of power, water and sewerage and motor vehicle control. However, for some services — those in which the Commonwealth has a particular

interest in ensuring that minimum standards are satisfied — the standards at which they are provided should be subject to negotiation between the two levels of government. When agreement is reached, the Norfolk Island Government should be free to decide how the required outcomes are to be achieved and how best to deliver the service. As part of the negotiations, the Commonwealth might need to consider offering specific purpose assistance to help the Norfolk Island Government meet the required level of service.

30. Such an approach might enable earlier negotiations on extensions of the degree of self government.

Strategic Planning for the Norfolk Island Government

31. Whether or not a re-assessment of the distribution of powers takes place, it will be essential for the Norfolk Island Government to push on with its proposal to develop a long term strategic plan. Such a plan would need to cover the overall objectives of the Government, a broad program for their achievement, methods of evaluating progress and a regular review and updating process for the plan itself. The plan will need to cover:

- the economy;
- the range and level of services to be provided;
- infrastructure needs for the next ten to twenty years;
- community contributions (revenue raising), and how any increase would best be achieved;
- administrative arrangements (structures, policy advice, service delivery practices);
- a broad legislative program and improved procedures for developing draft legislation and bringing it forward to the Assembly; and
- budgeting, including the introduction of a system of forward estimates in budget processes.

32. To improve administrative capacity, the plan should include the external review of administrative structures suggested earlier.

33. Strategic planning for a government is a large task and requires commitment not only by the government but by the community at large. It needs to include a clear statement of objectives, actions to be undertaken and a development timetable. It must be subject to regular review to ensure that it remains relevant in the light of changing circumstances and priorities.

Review of the Norfolk Island Act 1979

34. One of the objectives of the Commonwealth is to use this report as a background document to a review of the *Norfolk Island Act 1979*. We think that such a review is needed, particularly to clarify responsibilities, to make the Act more administratively useful and to strengthen accountability and conflict of interest requirements. It will also be necessary if changes in responsibility for particular functions are to occur.

35. **Division of responsibilities.** We think that a future Norfolk Island Act would be simpler and easier to administer if powers reserved to the Commonwealth were specified and the powers available to the Norfolk Island Assembly remained unstated. This approach would avoid having to consider whether Norfolk should have all the generally unstated powers of the States or local government authorities.

36. We also think that a Schedule which specified any matters for which the Commonwealth has established national objectives would be helpful. It would be likely to include all functions which are normally the responsibility of the Commonwealth on the mainland, such as social security and health insurance. But there are other areas of national interest also which, for the States, are areas in which they receive specific purpose payments from the Commonwealth to ensure that national or minimum standards are met and to protect the interests of minorities or disadvantaged groups. Such functions include primary and secondary education, vocational education and training, health and national parks. The Norfolk Island Government could have responsibility for the provision of these services, but would need to accept that minimum standards were to be met.

37. **Accountability.** The present Act gives considerable attention to the auditing and presentation of the Norfolk Island Government accounts, and rightly so. However, we believe that it should also require the Assembly to account to the Norfolk Island people and to the Commonwealth. This might best be achieved through an annual report which covered all activities of the Norfolk Island Government, including all the GBE's, the hospital and the tourist bureau. It would record the extent to which the Government's objectives, as set out in its strategic plan, were being achieved.

38. Some administrative review mechanism should also be set up. This could involve an extension of the functions of the Administrative Review Tribunal or, as an alternative, the establishment of an Ombudsman's Office.

39. The present Act requires the audited statement to be 'laid before the Legislative Assembly within 65 days of receipt by the Speaker' but does not specify a date by which the auditor must provide it to the Speaker. We note that the audited Statements for the financial year ended 30 June 1996 were not available until 25 November 1996 and thus need not have been presented to the Assembly until the end of January 1997 — seven months into the next financial year. The Act should be amended to require more timely presentation.

40. **Conflict of Interest.** This issue is covered by Section 39 (3) of the present Act, which provides that Members of the Legislative Assembly shall not take part in debates, or vote, on matters in which they have an interest. The Commonwealth could

consider the expansion of this clause to ensure that the Norfolk Island Government passed legislation, rules or guidelines by which it would handle conflicts of interest in the Assembly, in the executive and in the public service.

Conclusion

41. We conclude that the Norfolk Island Government has the financial capacity to meet the obligations associated with its existing government functions, in terms of both service provision and infrastructure requirements. However, some services are not being provided at appropriate levels and some infrastructure is in poor condition. The Norfolk Island Government is not raising sufficient revenue to deal with these deficiencies, though the capacity to do so is clearly available. Its administrative capacity is also below standard.

42. On the assumptions we have made, the Norfolk Island Government would have the capacity to fund some additional responsibilities. Nevertheless, we suggest that, before any discussion of transfers of additional functions takes place, the Norfolk Island Government should take steps to meet its existing obligations, particularly in Commonwealth type functions.

43. In our view, change is needed. The Commonwealth has a responsibility to ensure that certain services are provided to Australians at appropriate levels and this is not happening on Norfolk. If the Norfolk Island Government were to do nothing to improve these services, it should expect the Commonwealth to reclaim responsibility for them and some revenue powers to pay for them. If the Norfolk Island Government were to do nothing to improve its administrative capacity and infrastructure, there would be a risk of the Island economy declining, of revenue capacity falling and levels of services deteriorating. The Commonwealth could then be forced to take responsibility for a wider range of service provision and revenue raising for the Island. The level of independence of Norfolk Island would thereby be reduced.

ATTACHMENT A

COMMISSION ACTIVITIES

1. A number of meetings and conferences with staff of the Territories Office, representatives of the Norfolk Island Government and other interested parties were held by the Commission during the course of the inquiry.

2. The Chairman and Secretary visited the Island from 10 to 14 November 1996. The purpose of the visit was to explain the inquiry, discuss what might be the major issues and encourage interested parties to make submissions.

3. Two senior Commission staff were on the Island from 9 to 12 December 1996 to provide the Norfolk Island Administration and the community with further background on the Commission and its methods. They also provided guidance on the range of issues that might be covered in the Commission's assessment of Norfolk Island's capacity to provide services and meet current and future obligations, and provided assistance to organisations and individuals on the making of submissions helpful to the inquiry. They distributed the Discussion Paper CGC 96/8.

4. The Commission spent from 3 to 11 May 1997 on Norfolk, becoming familiar with the Island, holding a conference to discuss matters raised in submissions and carrying out workplace discussions. The annotated agenda prepared to assist discussion at the conference was distributed as Discussion Paper CGC 97/1. The conference provided for both public and private sessions so that individuals who wished to could discuss matters in confidence with the Commission.

5. The Commission held informal discussions with officers of the Norfolk Island Administration and Commonwealth Government in their workplaces. The aim of these discussions was to obtain, from the people responsible for providing the services, advice on:

- the range of services provided;
- how the services are provided; and
- how the circumstances of the Island affect the services required or the manner in which they are provided.

6. By visiting the workplaces, the Commission was also able to form impressions of the standard of the infrastructure.

7. The sites visited or subject to discussions were:

- Parks Australia (managers of the Norfolk Island National Park);
- works depot;
- lighterage depot;
- police station;
- Norfolk Telecom;
- Norfolk Island Airport;
- radio station;
- Norfolk Island Hospital;
- central school;
- childcare facilities (Banyan Park);
- electrical power station;
- museums;
- water and sewerage / refuse disposal;
- public service and machinery of government;
- Liquor Bond Store;
- Customs Office; and
- Norfolk Post.

8. The final conference was held on the Island from 29 June to 3 July 1997 to discuss the Commission's draft report and any other matters the Norfolk Island community wished to raise.

9. Details of the participants in the inquiry are provided below.

| | |
|---------------------------|---|
| Mr Robert Adams MLA | Member of the Legislative Assembly |
| Mr Ian Anderson | |
| Mr John Anderson | President, Norfolk Island Conservation Society |
| Mrs Monica Anderson | Past Member of the Legislative Assembly |
| Mr George (Puss) Anderson | OIC, KAVHA Restoration, The Administration of Norfolk Island |
| Mr Malcolm Bains | |
| Mr Allen Bataille | |
| Mr Brian Bates MLA | Member of the Legislative Assembly |
| Mr Russ Beadman | |
| Mr Geoff Bennett | Past Member of the Legislative Assembly |
| Ms Mary Bennett | Program Manager ,Corporate Services, The Administration of Norfolk Island |
| Mr William A Blucher | Past Member of the Legislative Assembly |
| Mr Barry Boniface | |
| Mr John Brown MLA | Executive Member, Legislative Assembly |
| Mr David Budd | Manager, WESTPAC |
| Mr Chris Buffett | Secretary, Norfolk Island Rescue Squad Incorporated |
| Mr Ivens (Toon) Buffett | Chief Administration Officer, The Administration of Norfolk Island |
| Mr Alan (Kissard) Buffett | Collector of Customs, The Administration of Norfolk Island |
| Ms Alice Buffett | Past Member of the Legislative Assembly |
| Mr David Buffett AM, MLA | Deputy Speaker, Norfolk Island Legislative Assembly |
| Mrs Vanda Buffett | |
| Ms Pauline Butler | |

Attachment A

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|------------------------------|---|
| Mr Richard A Cavill | |
| Mr Brian Check | |
| Mr John (Moochie) Christian | Manager, Electricity, The Administration of Norfolk Island |
| Mr Neville (Loppy) Christian | Past Member of the Legislative Assembly |
| Ms Pip Clark | |
| Ms Charisse Clarke | |
| Ms Helen Clinton | |
| Ms Sheila Clinton | |
| Sergeant Mark Colbran | OIC Police, The Administration of Norfolk Island |
| Mr Ralph Condon | Official Secretary/Acting Administrator |
| Mr Peter Connolly | Manager Liquor Bond, The Administration of Norfolk Island |
| Mr Peter Davidson | President, School Council |
| Mr Kim Davies | Manager Telecom, The Administration of Norfolk Island |
| Mr John Deadman | The Administration of Norfolk Island |
| Mr Graeme Donaldson | Registrar of Companies, Manager Social Services, CPI and Statistics, The Administration of Norfolk Island |
| Ms Glenn Douran | |
| Mr Gerry Downie | The Administration of Norfolk Island |
| Mrs Joyce Dyer | President, Quota Club of Norfolk Island |
| Mr Duncan Edwards | |
| Ms Barb Elvey | |
| Mr David (Diddles) Evans | Past Member of the Legislative Assembly |
| Mr Paul (Pinky) Finch | Airport Manager, The Administration of Norfolk Island |
| Mr Keiran Fitzpatrick | Human Rights and Equal Opportunities Commission |

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| Dr Lloyd Fletcher | Government Medical Officer, The Administration of Norfolk Island |
| Mr Ernie Friend | Agricultural Officer, The Administration of Norfolk Island |
| Mr Geoff Gardner MLA | Member of the Legislative Assembly |
| Mr Les Garraway | General Manager, Tourist Bureau |
| Mr Gerald Goudie | |
| Mr Gordon Gray | Acting Crown Solicitor, The Administration of Norfolk Island |
| Mr Derek Greenwood | |
| Ms Rhonda Griffiths | President, Community Arts Society |
| Mrs Sheila Grimshaw | |
| Ms Agnes Hain | |
| Ms Carol Hamilton-Irvine | |
| Mr Milton Harris | |
| Mrs Merval Hoare | |
| Mrs Dale Hogden | |
| Dr David Howe | Government Medical Officer, The Administration of Norfolk Island |
| Ms Vicki Jack | |
| Mrs Carol Jackson | |
| Mr Gilbert Jackson | Past Member of the Legislative Assembly |
| Mr Tom Jacobson | |
| Mr Alan Kerr | Administrator |
| Mr Mike King | Past Member of the Legislative Assembly |
| Mr Tom L Lloyd AM | Honorary Secretary, The Norfolk Island Amateur Sports Association |
| Nadia Lozzi-Cuthbertson OAM | Past Member of the Legislative Assembly |

Attachment A

| | |
|----------------------------|---|
| Mr Craig Maher | Assistant Manager, Commonwealth Bank |
| Mr Vivian Mawhinney | Director, Norfolk Island and Mainland Territories, Department of the Environment, Sport and Territories |
| Mr Rod McAlpine | Acting Secretary to Government, Norfolk Island Government |
| Mr David McCowan | Hospital Manager, Norfolk Island Hospital |
| Mr John McCoy | Representative, Norfolk Island Tourist Bureau |
| Mr David McGill | Department of the Prime Minister and Cabinet |
| Ms Margaret Meadows | OIC Radio Station, The Administration of Norfolk Island |
| Mr William (Yarm) Menzies | President, Public Service Association |
| Ms Julie Meskell | Assistant Director, Norfolk Island and Mainland Territories Section, Department of the Environment, Sport and Territories |
| Ms Chloe Nicholas | |
| Mr Brancker Nobbs | The Administration of Norfolk Island |
| Mr Ron Nobbs MLA | Member of the Legislative Assembly |
| Mr Dennis O'Neill | Principal, Norfolk Island Central School |
| Ms Sue Pearson | |
| Mr Kevin Pereira | |
| Mr Peter Pye | Works Superintendent, The Administration of Norfolk Island |
| Mr Greg Quintal | Past Member of the Legislative Assembly |
| Ms Denise Quintal-Ingleton | |
| Mr John Rankin | Chief Administration Officer, The Administration of Norfolk Island |
| Ms Ella Reynolds | |
| Mr Ross Reynolds | |
| Mr Wayne Richards | Project Officer, The Administration of Norfolk Island |

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| Mr Gary Robertson MLA | Executive Member, Legislative Assembly |
| Mr Craig Robinson | Accommodation and Tourism Association |
| Ric Robinson MLA | Executive Member, Legislative Assembly, President, The Association of Norfolk Islanders |
| Mr David Rodgers | Deputy Registrar of Lands, The Administration of Norfolk Island, Past member of the Legislative Assembly |
| Mr Gary Ryan | Amateur Sports Association |
| Mr Max Ryder | Head of Secondary Department, Norfolk Island Central School |
| Mr Lester Semple | Tip contractor Past Member of the Legislative Assembly |
| Ms Beverley Simpson | |
| Mr George Smith MLA | Chief Minister and Speaker, Legislative Assembly |
| Ms Nina Stanton | Curator/Director, Norfolk Island Museum |
| Mr Paul Stevenson | Conservator, Parks Australia |
| Mr Ken Swain | |
| Mr Allan Tavener | Postal Services Manager, Norfolk Post |
| Mr Neil Tavener | Health and Building Inspector (Water Assurance Manager), The Administration of Norfolk Island |
| Ms Sema Varova | First Assistant Secretary, Territories Office, Department of the Environment, Sport and Territories |
| Mr Bruce Walker | President, Norfolk Island Chamber of Commerce |
| Dr John Walsh of Brannagh | |
| Ms Anne Webb | Director, Hospital Enterprise |
| Ms Enid Westlake | President, Sunshine Club |
| Mr Ralph Westlake | Sunshine Club |
| Mr Phil White | Parliamentary Council, Administration of Norfolk Island |

Attachment A

Mr Barry Wilson

Finance Manager, Norfolk Island Government

Mr Graeme Woolley

Ms Carole Yager

Honorary Secretary, Quota Club of Norfolk Island

Mr Dan Yager

President, Amateur Sports Association

Mr Mike Zande

ATTACHMENT B

MEDIA RELEASES ON THE INQUIRY

1. Each stage of the inquiry was advertised in *The Norfolk Islander*, a private weekly newspaper published by The Greenway Press.

- (i) The commencement of the inquiry and the visit to Norfolk Island by the Chairman, Dick Rye and the Secretary, Bob Searle, were advertised on 2 and 9 November 1996.
- (ii) The visit by Commission senior staff, Catherine Hull and Malcolm Nicholas, to explain the procedures for the inquiry, was advertised on 7 December, 1996.
- (iii) A reminder that submissions were due was published on 15 and 22 February, 1997.
- (iv) A change of date for the first conference was advertised on 22 and 29 March, 1997.
- (v) The first conference to discuss an annotated agenda and the workplace discussion program were advertised on 26 April and 3 May, 1997.
- (vi) The second conference to discuss the draft report was advertised on 28 June, 1997.

2. Radio interviews by Margaret Meadows of VL2NI, the Administration Broadcasting Service, were conducted with:

- (i) the Chairman and Secretary of the Commission in the week of 11 to 15 November, 1996;
- (ii) Commission staff, Catherine Hull and Malcolm Nicholas, in the week of 9 to 13 December, 1996;
- (iii) the Chairman and Secretary in the week of 5 to 9 May, 1997; and
- (iv) the Secretary on 7 July, 1997.

3. The texts of the press releases are reproduced below.

TEXT FOR THE NORFOLK ISLANDER

2 NOVEMBER and 9 NOVEMBER 1996

GRANTS COMMISSION VISIT

At the request of the Commonwealth and Norfolk Island Governments, the Commonwealth Grants Commission has been asked to report on Norfolk Island's economic capacity, financial and administrative arrangements and government services, including:

- (i) its capacity to meet obligations associated with current and future government functions that might be associated with an extension of the degree of self-government;
- (ii) its capacity to fund the Island's current and foreseeable infrastructure requirements (including its ability to service loans); and
- (iii) government services available on Norfolk Island including the contribution of the community towards those services and the capacity of the Island to maintain services at an appropriate level.

To begin this work, the Chairman of the Commission, Dick Rye, and the Secretary, Bob Searle, will visit the Island from Sunday 10 to Thursday 14 November. They will hold a series of meetings to explain how the Commission's work will be carried out and are keen to speak to anyone interested in giving their views on the major issues. The Commission regards local input into its inquiries as essential.

Following the visit, the Commission will prepare and distribute a discussion paper providing information on procedures and the major issues for the inquiry. Written submissions will be due about mid-February but it will also be possible to make oral submissions later. The report will be completed by mid-August 1997.

The main role of the Commission is to advise the Commonwealth Government on the distribution of general revenue assistance (some \$ 19 400 million per year) between the States and Territories. This advice is based on the principle that funds should be shared among the States and Territories so that each has the capacity to provide a common range and standard of services, provided it makes an average effort to raise revenue from its own sources and operates at the average level of efficiency.

In addition, the Commission has made reports on the Cocos (Keeling) Islands and Christmas Island similar to that required for Norfolk Island. The special circumstances of those Islands (such as their isolation, socio-demographic characteristics, economic situation and the standard of government services relative to those of remote mainland communities) were taken into account in considering their funding needs. Both Mr Rye and Mr Searle were involved in these reports.

If you would like to speak to them during their visit, please contact the Chief Administrative Officer on 22001 to make an appointment.

TEXT FOR THE NORFOLK ISLANDER

7 DECEMBER 1996

THE FINANCIAL AND ADMINISTRATIVE CAPACITY OF NORFOLK ISLAND

STAFF VISIT

The Commonwealth Grants Commission has been asked by the Commonwealth and Norfolk Island Governments to report on the financial and administrative capacity of Norfolk. The Commission is keen to receive submissions from the community and has produced a brief Discussion Paper to suggest the issues that might be covered. Catherine Hull and Malcolm Nicholas, two of the Commission's senior staff, will have the Paper with them when they arrive on the Island on 8 December.

If you talked to the Chairman and Secretary of the Commission, Dick Rye and Bob Searle, during their visit in November, a copy of the Discussion Paper will be sent to you. If you did not, and would like to receive a copy, call Rose in Administration on 22001 and she will make the necessary arrangements.

Catherine and Malcolm are available to talk to anyone who thinks they might wish to make a submission. Such discussions can be arranged by contacting the Administration or by leaving a message at the Castaway, where they will be staying.

TEXT FOR THE NORFOLK ISLANDER

15 and 22 FEBRUARY 1997

THE FINANCIAL AND ADMINISTRATIVE CAPACITY OF NORFOLK ISLAND

REMINDER

The Commonwealth Grants Commission has been asked by the Commonwealth and Norfolk Island Governments to report on the financial and administrative capacity of the Norfolk Island Government to provide government services.

The Commission is keen to receive submissions from the community to assist it in the preparation of this report. They are due by **28 February 1997**. If you wish to make a submission, please send it to:

**The Secretary
Commonwealth Grants Commission
5 Torrens Street
Braddon ACT 2612**

Norfolk Islanders will recall that the Chairman, Dick Rye, and the Secretary, Bob Searle, visited the Island in November 1996 to explain how the Commission works and how it would respond to the request from the two Governments. Catherine Hull and Malcolm Nicholas, two of the Commission's senior staff, also visited the Island in December to distribute a Discussion Paper showing the community how it might assist the Commission in making submissions.

Copies of the Discussion Paper are available from Rose Nobbs in the Administration on 22001.

TEXT FOR THE NORFOLK ISLANDER

22 and 29 MARCH 1997

THE FINANCIAL AND ADMINISTRATIVE CAPACITY OF NORFOLK ISLAND

CHANGE OF DATE OF CONFERENCE

The Commonwealth Grants Commission has been asked by the Commonwealth and Norfolk Island Governments to report on the financial and administrative capacity of the Norfolk Island Government to provide services. A considerable number of submissions have been received from the community and the Commission is very pleased with this response.

A Conference to discuss the submissions was scheduled for the week beginning 28 April. However, as the election for the Norfolk Island Legislative Assembly will take place on 30 April, the Conference will be put off for one week and will now commence on Monday 5 May at 4.30 pm. It will conclude on Wednesday 7 May. Discussions with service providers at their work places will follow on the Thursday and Friday.

Further details on the Conference, including notice of a session to be held on the evening of Tuesday 6 May, will be advertised in *The Norfolk Islander* closer to the date of the Conference. Members of the community who have not yet made a submission but wish to talk to the Commission while it is on the Island should contact Catherine Hull by fax (06 275 8009) or by reverse charges phone call (06 275 8048).

Information on the Commission's inquiry is contained in a Discussion Paper, copies of which are available from Rose Nobbs in the Administration on 22001.

TEXT FOR THE NORFOLK ISLANDER

26 APRIL and 3 MAY 1997

**THE FINANCIAL AND ADMINISTRATIVE CAPACITY OF NORFOLK ISLAND
CONFERENCE AND WORKPLACE DISCUSSIONS**

The Commonwealth Grants Commission has been asked by the Commonwealth and Norfolk Island Governments to report on the economic, financial and administrative capacity of the Norfolk Island Government to provide government services.

The Commission — Dick Rye, the Chairman and its two Members, Mr Ron Barnes and Professor Ken Wiltshire — and several members of their staff will be on the Island from 4 to 10 May.

A Conference to discuss submissions received from the Norfolk Island Government, the Department of the Environment, Sport and Territories and many Norfolk Island organisations and residents will commence on Monday 5 May at 4.30 pm at the South Pacific Resort Hotel. An agenda for the Conference is available from Joanne Adams in the Administration on 22001.

An evening session will be held on Tuesday 6 May to provide those who have not made submissions but who wish to discuss matters with the Commission an opportunity to do so. These discussions can be public or in-confidence. Anyone wishing to speak to the Commission in this way should contact Catherine Hull at the Commission on 06 275 8048 (reverse charges) or at the Hillcrest Gardens Hotels from Sunday evening 4 May.

A final session will be held on Friday 9 May at the South Pacific Resort Hotel. All sessions (with the possible exception of parts of the evening one) will be open to the public.

Discussions with government service providers will be conducted at their work places on the Thursday and Friday.

The Conference and workplace discussion program is as follows:

| | | |
|------------------|--------------------|---|
| Monday, 5 May | 4.30 pm - 6.00 pm | Opening of Conference, South Pacific Resort |
| Tuesday, 6 May | 9.00 am - 5.00 pm | Conference |
| | 7.30 pm - 9.00 pm | Conference |
| Wednesday, 7 May | 9.00 am - 12.30 pm | Conference |
| Thursday, 9 May | 9.00 am - 5.00 pm | Workplace Discussions |
| Friday, 8 May | 9.00 am - 3.30 pm | Workplace Discussions |
| | 4.00 pm - 5.30 pm | Conference Close, South Pacific Resort |

TEXT FOR THE NORFOLK ISLANDER

28 JUNE 1997

THE FINANCIAL AND ADMINISTRATIVE CAPACITY OF NORFOLK ISLAND

DRAFT REPORT CONFERENCE

In continuing its inquiry into the financial and administrative capacity of Norfolk Island, the Commonwealth Grants Commission is to visit the Island again from 30 June to 4 July.

A draft report has been prepared by the Commission and distributed to the Norfolk Island Government, the Department of the Environment, Sport and Territories and many Norfolk Island organisations and residents. Five copies of the draft report and the submissions from the Norfolk Island Government and DEST are available in the Norfolk Island Library.

The report has been distributed as the basis for further discussions. It:

- tells readers what information the Commission has;
- raises the issues that need further discussion;
- provides details of the analysis undertaken and comparisons of Norfolk's situation with other communities; and
- gives some indication of preliminary findings.

In making comparisons, the report does not (with a few exceptions) imply what the Norfolk Island Government ought to do.

A Conference to discuss the Draft Report will commence on Monday 30 June at 9.00 am in the Sirius Room at The Colonial of Norfolk Island. The public sessions of the Conference will run from 9.00 am to 12.30 pm and from 1.30 pm to 5.00 pm on Monday, Tuesday and Wednesday and close at 12.30 pm on Thursday 3 July. If necessary, an 'in-confidence' session will be held on the Thursday afternoon. Anyone wishing to speak to the Commission in this way should contact Catherine Hull at the Hillcrest Gardens Hotels from Saturday evening, 28 June.

ATTACHMENT C

INQUIRY DOCUMENTS

Commission Papers

1. As part of its procedures, the Commission issued three Discussion Papers during the inquiry. They were:

Discussion Paper CGC96/8 Norfolk Island Financial and Administrative Capacity;

Discussion Paper CGC97/1 Annotated Agenda for the Norfolk Island Conference, May 1997; and

Discussion Paper CGC 97/2 Draft Report on Norfolk Island, June 1997.

2. The Inquiry was advertised in *The Norfolk Islander* and on the local radio service prior to and during each visit. Details of those advertisements are contained in Attachment B.

Documents Received

3. **Submissions.** During the inquiry, the Commission received submissions from the Department of the Environment, Sport and Territories, the Norfolk Island Government and many other interested parties. The written submissions received and the identification numbers allocated to them are listed below. Except for those identified as being confidential, the submissions are public documents and are available in the Commission's library for research purposes.

Submission Number

- NI97/EST/1 Submission by Environment Australia, Parks Australia, 5 March 1997.
- NI97/EST/2 Submission by the Department of the Environment Sport and Territories, 19 March 1997.
- NI97/EST/3 Supplementary Submission by the Department of the Environment, Sport and Territories, 23 May 1997 (plus Addendum dated 2 June 1997).
- NI97/EST/4 Submission by Department of the Environment Sport and Territories - Information relating to legislation applying to Norfolk Island, 30 June 1997.
- NI97/EST/5 Submission from the Office of the Administrator, Norfolk Island: Details from the Australian Fisheries Management Authority, 15 July 1997.
- NI97/EST/6 Submission by Environment Australia, Parks Australia, 21 July 1997.
- NI97/EST/7 Submission by Department of the Environment Sport and Territories: Additional Information from Pacific Territories Section, 18 July 1997
- NI97/EST/8 Submission by Department of the Environment Sport and Territories: Additional Background Information, 23 July 1997 (Confidential).
- NI97/NIG/1 Submission by the Norfolk Island Central School, 27 February 1997.
- NI97/NIG/2 Submission of the Norfolk Island Government to the Commonwealth Grants Commission Inquiry into the Financial and Administrative Capacity of Norfolk Island, 11 April 1997.
- NI97/NIG/3 Norfolk Island Government Supplementary Submission, 28 May 1997.
- NI97/NIG/4 Submission by Mr Ric Ion-Robinson, Executive Member, Norfolk Island Legislative Assembly, 4 July 1997.
- NI97/NIG/5 Submission by Norfolk Island Government: Comments on the Draft Report, 27 June 1997.
- NI97/NIG/6 Submission by Norfolk Island Government: Import Statistics 1995-96, 14 July 1997.
- NI97/OTH/1 Submission by The Norfolk Island Amateur Sports Association, 15 February 1997.
- NI97/OTH/2 Submission by Quota Club of Norfolk Island, 24 February 1997.
- NI97/OTH/3 Submission by the Community Arts Society of Norfolk Island, 21 February 1997.

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- 21 February 1997.
- NI97/OTH/4 Submission by The Association of Norfolk Islanders, 26 February 1997 (Part Confidential).
- NI97/OTH/5 Submission by Mrs Carol Jackson, 21 February 1997.
- NI97/OTH/6 Submission from Mrs Dale Hogden, 5 February 1997.
- NI97/OTH/7 Submission by Mr Geoff Bennett: Norfolk Island Financial and Administrative Capacity, February 1997.
- NI97/OTH/8 Submission by Norfolk Island Conservation Society: Norfolk Island Financial and Administrative Capacity - Environment Considerations, 25 February 1997.
- NI97/OTH/9 Submission by Mrs Merval Hoare: Norfolk Island Financial and Administrative Capacity, 26 February 1997.
- NI97/OTH/10 Submission by Messrs Gerald Goudie and Graeme Woolley, 6 February 1997.
- NI97/OTH/11 Submission by Ms Chloe Nicholas, 13 May 1997.
- NI97/OTH/12 Submission by Mr Ernie Friend, 13 May 1997.
- NI97/OTH/13 Submission by Ms Pauline Butler, 13 May 1997.
- NI97/OTH/14 Submission by Ms Sue Pearson, 13 May 1997 (Confidential).
- NI97/OTH/15 Additional Submission by The Association of Norfolk Islanders, 8 May 1997 (Part Confidential).
- NI97/OTH/16 Submission by the Norfolk Island Rescue Squad Incorporated, 9 May 1997.
- NI97/OTH/17 Supplementary Submission by Mrs Carol Jackson (Confidential), 13 May 1997.
- NI97/OTH/18 Submission by Mr R. A. and P. M. Cavill, 12 May 1997.
- NI97/OTH/19 Submission by Ms Nadia Lozzi-Cuthbertson, 11 May 1997.
- NI97/OTH/20 Submission by Mr Ian Anderson, 21 May 1997.
- NI97/OTH/21 Supplementary Submission by Mr Geoff Bennett, 22 May 1997.
- NI97/OTH/22 Submission by Ms Alice Buffett, 23 and 26 May 1997 (Confidential).
- NI97/OTH/23 Submission by Ms Denise Quintal-Ingleton, 23 and 26 May 1997 (Confidential).

- (Confidential).
- NI97/OTH/24 Submission by Mr D Greenwood, 26 May 1997 (Confidential).
- NI97/OTH/25 Number not used.
- NI97/OTH/26 Submission by Ms Nina Stanton, Curator/Director, Norfolk Island Museum, 22 May 1997 (Confidential).
- NI97/OTH/27 Number not used.
- NI97/OTH/28 Submission by Mrs Sheila Grimshaw, 23 May 1997.
- NI97/OTH/29 Submission by the Norfolk Island Chamber of Commerce, 22 May 1997.
- NI97/OTH/30 Number not used.
- NI97/OTH/31 Submission by Mr John Adams, 3 July 1997 (Confidential).
- NI97/OTH/32 Submission by St John Ambulance of Australia, Norfolk Island Division, 8 July 1997.
- NI97/OTH/33 Submission by Norfolk Amateur Theatrical Society Inc., 2 July 1997.
- NI97/OTH/34 Submission by Mr Ernie Friend: Comments on the Draft Report, 28 June 1997.
- NI97/OTH/35 Submission by Mr Chris Buffett: Horticultural Opportunities, 30 June 1997.
- NI97/OTH/36 Submission by Mr Ron Nobbs, 3 July 1997.
- NI97/OTH/37 Submission by Ms Sue Pearson: Comments on the Draft Report, 2 July 1997 (Part Confidential).
- NI97/OTH/38 Submission by Mrs Sheila Grimshaw, 6 July 1997.
- NI97/OTH/39 Submission by Norfolk Island Conservation Society, 3 July 1997.
- NI97/OTH/40 Additional Submission by Mr Ernie Friend, 15 July 1997.
- NI97/OTH/41 Additional Submission from Mr Geoff Bennett, 15 and 16 July 1997.
- NI97/OTH/42 Submission by the Australian Conservation Foundation on Draft Report on Norfolk Island, 21 July 1997.
- NI97/OTH/43 Submission by Mr Lester Semple: Comments on the Draft Report regarding Waste Management, 16 July 1997 (Confidential).

4. **Supporting Documents.** A number of documents were used by the Commission as background material during the inquiry. These documents, listed below, are available for research purposes in either the Commission's library or the library of the Department of the Environment Sport and Territories.

Document Number

1. *Norfolk Island Act 1979.*
2. Norfolk Island 1991-1992 Report. Administration of Norfolk Island 1992.
3. Norfolk Island 1992-1993 Report. Administration of Norfolk Island 1993.
4. Norfolk Island 1993-1994 Report. Administration of Norfolk Island 1995.
5. The Administration of Norfolk Island. Financial Statements. Year Ended 30 June 1988.
6. The Administration of Norfolk Island. Financial Statements. Year Ended 30 June 1990.
7. The Administration of Norfolk Island. Financial Statements. Year Ended 30 June 1992.
8. The Administration of Norfolk Island. Financial Statements. Year Ended 30 June 1993.
9. The Administration of Norfolk Island. Revenue Fund. Revenue and Expenditure Estimates. 4th Draft. Budget Proposals for 1993-1994. For Approval and Endorsement by the Norfolk Island legislative Assembly. June 1993
10. The Administration of Norfolk Island. Financial Statements. Year Ended 30 June 1995.
11. The Administration of Norfolk Island. Financial Statements. Year Ended 30 June 1996.
12. Administration of Norfolk Island. Summarised Consolidated Income and Expenditure Statements. Period 1987-1996.
13. Tourist Bureau. Financial Statement. Year Ending 30 June 1996.
14. The Norfolk Island Hospital. Strategic Plan. 1996-1999.
15. The Norfolk Island Hospital. Norfolk Island Hospital Enterprise. Annual Report 1995-1996.

16. Norfolk Island Household Expenditure Survey 1995. Conducted on behalf of the Department of the Environment, Sport and Territories by the Australian Bureau of Statistics.
17. Administration of Norfolk Island. Census of Population and Housing - 6 August 1991. Statistical Report on Characteristics of Population and Dwellings. Prepared under instructions from the Norfolk Island Government by S. P. Mathews, Statistician for the Census.
18. Collection of pamphlets from various organisations and the Norfolk Island Legal Aid Scheme, Norfolk Island Healthcare Scheme and Norfolk Island Health Insurance Plan.
19. A guide to the Norfolk Island Retail Price Index. Government of Norfolk Island, 1983.
20. Norfolk Island Pension Entitlements Summary (as at December 1996).
21. E. Howard, Who Governs Norfolk Island? - Who Has What Powers? Norfolk Island, 1995.
22. Draft Norfolk Island Plan, January 1997. The Statutory Plan prepared under the Planning Act 1996 incorporating a Planning Report and Draft Planning (Subdivision) Code. National Capital Authority.
23. Financial Institutions and Taxes on Norfolk Island (as at April 1992).
24. Report of the Norfolk Island Land Review Working Group, May 1995.
25. Report of the Royal Commission into matters relating to Norfolk Island, October 1976 (Nimmo Report).
26. Report of the Joint Standing Committee on the National Capital and External Territories, Delivering the Goods, Australian Government Publishing Service, Canberra, February 1995.
27. Report of the House of Representatives Standing Committee on Legal and Constitutional Affairs, Islands in the Sun - The Legal Regimes of Australia's External Territories and the Jervis Bay Territory, Australian Government Publishing Service, Canberra, March 1991.
28. M. L. Treadgold, Bounteous Bestowal - The Economic History of Norfolk Island, Pacific Research Monograph No.18, Australian National University Centre for Development Studies, Canberra, 1988.
29. Final Environmental Impact Statement - Upgrading of Norfolk Island Airport to Medium Jet Standard. Department of Transport, June 1980.

30. Draft Environmental Impact Statement - Norfolk Island. Proposed Introduction of Limited B737-200 Regular Passenger Transport Services and B727-100 Freight Operations. February 1984.
31. Supplement to Draft Environment Impact Statement - Norfolk Island. Proposed Introduction of Limited B737-200 Regular Passenger Transport Services and B727-100 Freight Operations. February 1984.
32. Parliamentary Standing Committee on Public Works, Report relating to Norfolk Island Aerodrome Upgrading of Facilities (twelfth Report of 1980). Australian Government Publishing Service, Canberra, 1980.
33. Industries Assistance Commission Report - Passengers Concessions (6 November 1985), Australian Government Publishing Service, Canberra, 1985.
34. Submission of the Norfolk Island Government to the House of Representatives Standing Committee on Legal and Constitutional Affairs - Inquiry into the Legal Regimes of Australia's External Territories.
35. PPK Consultants Pty Ltd, Report on a Preliminary Investigation for the Provision of Harbour Facilities for Norfolk Island. February 1993.
36. Community Change Consultants Pty. Ltd., Winkfield Pty. Ltd. and United Consultants on behalf of Unimelb Ltd., Waste Minimisation Strategies Norfolk Island, August, 1994.
37. Wilton & Bell, Dobbie & Partners Consulting Engineers, Territory of Norfolk Island - Report on Development of Harbour Facilities on Norfolk Island. April 1970.
38. Environmental Impact Statement - Upgrading of Norfolk Island Airport to Jet Standard (May 1975). Department of the Capital Territory, Canberra 1975.
39. A Submission to The Industries Assistance Commission Inquiry into Passenger Concessions, April 1985. P. A. Page, Minister for Tourism and Lands, Norfolk Island.
40. Norfolk Island. Census of Population and Housing. 6 August, 1996.
41. Australian National Audit Office. Asset Management. Audit Report No. 27. 1995-96.
42. A Visitor's Booklet to Norfolk Island. 13th Edition. November 1996-March 1997.
43. Merval Hoare, The Discovery of Norfolk Island, Australia Government Publishing Service, Canberra, 1974.

44. Draft Plan of Management. Mount Pitt Reserve and Norfolk Island Botanic Garden. Australian National Parks and Wildlife Service, Canberra, 1982.
45. Map of Sewerage System. National Capital Authority.
46. The Past, Present and Future Population of Norfolk Island. Report of the Norfolk Island Legislative Assembly Select Committee on Population, March 1987.
47. Report of the Norfolk Island Land Review Working Group. May 1995.
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49. R. Shepherd, Standard & Poors, Trends in Credit Quality of Australian States, 3 March 1997.
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51. Department of Social Security, Information Handbook. A Guide to Payments and Services, 1997.
52. Access Economics, Norfolk Island: Recent Economic Performance, Present Situation, and Future Economic Viability. Is there A Case for Change?
53. A Brief for the Eighth Legislative Assembly on the Financial Process. Administration of Norfolk Island.
54. Number not used.
55. Norfolk Island Government Tourist Bureau. Marketing Strategy Progress Report, September 1996.
56. Merval Hoare, The Winds of Change - Norfolk Island 1950-1982, Institute of Pacific Studies, University of the South Pacific, Fiji, 1983.
57. Strategic Plan Philatelic Products, Foenkaad and Fiskal Kaad 1995-2001. 23 March 1995. Final Draft. Asia Pacific Philatelic Development Pty. Ltd., Kingston, ACT.
58. The Norfolk Islander – Various Editions, 1996-97.
59. Department of the Environment Sport and Territories Minute re: Interactive Home Gambling. 26 June 1997 (In-Confidence).
60. W. Ahern, Norfolk Island Government Report on Establishment of an Offshore Finance Centre (OFC) on Norfolk Island, 18 June 1997.
61. Norfolk Island Provident Account Ordinance 1958.

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62. Exposure Draft of Norfolk Island Public Service Bill 1997, 3 April 1997.
63. Norfolk Island Plan. The Statutory Plan prepared under the Planning Act 1996, 23 April 1997.
64. J.S. Turner, C.N. Smithers and R.D. Hoogland, *The Conservation of Norfolk Island*, Reprint, 1975.
65. *A Conservation Strategy for Norfolk Island*. Norfolk Island Conservation Society. September 1988.
66. *The Administration of Norfolk Island Business Enterprises Budget Proposals 1991/92*, 3rd Draft.
67. Norfolk Island, ABS, *Household Expenditure Survey*, 1995.
68. Norfolk Island Legislative Assembly Discussion Paper on Goods and Services Tax. May 1997.
69. J.A. Mathew, *A Guide to Government House Norfolk Island*, July 1988.
70. Merval Hoare, *Norfolk Island, A History through Illustration, 1774-1974*, Australian Government Publishing Service, Canberra, 1979.
71. Supporting Documents attached to Submission NI97/OTH/16 from Norfolk Island Rescue Squad Incorporated. May 1997.
72. Letter to R. Robinson from Foreign and Commonwealth Office, London, 14 June 1996
73. Number not used.
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75. Administration of Norfolk Island, *Employment Act Levy Return Summary, 1/7/95 – 30/6/96*.
76. Administration of Norfolk Island *Comparison of NSW Schools with the Norfolk Island School*. D. E. Buffett, 14 July 1997.
77. Number not used.
78. Number not used.
79. Additional Information from the Territories Office, Department of the Environment, Sport and Territories, 18 July 1997.
80. Number not used.
81. Document titled 'The Extent of Internal Self-Government', the Territories Office, Department of the Environment, Sport and Territories, 21 July 1997.

82. Australian Journal of Public Administration, Vol.53, No.1, 'Using All the Talents of a Legislature in Governing – A Conversation with R. Vibert OBE', March 1994.
83. J. Bulbeck, Norfolk Island, Australia and the UN – Vol.1, A Report to the U.N.A.A. Federal Executive, February 1978.
84. Norfolk Island 4th Legislative Assembly Hansard, Wednesday, 3 May 1989.
85. Norfolk Island Administration – Vehicles and Plant as at 2/2/96.
86. Norfolk Island Explanatory Memorandum, Administrative Review Tribunal Bill 1996, P. White, 2 & 3 April 1996.
87. Norfolk Island Police Driving Tests. Sgt. M. Colbran, 8 May 1997.
88. Commonwealth Attorney-General's Department, information relating to the Norfolk Island Commonwealth Grants Commission Inquiry, 2 May 1997.
89. Aspects of the Office of the Administrator of Norfolk Island. Office of the Administrator, May 1997.
90. D. Jorgensen, Banyan Park Playcentre Committee, Income and Expenditure Statement for year ending December 1996, 9 May 1997.
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92. Letter from L. M. Blacklow, Department of Social Security, to A. Kerr Administrator Norfolk Island, 13 December 1996.
93. 'A Cost Benefit Study of National Parks on Kangaroo Island South Australia' by J. A. Lothian in Conservation and the Economy Conference 1984, pp.113-124
94. Administration of Norfolk Island, Information Requested, I.F. Buffett, 17 July 1997.
95. Administration of Norfolk Island, Additional Information Requested, I.F. Buffett, 17 July 1997.
96. Pamphlets 'Customs Charges on Imports by Passengers' and 'Private Importations' New Zealand Customs. January 1994.

ATTACHMENT D

COMPILATION OF THE FISCUS AND COMPARATIVE DATA SUMMARIES

1. This attachment supports Chapter 5 by:
 - explaining how the Commission has used the Norfolk Island Accounts to understand the Government's fiscal position;
 - describing how the Norfolk Island fiscus, or public account, has been compiled; and
 - explaining how the transactions in the fiscus have been classified so that comparisons can be made with other public sectors.

It also includes the supporting details for many of the tables and figures throughout the report.

2. The attachment first outlines the general methods used to analyse the data and then describes more specifically the work undertaken. It presents the supporting tables.

METHODS

3. The data available in a range of sources were analysed and adjusted as necessary to make them useful for each of the purposes referred to above.

Sources of Data

4. To compile the Norfolk Island fiscus, the Commission used:
 - the Norfolk Island Government Financial Statements, 1993-94 to 1995-96;
 - the Norfolk Island Hospital Accounts, 1993-94 to 1995-96;
 - the Tourist Bureau Accounts, 1994-95 and 1995-96;

- summarised (Norfolk Island Government) Consolidated Income and Expenditure Statements for the Period 1986-87 to 1995-96, November 1996;
- Territories Office Program Budget Papers, 1993-94 to 1995-96;
- Inquiry Submissions (see Attachment C);
- Territories Office 1996 Survey Data from:

Department of Administrative Services;
Attorney General's Department;
Australian Federal Police;
Department of Communication and the Arts;
Telstra;
Department of Defence;
Department of the Environment, Sport and the Territories (DEST);
Department of Education, Employment, Training and Youth Affairs;
Department of Foreign Affairs and Trade;
Department of Health and Family Services;
Department of Immigration and Multicultural Affairs;
Department of Primary Industries and Energy;
Department of Prime Minister and Cabinet;
Department of Social Security;
Airservices Australia;
IPS Radio and Space Services;
Department of Veterans' Affairs;
Bureau of Meteorology;
Australian Tax Office;

5. To provide comparative information, the Commission used its own standard budget data for the States, ABS Government Finance Statistics (GFS) and Commonwealth Budget documents.

Years of the Analysis

6. The analysis covered the years 1993-94, 1994-95 and 1995-96.

Classification System

7. In the Commission's database, each transaction was classified:
- as recurrent or capital;
 - by the government making the transaction, either the Norfolk Island Government or the Commonwealth;

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- by the government responsible for providing the function (providing the service or raising the revenue), either the Norfolk Island Government or the Commonwealth;
- by the level of government usually responsible for the function, either Commonwealth or State; and
- to a standard functional classification.

8. The standard functional classification adopted was the Commission's standard budget classification for State type services, expanded to cover Commonwealth type and local government services for functions relevant to Norfolk Island.

Accounting Basis

9. The fiscus has been compiled on a cash basis to ensure that transactions of the Island Government and Commonwealth Governments are reported in a consistent way. Non-cash transactions in the Norfolk Island Financial Statements, such as depreciation, were excluded. However, where information on non-cash transactions was required in a table reporting the Norfolk Island Government fiscal position, this was included. Unused provisions have been recorded in the year in which the expenditure was made.

Interfund Transfers

10. Interfund transfers take place between the Norfolk Island Revenue Fund and the GBEs and statutory bodies. These transfers were treated differently in the various presentations of the data, depending on whether related transactions were also included, and whether an overstatement of consolidated expenditure or revenue would occur by their inclusion. Details of the different treatments of these transfers are explained below. Transfers include:

- payments of management fees made from GBEs to the Revenue Fund for the provision of administrative services;
- payments of interest by GBEs made, at a nominal 13 per cent, on capital lent by the Revenue Fund;
- repayment of some capital;
- payments of rental made by GBEs on properties owned by the Revenue Fund;
- payments of dividends made by GBEs to the Revenue Fund;
- subsidies provided from the Revenue Fund to some GBEs; and,
- subsidies provided from the Revenue Fund to the Hospital and Tourist Bureau.

NORFOLK ISLAND GOVERNMENT REVENUES AND RECURRENT EXPENDITURES

11. Table 5-1 presents the Norfolk Island Administration's Consolidated Statements. It is a consolidation of the Revenue Fund and the Administrative Services Fund of the Norfolk Island Administration's accounts. All interfund transfers have been excluded, except the subsidy to KAVHA. The subsidy to the Hospital and the Tourist Bureau are included as expenditures since these bodies maintain separate accounting systems. Their revenues and expenditures are not included. Table D-1 shows the adjustments made by the Norfolk Island Administration to the Revenue Fund figures to obtain the figures in the consolidated statements.

12. The detailed revenues and recurrent expenditures of the Norfolk Island Administration are presented in:

- Table D-2, which shows the revenues and expenditures as they are presented in the income and expenditure statements for the Revenue Fund; and
- Table D-3, which shows summary financial statements for the GBEs as presented in the GBE income and expenditure statements.

13. These tables support the analysis of Norfolk Island's revenue and expenditure patterns set out in Chapter 5. The GBE revenue and expenditure figures in Table D-3 are those shown in the Norfolk Island consolidated statements, before transfers. Transfers between the GBE accounts and the Revenue Fund are also shown.

14. These tables allow the interfund transfers and subsidies, and their effect on the trading positions of the GBEs and Revenue Fund to be analysed. They also show the finances of the Norfolk Island Administration and provide data for the analysis of economic capacity discussed in Chapter 4.

15. Tables D-4 and D-5 present the accounts of the Hospital Enterprise and the Tourist Bureau. Consistently with the treatment of the GBEs, subsidies from the Norfolk Island Government have been excluded on the revenue side, and change in stock has been included on the expenditure side.

Table D-1 REVENUE FUND RECONCILIATION TO NORFOLK ISLAND CONSOLIDATED STATEMENTS

| | 1993-94 | 1994-95 | 1995-96 |
|---|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue and Expenditure Statement - Revenue | 7 107 | 8 253 | 9 324 |
| <i>Less Excluded Transfers</i> | 2 142 | 2 541 | 3 126 |
| NI Consolidated Revenue Fund Revenue | 4 965 | 5 712 | 6 198 |
| Revenue and Expenditure Statement - Expenditure | 7 575 | 7 908 | 8 724 |
| <i>Less Excluded Capital Transactions</i> | 765 | 677 | 619 |
| <i>Less Excluded Subsidies</i> | 191 | 246 | 185 |
| NI Consolidated Revenue Fund Expenditure | 6 619 | 6 985 | 7 923 |

Table D-2 NORFOLK ISLAND GOVERNMENT FINANCES – REVENUE FUND

| Revenues | 1993-94 | 1994-95 | 1995-96 |
|--|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| Taxes | | | |
| Customs Duty | 2 041 093 | 2 343 411 | 2 517 768 |
| Financial Institutions Levy | 832 868 | 812 892 | 890 786 |
| Departure Fees | 569 884 | 702 302 | 731 408 |
| Fuel Levy | 167 277 | 299 409 | 301 891 |
| Vehicle Registrations and Licences | 203 543 | 214 417 | 218 784 |
| Accommodation Levy | 76 578 | 188 543 | 197 164 |
| Conveyancing Fees | 110 945 | 108 147 | 157 227 |
| Other Taxes | 240 711 | 259 946 | 261 932 |
| Total Taxes | 4 242 899 | 4 929 067 | 5 276 960 |
| Receipts from GBEs | 2 103 737 | 2 409 098 | 2 439 610 |
| Total Interest from Investments | 189 174 | 277 925 | 409 399 |
| Charges | | | |
| Miscellaneous revenue | 163 764 | 132 570 | 194 402 |
| Norfolk Island Emergency Service | 0 000 | 143 771 | 155 765 |
| Rental - Administration Properties | 116 762 | 124 402 | 123 602 |
| Other Charges | 244 339 | 180 996 | 201 669 |
| Total Charges | 524 865 | 581 739 | 675 438 |
| Other Income | | | |
| Electricity Service - Repaid Capital | 0 | 0 | 349 288 |
| Norfolk Telecom - Repaid Capital | 0 | 0 | 133 527 |
| Total Other Income | 0 | 0 | 482 815 |
| Appropriation Former Years | 46 013 | 54 837 | 39 934 |
| Total Revenue | 7 106 688 | 8 252 666 | 9 324 156 |

Table D-2 NORFOLK ISLAND GOVERNMENT FINANCES – REVENUE FUND
(Continued)

| Expenditures | 1993-94 | 1994-95 | 1995-96 |
|---|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| Administration | 1 614 747 | 1 647 991 | 1 865 729 |
| Education | 1 256 620 | 1 345 349 | 1 376 419 |
| General Works | 761 824 | 1 013 293 | 957 374 |
| Welfare | 704 204 | 690 755 | 749 897 |
| Health and Quarantine | 488 680 | 506 146 | 702 224 |
| Tourism | 469 063 | 583 616 | 632 911 |
| Roads | 528 227 | 434 470 | 510 045 |
| Kingston and Arthurs Vale Historic Area | 264 300 | 315 300 | 322 500 |
| Forestry, Livestock and Noxious Weeds | 528 227 | 234 917 | 290 924 |
| Norfolk Island Legislative Assembly | 401 341 | 408 726 | 289 378 |
| Courts and Lands | 122 464 | 109 706 | 284 600 |
| Police | 233 004 | 242 523 | 279 550 |
| Norfolk Island Emergency Service | 18 188 | 161 284 | 163 337 |
| Broadcasting and Public Library Service | 114 781 | 113 942 | 135 163 |
| Tanalith Plant | 63 216 | 75 194 | 86 358 |
| Other Expenditure | 6 199 | 24 586 | 77 295 |
| Total Expenditure | 7 575 09 | 7 907 798 | 8 723 704 |

Table D-3 THE ADMINISTRATIVE SERVICES FUND GOVERNMENT BUSINESS ENTERPRISES

| Government Business Enterprise | 1993-94 | 1994-95 | 1995-96 |
|---------------------------------|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| Liquor Supply Service | | | |
| Sales | 2 145 610 | 2 295 580 | 2 518 791 |
| Cost of Goods Sold | 1 267 092 | 1 380 903 | 1 556 498 |
| Adjusted gross profit (revenue) | 878 518 | 914 677 | 962 293 |
| Expenditure | 170 520 | 196 563 | 207 405 |
| Transfers to Revenue Fund | 50 000 | 50 000 | 50 000 |
| Net Profit | 657 998 | 668 112 | 704 888 |
| Postal Services | | | |
| Revenue | 685 980 | 796 503 | 1 084 788 |
| Expenditure | 627 606 | 586 561 | 767 898 |
| Transfers to Revenue Fund | 32 000 | 32 000 | 32 000 |
| Income Result | 26 374 | 177 942 | 284 890 |
| Electricity Service | | | |
| Revenue | 1 576 280 | 1 644 810 | 1 686 089 |
| Expenditure | 1 019 112 | 1 108 491 | 1 257 189 |
| Transfers to Revenue Fund | 125 407 | 125 407 | 125 407 |
| Income Result | 431 762 | 410 912 | 303 493 |
| Norfolk Telecom | | | |
| Income | 2 376 250 | 2 820 530 | 2 813 961 |
| Expenditure | 1 008 837 | 1 423 576 | 1 400 767 |
| Transfers to Revenue Fund | 122 358 | 122 358 | 122 358 |
| Income Result | 1 245 055 | 1 274 596 | 1 290 836 |
| Lighterage Service | | | |
| Revenue | 265 899 | 278 065 | 280 518 |
| Expenditure | 178 326 | 208 961 | 209 650 |
| Transfers to Revenue Fund | 26 553 | 26 553 | 26 553 |
| Income Result | 61 020 | 42 551 | 44 315 |
| Norfolk Island Airport | | | |
| Revenue | 1 228 340 | 1 202 840 | 1 248 828 |
| Expenditure | 405 378 | 332 662 | 662 651 |
| Transfers to Revenue Fund | 107 600 | 202 273 | 216 300 |
| Income Result | 715 362 | 667 905 | 369 877 |
| Water Assurance Fund | | | |
| Revenue | 207 071 | 215 548 | 220 378 |
| Expenditure | 69 363 | 50 516 | 76 690 |
| Transfers to Revenue Fund | 10 000 | 10 000 | 10 000 |
| Income Result | 127 708 | 155 032 | 133 688 |

Table D-3 THE ADMINISTRATIVE SERVICES FUND GOVERNMENT BUSINESS ENTERPRISES (Continued)

| Government Business Enterprise | 1993-94 | 1994-95 | 1995-96 |
|--|---------|---------|---------|
| KAVHA Fund | | | |
| Revenue | 568 139 | 610 300 | 656 690 |
| Expenditure | 581 138 | 628 350 | 569 417 |
| Income Result | -12 999 | -18 050 | 87 273 |
| Bicentennial Integrated Museums | | | |
| Revenue | 98 910 | 115 635 | 135 595 |
| Expenditure | 170 360 | 188 736 | 190 793 |
| Transfers from Revenue Fund | 71 800 | 96 000 | 75 000 |
| Income Result | -350 | 22 899 | 19 802 |
| Workers Compensation Fund | | | |
| Revenue | 323 004 | 295 372 | 316 874 |
| Expenditure | 195 314 | 238 969 | 269 007 |
| Transfers to Revenue Fund | 20 000 | 10 000 | 10 000 |
| Income Result | 107 690 | 46 403 | 37 867 |
| Norfolk Island Healthcare Fund | | | |
| Revenue | 323 004 | 317 313 | 338 005 |
| Expenditure | 381 768 | 519 064 | 449 968 |
| Transfers from Revenue Fund | 119 400 | 150 000 | 110 000 |
| Transfers to Revenue Fund | 10 000 | 10 000 | 10 000 |
| Income Result | 50 636 | -61 751 | -11 963 |

Table D-4 **NORFOLK ISLAND HOSPITAL ACCOUNTS**

| | 1993-94 | 1994-95 | 1995-96 |
|-------------------------------|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue | | | |
| Hospital | 993 | 940 | 886 |
| Dispensary | 289 | 310 | 346 |
| X-Ray | 31 | 32 | 29 |
| Laboratory | 58 | 72 | 79 |
| Dental Clinic | 114 | 129 | 153 |
| Physiotherapy | 0 | 10 | 10 |
| District Nursing Service | 0 | 6 | 6 |
| Mawson Units | 0 | 10 | 10 |
| Total Revenue | 1 486 | 1 509 | 1 519 |
| Expenditure | | | |
| Hospital | 1 115 | 1 270 | 1 314 |
| Dispensary | 199 | 204 | 221 |
| X-Ray | 23 | 28 | 23 |
| Laboratory | 72 | 77 | 86 |
| Dental Clinic | 121 | 153 | 159 |
| Physiotherapy | 0 | 17 | 28 |
| District Nursing Service | 0 | 5 | 7 |
| Mawson Units | 0 | 7 | 10 |
| Total Expenditure | 1 529 | 1 763 | 1 851 |
| Deficit | -43 | -254 | -333 |
| Subsidy from Revenue Fund | 289 | 264 | 505 |
| Surplus/Deficit after subsidy | 246 | 10 | 171 |

Table D-5 NORFOLK ISLAND TOURIST BUREAU ACCOUNTS

| | 1994-95 | 1995-96 |
|-------------------------------|---------|---------|
| | \$'000 | \$'000 |
| Revenue | | |
| Sales | 40 | 47 |
| Advertising fees | 47 | 26 |
| Commission - Departure Fees | 37 | 40 |
| Commission – Other | 17 | 19 |
| Sundry | 0 | 1 |
| Interest Received | 1 | 1 |
| Total Revenue | 142 | 133 |
| Expenditure | | |
| Purchases | 30 | 38 |
| Less Change in stock | -7 | -8 |
| Customs Duty | 1 | 1 |
| Operational Expenses | 423 | 483 |
| Wages and Salaries | 232 | 260 |
| Total Expenditure | 678 | 774 |
| Deficit | -537 | -641 |
| Subsidy from Revenue Fund | 553 | 605 |
| Surplus/Deficit after subsidy | 16 | -36 |

NORFOLK ISLAND GOVERNMENT CAPITAL EXPENDITURES

16. Table D-6 presents the capital expenditures by the Norfolk Island Government for the period 1986-87 to 1995-96. It is taken from the Consolidated Income and Expenditure Statements, published by the Norfolk Island Government in November 1996. No capital expenditures for the Hospital or the Tourist Bureau have been included because their accounts do not show capital expenditures separately. However, the Commission is aware that substantial amounts have been spent recently by the hospital on repairing the roof, refurbishing the wards and constructing a new maternity wing. In addition, the Revenue Fund subsidy to the hospital in 1995-96 included an amount of \$150 000 for capital expenditure.

Table D-6 CAPITAL EXPENDITURE BY NORFOLK ISLAND GOVERNMENT
1986-87 TO 1995-96

| Service | 86-87 | 87-88 | 88-89 | 89-90 | 90-91 | 91-92 | 92-93 | 93-94 | 94-95 | 95-96 | Ave |
|------------------|--------------|------------|------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue Fund | 1 382 | 571 | 508 | 588 | 424 | 684 | 346 | 565 | 677 | 616 | 636 |
| Liquor bond | 3 | 43 | 25 | 9 | 6 | 7 | 1 | 1 | 1 | 5 | 10 |
| Postal service | 5 | 6 | 99 | 9 | 1 | 2 | 2 | 6 | 7 | 66 | 20 |
| Electricity | 846 | 69 | 69 | 621 | 44 | 8 | 190 | 235 | 223 | 452 | 276 |
| Telecom | 193 | 193 | 165 | 319 | 239 | 323 | 1 436 | 95 | 300 | 223 | 349 |
| Lighterage | 88 | 27 | 2 | 1 | 21 | 1 | 1 | 1 | 44 | 32 | 22 |
| Airport | | | | | 33 | 34 | 49 | 155 | 105 | 13 | 39 |
| Water Assurance. | | | | | | 183 | 5 | 89 | 24 | 10 | 32 |
| KAVHA | | | | | | | 14 | | | 10 | 2 |
| Museums | | | | 4 | 7 | 11 | 6 | 14 | 17 | 8 | 7 |
| Compensation | | | | | | 3 | | 2 | 1 | 1 | 1 |
| Healthcare | | | | | | | | | 1 | 1 | 0 |
| Total | 2 517 | 909 | 868 | 1 551 | 775 | 1 256 | 2 050 | 1 163 | 1 400 | 1 437 | 1 393 |

COMPILING THE FISCUS

17. The fiscus covers revenues and expenditures, both capital and recurrent, of the Commonwealth and Norfolk Island Governments. Capital expenditure undertaken by the Commonwealth on the police station in the period 1993-94 to 1995-96 is discussed in Chapter 5. No adjustment to the Norfolk Island Administration data on capital expenditures was required. The recurrent public accounts cover:

- the recurrent financial position of the Norfolk Island Government, as represented through the statements of the Revenue Fund, the GBEs, the Hospital and the Tourist Bureau;
- the recurrent financial involvement of the Commonwealth through its expenditures and revenues on the Island and their effect on the Norfolk Island finances and economy; and
- the recurrent financial involvement of the Commonwealth in the overall provision of services for and revenue raising from Norfolk Island.

18. To combine this information it was necessary to adjust the way the Norfolk Island data were presented and to incorporate Commonwealth revenues and expenditures.

Adjustments

19. Adjustments to the data in the Norfolk Island accounts were made:

- to consolidate the Administration's statements of accounts with those of the Hospital and the Tourist Bureau;
- to exclude capital expenditures;
- to present all figures on a cash basis; and
- maintain consistency.

20. **Revenue Fund.** Tables D-7 and D-8 show the adjustments made to Revenue Fund recurrent data.

Table D-7 REVENUE FUND REVENUE RECONCILIATION TO NORFOLK ISLAND FISCUS

| | 1993-94 | 1994-95 | 1995-96 |
|--|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue and Expenditure Statement | 7 107 | 8 253 | 9 324 |
| <i>Less Excluded Transfers</i> | 2 142 | 2 541 | 3 126 |
| Norfolk Island Consolidated Revenue Fund Revenue | 4 965 | 5 712 | 6 198 |
| | | | |
| Fiscus Excludes Rental Transfers | 57 | 57 | |
| Fiscus Excludes Appropriations Former Years | 46 | 55 | 40 |
| Fiscus Revenue Fund Revenue | 4 862 | 5 599 | 6 158 |

Table D-8 REVENUE FUND EXPENDITURE RECONCILIATION TO NORFOLK ISLAND FISCUS

| | 1993-94 | 1994-95 | 1995-96 |
|--|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 |
| Revenue and Expenditure Statement | 7 575 | 7 908 | 8 724 |
| <i>Less Excluded Capital Transactions</i> | 765 | 677 | 619 |
| <i>Less Excluded Subsidies</i> | 191 | 246 | 185 |
| Norfolk Island Consolidated Revenue Fund Expenditure | 6 619 | 6 985 | 7 923 |
| | | | |
| <i>Less Fiscus Excludes KAVHA Subsidy</i> | 193 | 219 | 248 |
| <i>Less Fiscus Excludes Subsidies to Hospital and Tourist Bureau</i> | 289 | 817 | 1 109 |
| <i>Less Fiscus Offsets Appropriations Former Years</i> | 55 | 40 | 47 |
| Fiscus Revenue Fund Expenditure | 6 081 | 5 908 | 6 519 |

21. On the revenue side, the Appropriations Former Years were excluded, since these are a return of unused provisions for the previous year's expenditure. They were included as offsets to the previous year's expenditure, with the 1995-96 figure being an estimate based on a three year average.

22. The subsidies to KAVHA, the Norfolk Island Hospital and the Tourist Bureau were also excluded.

23. ***Government Business Enterprises.*** For most GBEs, the expenditure and revenue data shown in Table D-3 did not need adjustment. Table D-9 shows the adjustments made. They occur in:

- the Liquor Supply Service, where sales are treated as revenue, and cost of goods sold are treated as expenditure;
- KAVHA, where the Norfolk Island Government subsidy is excluded from the revenue as an interfund transfer, and where the Australian Government contribution appears elsewhere as Commonwealth expenditure, excluding both the revenue and expenditure from the KAVHA financial statement; and
- the Workers Compensation Fund, where provisions for wages and medical/hospital/travel claims have been excluded from the expenditure.

Table D-9 GBEs RECONCILIATION TO NORFOLK ISLAND FISCUS

| | 1993-94 | 1994-95 | 1995-96 |
|---|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| Liquor Supply Service | | | |
| NI Consolidated Statement | | | |
| Sales | 2 145 610 | 2 295 578 | 2 518 791 |
| Cost of Goods Sold | 1 267 092 | 1 380 903 | 1 556 498 |
| Revenue (Adjusted gross profit) | 878 518 | 914 675 | 962 293 |
| Expenditure | 170 520 | 196 563 | 207 405 |
| Income Result | 707 998 | 718 112 | 754 888 |
| CGC Analysis | | | |
| Revenue (Sales) | 2 145 610 | 2 295 578 | 2 518 790 |
| Expenditure (Stock Accumulated, Purchases, Delivery, Stock Losses, Salaries & Sundries) | 1 437 612 | 1 577 466 | 1 763 903 |
| Income Result | 707 998 | 718 112 | 754 888 |
| KAVHA Fund | | | |
| NI Consolidated Statement | | | |
| Australian Government Contribution - NI purposes | 370 000 | 378 000 | 392 000 |
| Interest Received | 5 639 | 12 986 | 17 190 |
| N.I. Govt Contribution. To Expenses | 192 500 | 219 300 | 247 500 |
| Revenue | 568 139 | 610 286 | 656 690 |
| Expenditure | 581 138 | 632 350 | 569 417 |
| Income Result | -12 999 | -22 064 | 87 273 |
| CGC Analysis | | | |
| Revenue (excluding: Australian Government Contribution which appears as Commonwealth expenditure; and transfer from the Revenue Fund) | 5 639 | 12 986 | 17 190 |
| Expenditure (excluding that funded by the Australian Government Contribution) | 211 138 | 254 350 | 177 417 |
| Income Result | -205 499 | -241 364 | -160 227 |
| Income Result after NI Subsidy | -12 999 | -22 064 | 87 273 |
| Workers Compensation Fund | | | |
| NI Consolidated Statement | | | |
| Revenue | 323 004 | 295 372 | 316 874 |
| Expenditure | 195 314 | 238 969 | 269 007 |
| Income Result | 127 690 | 56 403 | 47 867 |
| CGC Analysis | | | |
| Revenue | 323 004 | 295 372 | 316 874 |
| Expenditure (excluding Provision for Wages and Medical/hosp/travel Claims) | 195 314 | 237 351 | 267 102 |
| Income Result | 127 690 | 58 021 | 49 772 |
| Income Result Excess including provisions | 127 690 | 56 403 | 47 867 |

24. **Statutory bodies.** The Revenue Fund subsidises the Hospital and the Tourist Bureau which operate as corporate bodies. These subsidies have been treated as interfund transfers and the revenues and expenditures of the two bodies have been included.

Tourist Bureau

25. Consistent with the treatment of GBEs, total revenue and expenditure are presented for the Tourist Bureau and the government subsidy has been excluded.

Treatment of Norfolk Island Hospital

26. Consistent with the treatment of GBEs, total revenue and expenditure are presented for each hospital account and the government subsidy and assets transfer have been excluded. In the fiscus the Healthcare Services account and the Hospital trading account have been combined under the title 'Hospital'. Bold figures are those carried over to either the Hospital's consolidated income and expenditure statement, or the presentation of the Hospital accounts at Table 5-3.

Table D-10 RECONCILIATION OF HOSPITAL ACCOUNTS TO FISCUS 1995-96

| | Hospital Accounts | CGC Analysis |
|---|-------------------|--------------|
| | \$ | \$ |
| Hospital Trading Account^(a) | | |
| Revenue | 790 212 | |
| Expenditure | <u>824 310</u> | |
| Loss | 34 098 | |
| Dispensary | | |
| Revenue - Sales | 345 838 | 345 838 |
| Expenditure | 220 613 | 220 613 |
| Profit | 125 225 | |
| X-Ray | | |
| Revenue | | |
| Fees | 28 544 | 28 544 |
| Expenditure | 23 144 | 23 144 |
| Profit | 5 400 | |
| Laboratory | | |
| Revenue | 78 986 | 78 986 |
| Expenditure | 85 891 | 85 891 |
| Loss | 6 905 | |
| Dental Clinic | | |
| Revenue | 152 700 | 152 700 |
| Expenditure | <u>159 376</u> | 159 376 |
| Loss | 6 676 | |

Table D-10 RECONCILIATION OF HOSPITAL ACCOUNTS TO FISCUS 1995-96
(Continued)

| | Hospital Accounts | CGC Analysis |
|---|-------------------|--------------|
| Physiotherapy | | |
| Revenue | 10 059 | 10 059 |
| Expenditure | 27 505 | 27 505 |
| Loss | 17 446 | |
| District Nursing Service | | |
| Revenue - Fees | 6 090 | 6 090 |
| Subsidy | 3 763 | |
| Expenditure | 11 128 | 11 128 |
| Profit | 1 275 | |
| Mawson Units | | |
| Revenue | 10 080 | 10 080 |
| Expenditure | 9 818 | 9 818 |
| Profit | 262 | |
| Healthcare Services (Hospital)^(a) | | |
| Revenue | | |
| Healthcare Services Revenue | 96 189 | |
| Fixed assets transfer | 6 000 | |
| NI Government subsidy | 505 000 | |
| Expenditure | 489 370 | |
| Total Hospital | | |
| Hospital Revenue | | 790 212 |
| Healthcare Services Revenue | | 96 189 |
| Total Hospital Revenue | | 886 401 |
| Hospital Expenditure | | 824 310 |
| Healthcare Services Expenditure | | 489 370 |
| Total Hospital Expenditure | | 1313 680 |
| Total Revenue | | 1 518 698 |
| Total Expenditure | | 1 851 155 |
| Surplus/Deficit | 170 306 | -332 457 |

(a) In the CGC analysis the Hospital and the Healthcare Service are amalgamated under Total Hospital.

Incorporating Commonwealth Expenditure

27. Table D-11 shows how Commonwealth expenditures in relation to Norfolk Island have been treated. All Commonwealth expenditures relating to Norfolk Island have been included, and classified as being either spent on the Island, in which case they make a direct contribution to the Island economy, or as not being spent on the Island.

28. They have also been classified as either a Norfolk Island or Commonwealth responsibility. In some cases, particular functions have been allocated as being partly a Norfolk Island responsibility and partly a Commonwealth responsibility.

29. For Territories Office expenditure, the amount spent on the Island for wages and operational expenditure has been classified as a Norfolk Island responsibility, since the duties of the Administrator and seconded staff would need to be provided, regardless of Commonwealth involvement. The amount spent on the mainland, for territory programs and administration, has been classified as a Commonwealth responsibility.

30. Territories Office expenditure on KAVHA which is fully spent on the Island, has been split between Norfolk Island responsibility and Commonwealth responsibility, but the total is classified as Commonwealth expenditure.

31. Expenditure made on Norfolk Island by the Bureau of Meteorology has been treated fully as a Commonwealth responsibility, although there may be peripheral benefits to Norfolk residents.

32. The policing function on Norfolk Island has been treated as a shared responsibility. The boundaries separating Federal and local policing matters on Norfolk Island are unclear, making it difficult to separate policing costs between the Commonwealth and Norfolk Island responsibilities. The Commission has therefore accepted the agreed 70/30 split between the Norfolk Island Government and the Commonwealth, and the entire amount funded by the Australian Federal Police has been treated as a Commonwealth responsibility.

Table D-11 CLASSIFICATION OF EXPENDITURE BY THE COMMONWEALTH RELATING TO NORFOLK ISLAND

| Department or Organisation | Purpose of Expenditure | Government Responsible for Service |
|--|---|------------------------------------|
| Spent on Norfolk Island | | |
| National Library | Grant to Bicentennial Museum | Norfolk Island |
| Communications & Arts | Trans Tasman Arts Festival | Norfolk Island |
| Emergency Management Aust. | Emergency advice, equipment, training | Norfolk Island |
| Health & Family Services | Benefits to persons with NI postcode | Norfolk Island |
| Social Security | Payment of pensions | Norfolk Island |
| Territories Office | Administrator's Office on NI | Norfolk Island |
| Territories Office | KAVHA grant. (50%) | Norfolk Island |
| Territories Office | KAVHA grant. (50%) | Commonwealth |
| Territories Office | Territory programs management | Commonwealth |
| Attorney General's | Federal court Chief Justice for 5 days. | Commonwealth |
| Australian Federal Police | Provision of policing services | Commonwealth |
| Telstra | Capital works, operations, maintenance | Commonwealth |
| Airservices Australia | Navigation aides operations | Commonwealth |
| IPS Radio & Space Services | Ionsonde monitoring station | Commonwealth |
| Dept of Veterans' Affairs | Pensioner payments | Commonwealth |
| Meteorology | Weather Station | Commonwealth |
| Environment Priorities and Coordination Group | Environmental studies | Commonwealth |
| Environmental Protection Group | Assessment of sand extraction | Commonwealth |
| Biodiversity Group | Environmental studies | Commonwealth |
| DEETYA | Employment and Education programs | Commonwealth |
| Not Spent on Norfolk Island | | |
| Administrative Services | Administrative Matters | Commonwealth |
| Foreign Affairs and Trade | Documents of identity issued annually on a no fee basis | Commonwealth |
| Immigration & Multicultural Affairs | Application for Australian Citizenship, Declaratory Certificates, deportation costs | Commonwealth |
| AFMA | Management of fisheries | Commonwealth |
| Prime Minister & Cabinet | Administrative Matters | Commonwealth |
| Defence | Pro rata cost of National Defence | Commonwealth |
| Foreign Affairs and Trade | Pro rata cost of National Foreign Affairs and Trade programs. | Commonwealth |

COMPARISONS

33. For comparison purposes, all the transactions in the recurrent fiscus relating to the provision of services for Norfolk Island and the raising of revenues from Norfolk Island, regardless of the government responsible for those transactions, were classified to functional categories. The functional categories used were those in the Commission's

standard State budget used in its relativities work, expanded to include Commonwealth and local government type functions relevant to Norfolk Island's situation. The recent High Court decision invalidating State franchise fees has not been taken into account.

34. On the mainland, government expenditures and revenues are normally the responsibility of the Commonwealth, State or local governments. On Norfolk, the Government provides services and collects revenues normally the responsibility of all three levels of government. However, for comparisons, Norfolk Island financial data have been classified according to whether the function would be normally performed the by the Commonwealth or by State governments on the mainland. For example, Customs duty collected by the Norfolk Island Government is normally a Commonwealth function on the mainland. It has been classified as a Commonwealth type function in this analysis. Education is normally a State function and has been classified as such for this exercise.

35. Table D-12 provides a complete summary of how transactions in the Norfolk Island Recurrent Public Account, including the Administration, the Hospital, the Tourist Bureau and the Commonwealth activities, have been classified. It shows how 1995-96 transactions have been classified to a functional category and whether the transaction is considered to be a Commonwealth or State type function.

36. To make the data comparable, the GBEs have been included on a net basis. Some GBEs have been allocated to more than one functional category, while others have been aggregated into one.

37. Comparative data were obtained from Commission sources, GFS and Commonwealth Budget documents. These and reclassified Norfolk data on service provision and revenues from taxing and charges were used to draw conclusions about how Norfolk levels compared with mainland standards. These comparisons are relevant to the analyses presented in Chapters 6, 7 and 8.

38. Such comparisons do not necessarily imply that one pattern is better than another. Differences can be due to many factors, including physical and geographic characteristics, population composition, concentration and dispersion, and remoteness. They can also be due to policy.

Table D-12 CLASSIFICATION OF TRANSACTIONS BY FUNCTION AND GOVERNMENT LEVEL 1995-96

| | Functional Category | Function Level | 1995-96 |
|---|---|-------------------|---------|
| | | | \$'000 |
| Commonwealth Revenue Relating to NI | | | |
| Indirect tax paid by NI visitors to mainland, ATO | Indirect Taxes | Cwealth | 480 |
| Income tax on Telstra profit, ATO | Income Tax | Cwealth | 48 |
| Personal income tax, ATO | Income Tax | Cwealth | 300 |
| Fishing licences | Offshore Fishing Licenses | Cwealth | 59 |
| Revenue Fund Revenue | | | |
| Customs Duty | Customs Duty | Cwealth | 2 518 |
| Financial Institutions Levy | Financial Transaction Taxe s | State | 891 |
| Departure Fees | Departure tax | Cwealth | 731 |
| Fuel Levy | Duty on Petroleum | State | 302 |
| Company Fees | Fees and Fines | State | 47 |
| Accommodation Levy | Other Revenue nec | State | 197 |
| Stamp Duty On Cheques | Financial Transaction Taxes | State | 20 |
| Absentee Landowners Levy | Land Revenue | State | 59 |
| Liquor Licence Fees | Liquor Licence Fees | State | 55 |
| Conveyancing Fees | Property Titles | State | 157 |
| Tattersalls Lotteries, Commission | Gambling Taxation | State | 81 |
| Vehicle Registrations and Licences | Vehicle Registration Fees and Taxes | State | 219 |
| Interest from Investments | Interest Earnings | State | 409 |
| Other Charges | Land Revenue/ | State | 472 |
| Administrative Fund (GBEs) Revenue | | | |
| Liquor Supply Service | Liquor Supply Service | State | 2 519 |
| NI Postal Services | Postal Service | Cwealth | 1 085 |
| NI Electricity Service | Electricity Supply | State | 1 686 |
| NI Telecom | NI Telecom | Cwealth | 2 814 |
| NI Lighterage Service | Lighterage Service | State | 281 |
| NI Airport | Airport | State | 1 249 |
| Water Assurance Fund | Water Supply and Sewerage | State | 220 |
| KAVHA Fund | KAVHA | State | 17 |
| NI Bicentennial Integrated Museums | Recreation and Culture | State | 127 |
| Workers Compensation Fund | Payroll Taxation/ | State | 317 |
| NI Healthcare Fund | Income Tax/ Healthcare Fund | Cwealth/ State | 338 |
| Statutory Bodies Revenue | | | |
| NI Hospital | Community Health Services/ Nursing Home Services/ Health | State | 1 519 |
| Tourist Bureau | Tourism | State | 134 |

Table D-12 CLASSIFICATION OF TRANSACTIONS BY FUNCTION AND GOVERNMENT LEVEL 1995-96 (Continued)

| | Functional Category | Function Level | 1995-96 |
|---|--|----------------|---------|
| | | | \$'000 |
| Commonwealth Expenditure | | | |
| Administration, Territories Office | Legislature, Public Service & Works | State | 643 |
| Courts Attorney Generals | Administration of Justice | State | 4 |
| Culture National Library of Australia | Recreation and Culture | State | 8 |
| Employment & Training DEETYA | Employment & Education | Cwealth | 347 |
| Emergency Services Emergency Management Aust. | Public Safety and Emergency Services | State | 8 |
| Welfare Dept of Health, Family Services | Social Security | Cwealth | 5 |
| Welfare Dept of Social Security | Social Security | Cwealth | 126 |
| Air Services Airservices Australia | Airport | State | 66 |
| Commonwealth Grant to KAVHA Fund | Recreation and Culture | State | 196 |
| Policing AFP | Public Order and Safety | Cwealth | 113 |
| Communications Telstra | Telstra | Cwealth | 242 |
| IPS Radio & Space Services | Communications | Cwealth | 20 |
| Dept of Communications and Arts | Culture & Recreation | State | 3 |
| Veteran's Pensions Dept of Veterans' Affairs | Veterans Pensions | Cwealth | 805 |
| Primary Industry, AFMA | Agriculture, Forestry, Fishing and Hunting | State | 8 |
| AGSO | Mining, Manufacturing, Construction etc | State | 13 |
| Environment, Priorities & Coordination Group | Environment | Cwealth | 61 |
| Bureau of Meteorology | Meteorology | Cwealth | 277 |
| Environmental Protection Group | Environment | Cwealth | 3 |
| National Parks, Parks Australia | National Parks and Wildlife Services | State | 659 |
| Commonwealth Grant to KAVHA Fund | Recreation and Culture | State | 196 |
| Revenue Fund Expenditure | | | |
| Administrative | Legislature, Public Service & Works | State | 1 789 |
| Health (including quarantine) | Health | State | 85 |
| Education | Primary and Secondary Education | State | 1 280 |
| Welfare | Social Security | Cwealth | 749 |
| Courts & Lands | Administration of Justice | State | 283 |
| Police | Police | State | 195 |
| Broadcasting and Public Library Service | Recreation and Culture | State | 131 |
| NI Legislative Assembly | Legislature, Public Service & Works | State | 287 |
| Tourism | Tourism | State | 28 |
| Roads | Road Maintenance | State | 249 |
| Forestry, Livestock & Noxious Weeds | Primary Industry | State | 276 |
| Tanalith Plant | Tanalith Plant | State | 83 |
| General Works | Legislature, Public Service & Works | State | 796 |

Table D-12 CLASSIFICATION OF TRANSACTIONS BY FUNCTION AND GOVERNMENT LEVEL 1995-96 (Continued)

| | Functional Category | Function Level | 1995-96 |
|---|---|----------------|---------|
| | | | \$'000 |
| Revenue Fund Expenditure (continued) | | | |
| NI Emergency Services | Public Safety and Emergency | State | 150 |
| KAVHA Fund | Excluded as an Interfund Transfer | | 0 |
| Other Expenditure | Legislature, Public Service & Works | State | 74 |
| Suspense Account Provision – Recurrent | Legislature, Public Service & Works | State | 106 |
| Appropriation Former Years | Legislature, Public Service & Works | State | -47 |
| Administrative Fund Expenditure (GBEs) | | | |
| Liquor Supply Service | Liquor Supply Service | State | 1 764 |
| NI Postal Services | Postal Service | Cwealth | 768 |
| NI Electricity Service | Electricity Supply | State | 1 257 |
| NI Telecom | NI Telecom | Cwealth | 1 401 |
| NI Lighterage Service | Lighterage Service | State | 210 |
| NI Airport | Airport | State | 663 |
| Water Assurance Fund | Water Supply and Sewerage | State | 77 |
| KAVHA Fund | KAVHA | State | 177 |
| NI Bicentennial Integrated Museums | Recreation and Culture | State | 183 |
| Workers Compensation Fund | Workers Compensation | State | 267 |
| NI Healthcare Fund | Healthcare Fund | State | 450 |
| Statutory Bodies Expenditure | | | |
| NI Hospital | Community Health Services/ Nursing Home Services/ Health | State | 1 851 |
| Tourist Bureau | Tourism | State | 774 |

Comparative Data

39. The populations in Table D-13 have been used in calculations throughout the report. Other figures were suggested for Norfolk Island in response to the draft report, but these have been retained for consistency with the Norfolk Island Census.

40. The comparisons are shown in Table D-14 for Commonwealth type functions and D-14 for State type functions. Total and per capita figures for each functional category are shown, and compared where possible with a mainland equivalent.

41. The mainland figures for Commonwealth type functions are from ABS Government Finance Statistics 1995-96 and ABS Taxation Revenue Australia 1995-96. The revenue figures are not an exhaustive list of all Commonwealth revenues, only those required for this comparison. Chapter 7 provides analysis of consolidated State and Commonwealth type revenues for Norfolk Island and mainland.

Table D-13 POPULATION DATA, 1993-94 TO 1995-96

| Jurisdiction | 1993-94 | 1994-95 | 1995-96 |
|--------------------------------------|------------|------------|------------|
| Christmas Island | 2 200 | 2 200 | 2 200 |
| Norfolk Island | 1 772 | 1 772 | 1 772 |
| Australia (including Norfolk Island) | 17 750 016 | 17 939 237 | 18 169 516 |
| Northern Territory | 170 460 | 172 414 | 176 260 |

Table D-14 COMMONWEALTH TYPE FUNCTIONS – REVENUE AND EXPENDITURE 1995-96

| | Norfolk Island Government | | Commonwealth on Norfolk Island | | Total related to Norfolk Island | | Commonwealth | |
|--|---------------------------|-------------|--------------------------------|-------------|---------------------------------|-------------|------------------|----------------|
| | \$'000 | \$pc | \$'000 | \$pc | \$'000 | \$pc | \$'000 | \$pc |
| Revenue | | | | | | | | |
| Income Tax | 333 | 187.97 | 528 | 297.97 | 861 | 485.94 | 81339000 | 4582.47 |
| Indirect Taxes | 1230 | 693.97 | 480 | 270.88 | 1710 | 964.85 | 12970000 | 730.70 |
| Customs duty | 2518 | 1420.86 | | | 2518 | 1420.86 | 16634000 | 937.13 |
| Offshore Fishing Licenses | | | 59 | 33.21 | 59 | 33.21 | | |
| Departure tax | 731 | 412.76 | | | 731 | 412.76 | | |
| Total | 4812 | 2716 | 1067 | 602 | 5879 | 3318 | 110943000 | 6250.3 |
| Expenditure | | | | | | | | |
| Administration | | | 198 | 111.74 | 198 | 111.74 | 6028000 | 339.61 |
| Public Order and Safety | | | 113 | 63.84 | 113 | 63.84 | 723000 | 40.73 |
| Immigration | | | 8 | 4.53 | 8 | 4.53 | | |
| Environment | | | 65 | 36.44 | 65 | 36.44 | | |
| Agriculture, Forestry, Fishing and Hunting | | | 8 | 4.53 | 8 | 4.53 | 572000 | 32.23 |
| Mining, Manufacturing, Construction | | | 13 | 7.48 | 13 | 7.48 | 195000 | 10.99 |
| Communications | | | 20 | 11.29 | 20 | 11.29 | 444000 | 25.01 |
| Meteorology | | | 277 | 156.34 | 277 | 156.34 | | |
| Employment & Education | | | 347 | 195.90 | 347 | 195.90 | | |
| Social Security | 749 | 422.80 | 130 | 73.63 | 880 | 496.42 | 44963000 | 2533.12 |
| Veterans Pensions | | | 805 | 454.20 | 805 | 454.20 | | |
| Defence | | | | | | | 9276000 | 522.59 |
| Foreign Affairs and Trade | | | 120 | 67.72 | 120 | 67.72 | | |
| Postal Service | -317 | -178.83 | | | -317 | -178.83 | | |
| Telstra | | | 242 | 136.43 | 242 | 136.43 | | |
| NI Telecom | -1414 | -798.19 | | | -1414 | -798.19 | | |
| Total | -982 | -554 | 2338 | 1320 | 1356 | 765 | 173144000 | 3504.28 |

Table D-15 STATE TYPE FUNCTIONS-REVENUE AND EXPENDITURE 1995-96

| | Norfolk Island Government | | Commonwealth on Norfolk Island | | Total related to Norfolk Island | | Mainland | |
|--|---------------------------|--------------|--------------------------------|--------------|---------------------------------|--------------|-----------------|--------------|
| | \$'000 | \$per capita | \$'000 | \$per capita | \$'000 | \$per capita | \$'000 | \$per capita |
| Revenue | | | | | | | | |
| General Revenue Assistance | | | | | | | 19662098 | 1082.15 |
| SPPs treated by inclusion | | | | | | | 3918142 | 215.64 |
| SPPs treated by exclusion | | | | | | | 15946015 | 877.62 |
| Payroll Taxation | 205 | 115.51 | | | 205 | 115.51 | 7196206 | 396.06 |
| Land Revenue | 73 | 40.99 | | | 73 | 40.99 | 1519179 | 83.61 |
| Stamp Duty on Conveyances | | | | | | | 2813139 | 154.83 |
| Financial Transaction Taxes | 911 | 514.02 | | | 911 | 514.02 | 2379129 | 130.94 |
| Stamp Duties on Shares and Marketable Securities | | | | | | | 389555 | 21.44 |
| Gambling Taxation | 81 | 45.85 | | | 81 | 45.85 | 3414228 | 187.91 |
| Vehicle Registration Fees and Taxes | 219 | 123.47 | | | 219 | 123.47 | 2238219 | 123.19 |
| Stamp Duty on Motor Vehicle Registrations and Transfers | | | | | | | 1048615 | 57.71 |
| Drivers' Licence Fees | | | | | | | 271947 | 14.97 |
| Duty on Petroleum | 302 | 170.37 | | | 302 | 170.37 | 1525489 | 83.96 |
| Duty on Tobacco | | | | | | | 2620927 | 144.25 |
| Liquor Licence Fees | 55 | 31.21 | | | 55 | 31.21 | 743001 | 40.89 |
| Interest Earnings | 427 | 240.74 | | | 427 | 240.74 | 795855 | 43.80 |
| Mining Revenue | | | | | | | 1038248 | 57.14 |
| Metropolitan Water Supply and Sewerage | | | | | | | 422140 | 23.23 |
| Other Revenue nec | 461 | 260.05 | | | 461 | 260.05 | 1171822 | 64.49 |
| Total | 2733 | 1542 | | | 2733 | 1542 | 69113954 | 3804 |

Table D-15 STATE TYPE FUNCTIONS-REVENUE AND EXPENDITURE 1995-96 (Continued)

| | Norfolk Island Government | | Commonwealth on Norfolk Island | | Total related to Norfolk Island | | Mainland | |
|--------------------------------------|---------------------------|--------------|--------------------------------|--------------|---------------------------------|--------------|----------|--------------|
| | \$'000 | \$per capita | \$'000 | \$per capita | \$'000 | \$per capita | \$'000 | \$per capita |
| Expenditure | | | | | | | | |
| Airport | 377 | 212.55 | 66 | 37.52 | 443 | 250.07 | | |
| Preschool Education | | | | | | | 337460 | 18.57 |
| Primary and Secondary Education | 1280 | 722.32 | | | 1280 | 722.32 | 11460140 | 630.73 |
| Technical and Further Education | | | | | | | 2639853 | 145.29 |
| Higher Education | | | | | | | 33658 | 1.85 |
| Health Insurance | 447 | 252.50 | | | 447 | 252.50 | | |
| Workers Compensation Fund | 155 | 87.42 | | | 155 | 87.42 | | |
| Health | 1305 | 736.67 | | | 1305 | 736.67 | 5825142 | 320.60 |
| Medivac Flights | | | 100 | 56.43 | 100 | 56.43 | | |
| Nursing Home Services | 1 | 0.34 | | | 1 | 0.34 | 875649 | 48.19 |
| Mental Health Services | | | | | | | 840214 | 46.24 |
| Community Health Services | 12 | 6.61 | | | 12 | 6.61 | 2061002 | 113.43 |
| Police | 195 | 109.81 | | | 195 | 109.81 | 2811771 | 154.75 |
| Administration of Justice | 276 | 156.00 | 4 | 2.53 | 281 | 158.53 | 1412957 | 77.77 |
| Corrective Services | | | | | | | 819859 | 45.12 |
| Public Safety and Emergency Services | 150 | 84.88 | 8 | 4.23 | 158 | 89.12 | 449283 | 24.73 |
| Family and Child Welfare | | | | | | | 852630 | 46.93 |
| Aged and Disabled Welfare | | | | | | | 2216526 | 121.99 |
| Other Welfare Services | | | | | | | 389509 | 21.44 |
| Recreation and Culture | 251 | 141.63 | 402.7 | 227.26 | 654 | 368.88 | 733589 | 40.37 |
| KAVHA | 177 | 100.12 | | | 177 | 100.12 | | |
| National Parks and Wildlife Services | | | 659 | 371.89 | 659 | 371.89 | 272260 | 14.98 |
| Aboriginal Community Services | | | | | | | 149650 | 8.24 |
| Superannuation | | | | | | | 3379160 | 185.98 |
| Legislature, Public Service & Works | 2806 | 1583.41 | 638 | 359.76 | 3443 | 1943.17 | 1239903 | 68.24 |
| Primary Industry | 220 | 123.97 | | | 220 | 123.97 | 751627 | 41.37 |

Table D-15 STATE TYPE FUNCTIONS-REVENUE AND EXPENDITURE 1995-96 (Continued)

| | Norfolk Island Government | | Commonwealth on Norfolk Island | | Total related to Norfolk Island | | Mainland | |
|---------------------------------|---------------------------|----------------|--------------------------------|----------------|---------------------------------|--------------|-----------------|----------------|
| | \$'000 | \$per capita | \$'000 | \$per capita | \$'000 | \$per capita | \$'000 | \$per capita |
| Expenditure (continued) | | | | | | | | |
| Tourism | 802 | 452.78 | | | 802 | 452.78 | 217894 | 11.99 |
| Road Maintenance | 249 | 140.30 | | | 249 | 140.30 | 1454575 | 80.06 |
| Debt Charges nec | | | | | | | 3209069 | 176.62 |
| Regulatory and Other Services | | | | | | | 2320792 | 127.73 |
| Technical and Further Education | | | | | | | 322005 | 17.72 |
| User Charges | | | | | | | | |
| Hospital Patient Fees | 697 | 393.29 | | | 697 | 393.29 | 691977 | 38.08 |
| Fees and Fines | 47 | 26.39 | | | 47 | 26.39 | 537799 | 29.60 |
| Property Titles | 157 | 88.73 | | | 157 | 88.73 | 288218 | 15.86 |
| Other User Charges | 327 | 184.67 | | | 327 | 184.67 | 1832132 | 100.84 |
| Transport Undertakings | | | | | 0 | 0.00 | 3019017 | 166.16 |
| Lighthouse Service | 71 | 39.99 | | | 71 | 39.99 | 191050 | 10.51 |
| Water Supply and Sewerage | 144 | 81.09 | | | 144 | 81.09 | 153329 | 8.44 |
| Housing | | | | | 0 | 0.00 | 781134 | 42.99 |
| Electricity Supply | 429 | 242.04 | | | 429 | 242.04 | 1881481 | 103.55 |
| Other Trading Enterprises | | | | | 0 | 0.00 | 347028 | 19.10 |
| Liquor Supply Service | 755 | 426.01 | | | 755 | 426.01 | | |
| Tanalith Plant | 5 | 2.69 | | | 5 | 2.69 | | |
| Total | 6080 | 3431.11 | 1886 | 1064.13 | 7966 | 4495 | 44998062 | 2476.57 |

ATTACHMENT E

NORFOLK ISLAND ACT 1979

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SCHEDULES

SCHEDULE 1

The Territory OF Norfolk Island

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Oaths and Affirmations

NORFOLK ISLAND ACT 1979

An Act to provide for the government of Norfolk Island

WHEREAS by an Act of the Parliament of the United Kingdom, made and passed in the sixth and seventh years of the reign of Her Majesty Queen Victoria intituled "An Act to amend so much of an Act of the last Session, for the Government of New South Wales and Van Diemen's Land, as relates to Norfolk Island," it was, amongst other things, enacted that it should be lawful for Her Majesty, by Letters Patent under the Great Seal of the United Kingdom, to sever Norfolk Island from the Government of New South Wales and to annex it to the Government and Colony of Van Diemen's Land:

AND WHEREAS Her Majesty Queen Victoria, in exercise of the powers vested in Her by the said Act, by a Commission under the Great Seal of the United Kingdom bearing date the twenty-fourth day of October, 1843, appointed that from and after the twenty-ninth day of September, 1844, Norfolk Island should be severed from the Government of New South Wales and annexed to the Government and Colony of Van Diemen's Land:

AND WHEREAS by an Act of the Parliament of the United Kingdom, called the Australian Waste Lands Act 1855, it was, amongst other things, provided that it should be lawful for Her Majesty at any time, by Order in Council, to separate Norfolk Island from the Colony of Van Diemen's Land and to make such provision for the Government of Norfolk Island as might seem expedient:

AND WHEREAS on 8 June 1856 persons who had previously inhabited Pitcairn Island settled on Norfolk Island:

AND WHEREAS by an Order in Council dated the twenty-fourth day of June, 1856, made by Her Majesty in pursuance of the last-mentioned Act, it was ordered and declared, amongst other things, that from and after the date of the proclamation of the Order in New South Wales Norfolk Island should be thereby separated from the said Colony of Van Diemen's Land (now called Tasmania) and that from that date all power, authority, and jurisdiction of the Governor, Legislature, Courts of Justice, and Magistrates of Tasmania over Norfolk Island should cease and determine, and that from the said date Norfolk Island should be a distinct and separate Settlement, the affairs of which should until further Order in that behalf by Her Majesty be administered by a Governor to be for that purpose appointed by Her Majesty with the advice and consent of Her Privy Council: and it was thereby further ordered that the Governor and Commander-in-Chief for the time being of the Colony of New South Wales should be, and he thereby was, constituted Governor of Norfolk Island, with the powers and authorities in the said Order mentioned:

AND WHEREAS the said Order in Council was proclaimed in New South Wales on 1 November 1856:

AND WHEREAS by an Order in Council dated the fifteenth day of January, 1897, made in pursuance of the said last-mentioned Act, Her Majesty, after reciting that it was expedient that other provision should be made for the government of Norfolk Island, and that, in prospect of the future annexation of Norfolk Island to the Colony of New South Wales or to any Federal body of which that Colony might thereafter form part, in the meantime the affairs of Norfolk Island should be administered by the Governor of New South Wales as therein provided, was pleased to revoke the said Order in Council of the twenty-fourth day of June, One thousand eight hundred and fifty-six, and to order that the affairs of Norfolk Island should thenceforth, and until further Order should be made in that behalf by Her Majesty, be administered by the Governor and Commander-in-Chief for the time being of the Colony of New South Wales and its Dependencies:

AND WHEREAS the said Order in Council was published in the New South Wales *Government Gazette* on 19 March 1897, and took effect at that date:

AND WHEREAS by an Order in Council dated the eighteenth day of October, One thousand nine hundred, made in pursuance of the said last mentioned Act, Her Majesty was pleased to revoke the said Order in Council of the fifteenth day of January, One thousand eight hundred and ninety-seven, and to order that the affairs of Norfolk Island should thenceforth, and until further Order should be made in that behalf by Her Majesty, be administered by the Governor for the time being of the State of New South Wales and its Dependencies:

AND WHEREAS the said Order in Council was published in the New South Wales *Government Gazette* on 1 January 1901, and took effect at that date:

AND WHEREAS by an Order in Council dated the 30th day of March, 1914, His Majesty King George V, by virtue and in exercise of the power in that behalf by the said last-mentioned Act or otherwise in His Majesty vested, after reciting that the Parliament had passed an Act No. 15 of 1913, entitled "An Act to provide for the acceptance of Norfolk Island as a territory under the authority of the Commonwealth, and for the government thereof" and that it was expedient that the said Order in Council of 18th of October, 1900, should be revoked and that Norfolk Island should be placed under the authority of the Commonwealth of Australia, was pleased to revoke the said Order in Council of 18th of October, 1900, and to order that Norfolk Island be placed under the authority of the Commonwealth of Australia:

AND WHEREAS the said Order in Council was published in the *Gazette* on 17 June 1914, and took effect from 1 July 1914, being the date of commencement of the *Norfolk Island Act 1913*:

AND WHEREAS Norfolk Island was, by the *Norfolk Island Act 1913*, declared to be accepted by the Commonwealth as a Territory under the authority of the Commonwealth:

AND WHEREAS Norfolk Island has been governed by the Commonwealth initially under the provisions of the *Norfolk Island Act 1913*, and subsequently under the provisions of the *Norfolk Island Act 1957*:

AND WHEREAS the residents of Norfolk Island include descendants of the settlers from Pitcairn Island:

AND WHEREAS the Parliament recognises the special relationship of the said descendants with Norfolk Island and their desire to preserve their traditions and culture:

AND WHEREAS the Parliament considers it to be desirable and to be the wish of the people of Norfolk Island that Norfolk Island achieve, over a period of time, internal self-government as a Territory under the authority of the Commonwealth and, to that end, to provide, among other things, for the establishment of a representative Legislative Assembly and of other separate political and administrative institutions on Norfolk Island:

AND WHEREAS the Parliament intends that within a period of 5 years after the coming into operation of this Act consideration will be given to extending the powers conferred by or under this Act on the Legislative Assembly and the other political and administrative institutions of Norfolk Island, and that provision be made in this Act to enable the results of such consideration to be implemented:

BE IT THEREFORE ENACTED by the Queen, and the Senate and House of Representatives of the Commonwealth of Australia, as follows:

PART I -- PRELIMINARY

Short title

1. This Act may be cited as the *Norfolk Island Act 1979*.

Commencement

(1) Sections 1, 2, 4, 31, 38, 39, 67, 68 and 69 shall come into operation on the day on which this Act receives the Royal Assent.

(2) The remaining provisions of this Act shall come into operation on a date to be fixed by Proclamation.

Repeals

3. The *Norfolk Island Act 1957* and the *Norfolk Island Act 1963* are repealed.

Interpretation

4. (1) In this Act, unless the contrary intention appears:

"accounts of the Territory" means:

- (a) the accounts and records of financial transactions of the Administration and records relating to assets of, or in the custody of, the Administration; and
- (b) the accounts and records of financial transactions of a Territory authority (other than an authority whose accounts and records are required to be audited under an enactment) and records relating to assets of, or in the custody of, such an authority;

"Acting Administrator" means a person appointed under section 8 to act in the office of Administrator;

"Administration" means the Administration or government of the Territory;

"Administrator" means the Administrator of the Territory appointed under this Act and includes a person acting as the Administrator under this Act;

"Auditor" means the Norfolk Island Government Auditor appointed under section 51;

"Chief Justice" means the Chief Justice of the Supreme Court;

"Deputy Speaker" means the Deputy Speaker of the Legislative Assembly;

"enactment" means:

- (a) a law (however described or entitled) passed by the Legislative Assembly and assented to under this Act;
- (b) an Ordinance made by the Governor-General under section 27 or in pursuance of section 69; or
- (c) an Ordinance continued in force by this Act;

"Executive Council" means the Executive Council of Norfolk Island;

"executive member" means a person holding office under section 13;

"executive office" means an office referred to in section 12;

"Judge" means a Judge of the Supreme Court (including the Chief Justice);

"Legislative Assembly" means the Legislative Assembly of Norfolk Island;

"public moneys of the Territory" means revenues, loans and other moneys received by the Administration;

"Speaker" means the Speaker of the Legislative Assembly;

"Supreme Court" means the Supreme Court of Norfolk Island referred to in section 52;

"Territory" means Norfolk Island, that is to say, the Territory of Norfolk Island as described in Schedule 1.

(2) The specification of a matter in an item in Schedule 2 or 3 shall not be taken to limit the generality of any matter specified in any other item in that Schedule.

(3) A reference in this Act to a law, or to regulations, in force immediately before a particular date shall be read as including a reference to any provisions of the law, or of the regulations, that are not to come into operation until that date or a later date.

PART II -- ADMINISTRATION

Administrator and Administration

5. (1) There shall be an Administrator of the Territory, who shall administer the government of the Territory as a Territory under the authority of the Commonwealth.

(2) The Administration is a body politic with perpetual succession by the name of the Administration of Norfolk Island.

(3) Subject to this Act, the Administration of Norfolk Island is capable by that name of:

- (a) suing and being sued;
- (b) making contracts;
- (c) acquiring, holding and disposing of real and personal property; and
- (d) doing and suffering all other matters and things a body corporate may do or suffer.

Appointment of Administrator

6. The Administrator shall be appointed by the Governor-General by Commission and shall hold office during the pleasure of the Governor-General.

Exercise of Administrator's powers etc.

7. (1) The Administrator shall exercise all powers and perform all functions that belong to his office, or that are conferred on him by or under law in force in the Territory, in accordance with the tenor of his Commission and:

- (a) in relation to a matter that, in his opinion, is a matter specified in Schedule 2 - in accordance with such advice, if any, as is given to him by the Executive Council;
- (b) in relation to a matter that, in his opinion, is a matter specified in Schedule 3 - in accordance with the advice of the Executive Council;
- (c) where it is provided by this Act that he is to act on the advice of the Executive Council or the Legislative Assembly - in accordance with that advice;
- (d) in forming an opinion as provided by this Act - at his own discretion; and
- (e) in all other cases - in accordance with such instructions, if any, as are given to him by the Minister.

(2) Notwithstanding paragraph (1) (b), where the Executive Council advises the Administrator to take, or to refrain from taking, any specified action in relation to a matter to which that paragraph applies and that advice is inconsistent with instructions given to the Administrator by the Minister in accordance with subsection (3), the Administrator shall not take that action, or shall not refrain from taking that action, as the case may be.

(3) For the purposes of subsection (2), the Minister may give the Administrator instructions in respect of advice tendered to the Administrator for the purposes of paragraph (1) (b), and may give the Administrator instructions in respect of the referral to the Minister of any such advice.

Acting Administrator

8. (1) The Governor-General may, by Commission, appoint a person to act in the office of Administrator, and to administer the government of the Territory:

- (a) during a vacancy in the office of the Administrator; or
- (b) during any period, or during all periods, when the Administrator:
 - (i) is absent from duty, or from the Territory; or
 - (ii) is, for any reason, unable to perform the duties of the office.

(1A) While a person so appointed is administering the government of the Territory, he or she has all the powers and functions of the Administrator.

(2) The exercise of the powers and the performance of the functions of the Administrator, by virtue of this section, by a person during the absence of the Administrator from duty or from the Territory does not affect the exercise of any power or the performance of any function by the Administrator.

Deputy Administrator

9. (1) There shall be a Deputy Administrator of the Territory, who shall be appointed by the Governor-General by Commission and shall hold office during the pleasure of the Governor-General.

(2) Where:

(a) there is a vacancy in the office of Administrator or the Administrator is absent from duty or from the Territory or is unable for any reason to perform his or her duties; and

(b) either:

(i) an Acting Administrator has not entered on his or her duties; or

(ii) an Acting Administrator has entered on his or her duties but is absent from duty or from the Territory or is unable for any reason to perform those duties; the Deputy Administrator has and may exercise and perform all the powers and functions of the Administrator.

(3) The exercise of the powers and the performance of the functions of the Administrator, by virtue of this section, by the Deputy Administrator during the absence of the Administrator from duty or from the Territory does not affect the exercise of any power or the performance of any function by the Administrator.

Oath or affirmation of Administrator etc.

10. (1) The Administrator and an Acting Administrator shall, before entering on the duties of his office, make and subscribe an oath or affirmation in accordance with the form in Schedule 4.

(2) The Deputy Administrator shall, before exercising a power or performing a function by virtue of his office, make and subscribe an oath or affirmation in accordance with the form in Schedule 4.

(3) An oath or affirmation made by a person under this section shall be made before the Governor-General, a Judge of the Supreme Court or of another court created by the Parliament, or a person authorized by the Governor-General for the purpose, and may be made before the day on which the person's appointment takes effect.

PART III – THE EXECUTIVE COUNCIL

The Executive Council

11. (1) There shall be an Executive Council of Norfolk Island to advise the Administrator on all matters relating to the government of the Territory.

(2) The Executive Council shall consist of the persons for the time being holding executive office.

(3) The Administrator is entitled to attend all meetings of the Executive Council and shall preside at all meetings at which he is present.

(4) If the Administrator is not present at a meeting of the Executive Council, the members of the Executive Council present shall elect one of their number to preside.

(5) The Administrator may introduce into the Executive Council any matter for discussion by the Executive Council.

(6) Meetings of the Executive Council shall be convened by the Administrator and not otherwise.

(7) The Administrator may convene a meeting of the Executive Council at any time, and shall convene a meeting whenever requested to do so by 3 or more members of the Executive Council.

(8) A member of the Legislative Assembly who does not hold executive office is entitled to attend all meetings of the Executive Council.

(9) Subject to the preceding provisions of this section and to any provision made by the regulations, the procedure of the Executive Council shall be as the Executive Council determines.

Executive offices

12. (1) There shall be such number of executive offices, having such respective designations, as the Legislative Assembly from time to time determines by resolution.

(2) The matters in respect of which the executive members have executive authority are the matters specified in Schedules 2 and 3.

Appointment of executive members

13. (1) Subject to this section, the Administrator may, on the advice of the Legislative Assembly:

- (a) appoint a member of the Legislative Assembly to an executive office; or
- (b) terminate such an appointment.

(2) The Administrator may at any time terminate an appointment made under subsection (1) if, in his opinion, there are exceptional circumstances that justify his so doing.

(3) A person who is employed in the Public Service of the Territory or of the Commonwealth shall not be appointed to an executive office, and a person holding executive office vacates his office if he becomes so employed.

- (4) For the purposes of subsection (3), a person who:
- (a) is an employee, within the meaning of the *Public Service Act 1922*;
 - (b) is employed under a law relating to the Public Service of the Territory as a temporary employee; or
 - (c) is employed under a law relating to the Public Service of a Territory or of the Commonwealth as an officer or employee to whom any provisions of that law do not apply; shall be deemed to be employed in the Public Service of the Territory or of the Commonwealth, as the case requires.

Tenure of office

14. The appointment of a person to an executive office takes effect on the day specified in the instrument of appointment and terminates when:

- (a) he ceases, by reason of his resignation or by reason of the provisions of section 39, to be a member of the Legislative Assembly;
- (b) his appointment is terminated by the Administrator under section 13;
- (c) he resigns his office by writing signed by him and delivered to the Administrator; or
- (d) the Legislative Assembly first meets after a general election of the Legislative Assembly that takes place after the appointment takes effect; whichever first happens.

Oath or affirmation of member of Executive Council and executive member

15. (1) A member of the Executive Council shall, before entering on the duties of his office, make and subscribe an oath or affirmation in accordance with the form in Schedule 5.

(2) A person who is appointed to an executive office shall, before entering on the duties of his office, make and subscribe an oath or affirmation in accordance with the form in Schedule 6.

(3) A person who does not hold executive office shall not attend a meeting of the Executive Council unless he has, at any time after the last preceding general election of the Legislative Assembly, made and subscribed an oath or affirmation in accordance with the form in Schedule 7.

(4) An oath or affirmation under this section shall be made before the Administrator or a person authorized by the Administrator to administer such oaths or affirmations.

PART IV -- LEGISLATION

Division 1 -- Laws

Continuance of existing laws

16. (1) Notwithstanding the repeal of the *Norfolk Island Act 1957* and the *Norfolk Island Act 1963*, but subject to this Act, all other laws in force immediately before the date of commencement of this section in or in relation to the Territory continue in force.

(2) In this section, "**laws**" means Ordinances made under, and laws continued in force by, the *Norfolk Island Act 1957* and laws made under such an Ordinance or law.

Amendment and repeal of existing laws

17. (1) Subject to this Act, a law continued in force by section 16 may be amended or repealed by an enactment or by a law made under an enactment.

(2) A law continued in force by section 16, being an Ordinance, or being a Law made by the Governor of the State of New South Wales before the commencement of the *Norfolk*

Island Act 1913, may not be amended or repealed by a law made under an enactment unless the contrary intention appears in that enactment.

Application of Commonwealth Acts

18. (1) An Act or a provision of an Act (whether passed before or after the date of commencement of this section) is not, except as otherwise provided by that Act or by any other Act, in force as such in the Territory, unless expressed to extend to the Territory.

(2) An enactment shall not be made so as to affect the application of its own force in, or in relation to, the Territory of an Act or a provision of an Act.

Division 2 – Legislative Power of Legislative Assembly

Legislative power of Legislative Assembly

19. (1) Subject to this Act, the Legislative Assembly has power, with the assent of the Administrator or the Governor-General, as the case may be, to make laws for the peace, order and good government of the Territory.

(2) The power of the Legislative Assembly in relation to the making of laws does not extend to the making of laws:

- (a)** authorizing the acquisition of property otherwise than on just terms;
- (b)** authorizing the raising or maintaining of any naval, military or air force; or
- (c)** authorizing the coining of money.

(3) Item 1 in Schedule 2 shall not be taken to limit the power of the Legislative Assembly in relation to the making of laws providing for the raising of revenues for purposes other than purposes of matters specified in that Schedule.

Powers, privileges and immunities of Legislative Assembly

20. The power of the Legislative Assembly in relation to the making of laws extends to the making of laws:

- (a)** declaring the powers (other than legislative powers), privileges and immunities of the Legislative Assembly and of its members and committees, but so that the powers, privileges and immunities so declared do not exceed the powers, privileges and immunities for the time being of the House of Representatives, or of the members or committees of that House, respectively; and
- (b)** providing for the manner in which powers, privileges and immunities so declared may be exercised or upheld.

Presentation of proposed laws

21. (1) Every proposed law passed by the Legislative Assembly shall be presented to the Administrator for assent.

(2) Upon the presentation of a proposed law to the Administrator for assent, the Administrator shall, subject to this section, declare:

- (a) in the case of a proposed law which, in the opinion of the Administrator, makes provision only for or in relation to matters specified in Schedule 2 or 3 or both:
 - (i) that he assents to the proposed law; or
 - (ii) that he withholds assent to the proposed law; or
- (b) in any other case, that he reserves the proposed law for the Governor-General's pleasure.

(3) The Administrator may return the proposed law to the Legislative Assembly with amendments that he recommends.

(4) The Legislative Assembly shall consider the amendments recommended by the Administrator and the proposed law, with or without amendments, may be again presented to the Administrator for assent, and subsection (2) applies accordingly.

(5) In the case of a proposed law which, in the opinion of the Administrator, makes provision only for or in relation to matters specified in Schedule 2, the Administrator shall not act under paragraph (2) (a) or subsection (3) except in accordance with the advice of the Executive Council.

(6) In the case of a proposed law which, in the opinion of the Administrator, makes provision only for or in relation to matters specified in Schedule 3 or matters specified in Schedules 2 and 3, the Administrator shall not act under paragraph (2) (a) or subsection (3) except in accordance with the instructions of the Minister.

Signification of pleasure on proposed law reserved

22. (1) Where the Administrator reserves a proposed law for the Governor-General's pleasure, the Governor-General shall, subject to this section, declare:

- (a) that he assents to the proposed law;
- (b) that he withholds assent to the proposed law; or
- (c) that he withholds assent to part of the proposed law and assents to the remainder of the proposed law.

(2) The Governor-General may return the proposed law to the Administrator with amendments that he recommends.

(3) The Legislative Assembly shall consider the amendments recommended by the Governor-General and the proposed law, with or without amendments, shall be again presented to the Administrator for assent, and subsection 21 (2) applies accordingly.

(4) As soon as practicable after the Governor-General has made a declaration in respect of a proposed law in accordance with subsection (1), the Administrator shall cause to be published in the *Norfolk Island Government Gazette* a notice of the declaration.

(5) The assent of the Governor-General to a proposed law or part of a proposed law is of no effect until notification of the Governor-General's declaration in respect of the proposed law is published in the *Norfolk Island Government Gazette*.

Disallowance of laws by Governor-General

23. (1) Subject to this section, the Governor-General may, within 6 months after the Administrator's assent to a proposed law, disallow the law or part of the law.

(2) The Governor-General may, within 6 months after the Administrator's assent to a proposed law, recommend to the Administrator any amendments of the laws of the Territory that the Governor-General considers to be desirable as a result of his consideration of the law.

(3) Where, as a result of his consideration of a law, the Governor-General so recommends any amendments of the laws of the Territory, the time within which the Governor-General may disallow the law, or a part of the law, is extended until the expiration of 6 months after the date of the Governor-General's recommendation.

(4) Upon publication of notice of the disallowance of a law, or part of a law, in the *Norfolk Island Government Gazette*, the disallowance has, subject to subsection (5), the same effect as a repeal of the law or part of the law, as the case may be.

(5) If a provision of a disallowed law, or a provision of a disallowed part of a law, amended or repealed a law in force immediately before the date of commencement of that provision, the disallowance revives the previous law from the date of publication of the notice of disallowance as if the disallowed provision had not been made.

Reason for withholding assent etc. to be tabled in Legislative Assembly

24. (1) Where the Administrator withholds assent to a proposed law, or the Governor-General withholds assent to a proposed law or part of a proposed law or disallows a law or part of a law, a message of the Administrator stating the reasons for the withholding of assent, or for the disallowance, as the case may be:

- (a) shall, within 21 days after the date on which the assent was withheld or the date of the disallowance, as the case may be, be furnished to the Speaker or, if there is no Speaker or the Speaker is absent from the Territory, the Deputy Speaker; or
- (b) if it is not practicable for paragraph (a) to be complied with by reason that there is no Deputy Speaker or the Deputy Speaker is absent from the Territory - shall be laid before the Legislative Assembly as soon as practicable after the relevant date referred to in paragraph (a).

(2) Where a message is furnished to the Speaker or the Deputy Speaker under subsection (1), the message shall be laid before the Legislative Assembly at its next meeting thereafter.

Proposal of money votes

25. An enactment, vote, resolution or question, the object or effect of which is to dispose of or charge any public moneys of the Territory, shall not be proposed in the Legislative Assembly unless it has, at any time after the last preceding general election of the Legislative Assembly, been recommended by message of the Administrator to the Legislative Assembly.

Governor-General may introduce proposed law

26. The Governor-General may, by message of the Administrator, introduce into the Legislative Assembly a proposed law for the peace, order and good government of the Territory.

Division 3 – Legislative Powers of the Governor-General

Legislative powers of the Governor-General

27. (1) Where:

- (a) the Governor-General introduces a proposed law into the Legislative Assembly under section 26;
- (b) within 60 days thereafter, the Legislative Assembly has not passed the proposed law or has passed it with amendments that, in the opinion of the Governor-General, are unacceptable; and
- (c) the Governor-General is satisfied that the proposed law as so introduced does not make provision for or in relation to a matter specified in Schedule 2 or 3; the Governor-General may make an Ordinance in the same terms as those of the proposed law as so introduced.

(2) Where it appears to the Governor-General that, on account of urgency or for any other special reason, a law for the peace, order and good government of the Territory, other than a law making provision for or in relation to a matter specified in Schedule 2 or 3, should be made without being introduced into the Legislative Assembly, the Governor-General may make an Ordinance accordingly.

(3) Where it appears to the Governor-General that:

- (a) no provision, or insufficient provision, has been made for the expenditure of moneys out of the Public Account of Norfolk Island for the purposes of the government of the Territory during a financial year of the Territory; and
- (b) on account of urgency or for any other special reason, a law should be made, without being introduced into the Legislative Assembly, for the purpose of authorizing such expenditure; the Governor-General may make an Ordinance accordingly.

(4) An Ordinance made under subsection (3) may empower the Administrator, subject to such instructions as are given to him by the Minister, to do such things, and give such directions, as may be necessary or convenient for purposes of ensuring that expenditure authorized by the Ordinance is duly made.

(5) The Governor-General may:

- (a) in accordance with the preceding provisions of this section, make an Ordinance amending an Ordinance made by him under this section; and
- (b) at any time, make an Ordinance repealing an Ordinance made by him under this section.

(6) Where the Governor-General makes an Ordinance under this section, a copy of the Ordinance shall be transmitted to the Legislative Assembly by message of the Administrator.

(7) An Ordinance made under this section providing for the raising of revenues shall provide that revenues raised by virtue of the Ordinance are to be used for a purpose or purposes specified in the Ordinance.

Laying of certain Ordinances before the Parliament

28. (1) This section applies to Ordinances made by the Governor-General under section 27.

(2) An Ordinance shall be laid before each House of the Parliament within 15 sitting days of that House after the making of that Ordinance, and, if it is not so laid before each House of the Parliament, ceases to have effect.

(3) If either House of the Parliament, in pursuance of a motion of which notice has been given within 15 sitting days after an Ordinance has been laid before that House, passes a resolution disallowing the Ordinance or a part of the Ordinance, the Ordinance or part so disallowed thereupon ceases to have effect.

(4) If, at the expiration of 15 sitting days after notice of a motion to disallow an Ordinance or part of an Ordinance has been given in a House of the Parliament, being notice given within 15 sitting days after the Ordinance has been laid before that House:

- (a) the notice has not been withdrawn and the motion has not been called on; or
- (b) the motion has been called on, moved and seconded and has not been withdrawn or otherwise disposed of; the Ordinance or part, as the case may be, specified in the motion shall thereupon be deemed to have been disallowed.

(5) If, before the expiration of 15 sitting days after notice of a motion to disallow an Ordinance or part of an Ordinance has been given in a House of the Parliament:

- (a) the House of Representatives is dissolved or expires, or the Parliament is prorogued; and
- (b) at the time of the dissolution, expiry or prorogation, as the case may be:
 - (i) the notice has not been withdrawn and the motion has not been called on; or
 - (ii) the motion has been called on, moved and seconded and has not been withdrawn or otherwise disposed of; the Ordinance shall, for the purposes of subsections (3) and (4), be deemed to have been laid before that first-mentioned House on the first sitting day of that first-mentioned House after the dissolution, expiry or prorogation, as the case may be.

(6) Where an Ordinance is disallowed, or is deemed to have been disallowed, under this section or ceases to have effect by virtue of the operation of subsection (2), the disallowance of the Ordinance or the operation of subsection (2) in relation to the Ordinance, as the case may be, has the same effect as a repeal of the Ordinance.

(7) Where:

- (a) an Ordinance (in this subsection referred to as the "**relevant Ordinance**") is disallowed, or is deemed to have been disallowed, under this section or ceases to have effect by virtue of the operation of subsection (2); and
- (b) the relevant Ordinance repealed, in whole or in part, another Ordinance or any other law that was in force immediately before the relevant Ordinance came into operation; the disallowance of the relevant Ordinance or the operation of subsection (2) in relation to the relevant Ordinance, as the case may be, has the

effect of reviving that other Ordinance or law, as the case may be, from and including the date of the disallowance or the date on which the relevant Ordinance ceased to have effect by virtue of that operation of subsection (2), as the case may be, as if the relevant Ordinance had not been made.

(7A) A reference in subsection (6) or (7) to an Ordinance shall be read as including a reference to a part of an Ordinance, and a reference in subsection (7) to a law has a corresponding meaning.

Ordinance not to be re-made while required to be tabled

28AA. (1) Where an Ordinance (in this section called the "**original Ordinance**") has been made, no Ordinance containing a provision being the same in substance as a provision of the original Ordinance shall be made during the period defined by subsection (2) unless both Houses of the Parliament by resolution approve the making of an Ordinance containing a provision the same in substance as that provision of the original Ordinance.

(2) The period referred to in subsection (1) is the period starting on the day on which the original Ordinance was made and ending at the end of 7 days after:

- (a) if the original Ordinance has been laid, in accordance with subsection 28 (2), before both Houses of the Parliament on the same day - that day;
- (b) if the original Ordinance has been so laid before both Houses on different days - the later of those days; or
- (c) if the original Ordinance has not been so laid before both Houses - the last day on which subsection 28 (2) could have been complied with.

(3) If a provision of an Ordinance is made in contravention of this section, the provision has no effect.

Ordinance not to be re-made while subject to disallowance

28AB. (1) Where notice of a motion to disallow an Ordinance has been given in a House of the Parliament within 15 sitting days after the ordinance has been laid before that House, no Ordinance containing a provision being the same in substance as a provision of the first-mentioned Ordinance shall be made unless:

- (a) the notice has been withdrawn;
- (b) the Ordinance is deemed to have been disallowed under subsection 28 (4);
- (c) the motion has been withdrawn or otherwise disposed of; or
- (d) subsection 28 (5) has applied in relation to the Ordinance.

(2) Where:

- (a) because of subsection 28 (5), an Ordinance is deemed to have been laid before a House of the Parliament on a particular day; and
- (b) notice of a motion to disallow the Ordinance has been given in that House within 15 sitting days after that day; no Ordinance containing a provision being the same in substance as a provision of the first-mentioned Ordinance shall be made unless:
 - (c) the notice has been withdrawn;
 - (d) the Ordinance is deemed to have been disallowed under subsection 28 (4);
 - (e) the motion has been withdrawn or otherwise disposed of; or

(f) subsection 28 (5) has applied again in relation to the Ordinance.

(3) If a provision of an Ordinance is made in contravention of this section, the provision has no effect.

(4) This section does not limit the operation of section 28AA or 28AC.

(5) In this section:

"Ordinance" includes a part of an Ordinance.

Disallowed Ordinance not to be re-made unless resolution rescinded or House approves

28AC. If an Ordinance or a part of an Ordinance is disallowed, or is deemed to have been disallowed, under section 28, and an Ordinance containing a provision being the same in substance as a provision so disallowed, or deemed to have been disallowed, is made within 6 months after the date of the disallowance, that provision has no effect, unless:

(a) in the case of an Ordinance, or a part of an Ordinance, disallowed by resolution - the resolution has been rescinded by the House of the Parliament by which it was passed; or

(b) in the case of an Ordinance, or a part of an Ordinance, deemed to have been disallowed - the House of the Parliament in which notice of the motion to disallow the Ordinance or part was given has approved, by resolution, the making of a provision the same in substance as the provision deemed to have been disallowed.

Application of sections 28AA, 28AB and 28AC

28AD. Sections 28AA, 28AB and 28AC apply to Ordinances made by the Governor-General under section 27.

Laying of certain regulations before the Parliament

28A. (1) In this section, "**regulations**" means regulations made by the Minister under an enactment and includes rules and by-laws so made.

(2) All regulations shall be laid before each House of the Parliament within 15 sitting days of that House after the day on which the regulations are made and, if they are not so laid before each House of the Parliament, shall be void and of no effect.

(3) Subsections 28 (3) to (7), inclusive, and sections 28AA, 28AB and 28AC apply to and in relation to regulations laid before a House of the Parliament as if the references in those subsections to an Ordinance were references to regulations.

Division 4 -- Miscellaneous

Inconsistency of laws

29. (1) Where an enactment made under Division 2 is inconsistent with an Ordinance made by the Governor-General under section 27, the latter shall prevail, and the former shall, to the extent of the inconsistency, be invalid, but an enactment and an Ordinance shall not be taken for the purposes of this subsection to be inconsistent to the extent that they are capable of operating concurrently.

(2) A reference in this section to an enactment or to an Ordinance shall be read as including a reference to a law made under an enactment or under an Ordinance, as the case may be.

Commencement of enactments

30. Notice of the making of every enactment made under this Part shall be published in the *Norfolk Island Government Gazette*, and an enactment shall, unless the contrary intention appears in the enactment, come into operation on the date of publication of the notice.

PART V – THE LEGISLATIVE ASSEMBLY

Division 1 – Constitution and Membership of Legislative Assembly

Legislative Assembly

31. (1) There shall be a Legislative Assembly of the Territory.

(2) Subject to the regulations, the Legislative Assembly shall consist of 9 members.

(3) Subject to this Act, the members of the Legislative Assembly shall be elected as provided by enactment.

Oath or affirmation

32. (1) A member of the Legislative Assembly shall, before taking his seat, make and subscribe an oath or affirmation of allegiance in accordance with the form in Schedule 8 and also an oath or affirmation of office in accordance with the form in Schedule 9.

(2) An oath or affirmation under subsection (1) shall be made before the Administrator or a person authorized by the Administrator to administer such oaths or affirmations.

Writs for elections

33. Writs for the election of members of the Legislative Assembly shall be issued by the Administrator.

Term of office of member

34. Subject to this Act, the term of office of a member of the Legislative Assembly commences on the date of his election and ends immediately before the date of the next general election of members of the Legislative Assembly.

Dates of elections

35. (1) A general election of members of the Legislative Assembly shall be held on a date determined by the Administrator.

(2) The period from the first meeting of the Legislative Assembly after a general election of members of that Assembly to the date of the next succeeding general election shall not be more than 3 years.

Resignation of members of Legislative Assembly

36. A member of the Legislative Assembly may resign his office by writing signed by him and delivered to the Speaker or, if there is no Speaker or the Speaker is absent from the Territory, to the Administrator.

Filling of casual vacancy

37. Where a casual vacancy occurs in the office of a member of the Legislative Assembly less than 2 years and 9 months after the first meeting of that Assembly following the last preceding general election, an election shall be held for the purpose of filling the vacant office for the remainder of the term of office of the member who last held that office.

Qualifications for election

38. Subject to section 39, a person is qualified to be a candidate for election as a member of the Legislative Assembly if, at the date of nomination:

- (b) he has attained the age of 18 years;
- (c) he is entitled, or qualified to become entitled, to vote at elections of members of the Legislative Assembly; and
- (d) he has such qualifications relating to residence as are prescribed by enactment for the purposes of this paragraph or, if no such enactment is in force, he has been ordinarily resident within the Territory for a period of 5 years immediately preceding the date of nomination.

Disqualifications for membership of Legislative Assembly

39. (1) A person is not qualified to be a candidate for election as a member of the Legislative Assembly if, at the date of nomination:

- (a) he is an undischarged bankrupt;
- (b) he has been convicted and is under sentence of imprisonment for one year or longer for an offence against the law of the Commonwealth or of a State or Territory;
- (c) he is a member of the Police Force of the Territory or of the Commonwealth; or
- (d) he is the holder of an office or appointment under a law of the Commonwealth or of the Territory, being an office or appointment that is prescribed for the purposes of this paragraph.

(2) A member of the Legislative Assembly vacates his office if:

- (a) he becomes a person to whom any of the paragraphs of subsection (1) applies;
- (c) he fails to attend the Legislative Assembly for 3 consecutive meetings of the Legislative Assembly without the permission of the Legislative Assembly;
- (d) he ceases to be entitled, or qualified to become entitled, to vote at elections of members of the Legislative Assembly; or

- (e) he takes or agrees to take, directly or indirectly, any remuneration, allowance, honorarium or reward for services rendered in the Legislative Assembly, otherwise than in accordance with section 65.

(3) A member of the Legislative Assembly who is a party to, or has a direct or indirect interest in, a contract made by or on behalf of the Commonwealth or the Administration under which goods or services are to be supplied to the Commonwealth or the Administration shall not take part in a discussion of a matter, or vote on a question, in the Legislative Assembly where the matter or question relates directly or indirectly to that contract.

(4) Any question concerning the application of subsection (3) shall be decided by the Legislative Assembly, and a contravention of that subsection does not affect the validity of anything done by the Legislative Assembly.

Division 2 – Procedure of Legislative Assembly

Meetings of Legislative Assembly

40. (1) The Legislative Assembly shall meet at least once every 2 months.

(2) The Administrator shall convene the first meeting of the Legislative Assembly after a general election of that Assembly and thereafter shall convene a meeting of that Assembly whenever requested to do so by such number of members of that Assembly as is prescribed by enactment.

(3) The Administrator may convene a meeting of the Legislative Assembly whenever, in his opinion, it is necessary to do so for the purpose of ensuring compliance with subsection (1).

(4) The Administrator shall convene a meeting under subsection (2) or (3) by notice published in the *Norfolk Island Government Gazette*.

Speaker and Deputy Speaker of Legislative Assembly

41. (1) At the first meeting of the Legislative Assembly held after a general election, the members present shall, before proceeding to the despatch of any other business, elect one of their number to be Speaker, and another of their number to be Deputy Speaker, of the Legislative Assembly.

(2) In the event of a vacancy occurring in the office of Speaker or Deputy Speaker, the members present at the next meeting of the Legislative Assembly after the vacancy occurs shall, before proceeding to the despatch of any other business, elect one of their number to be Speaker or Deputy Speaker, as the case may be.

(3) A person who is elected to the office of Speaker or Deputy Speaker holds office until:

- (a) the Legislative Assembly first meets after a general election of the Legislative Assembly that takes place after his election under this section;
- (b) he resigns his office by writing signed by him and delivered to the Administrator;
- (c) he ceases to be a member of the Legislative Assembly otherwise than by reason of the dissolution of the Legislative Assembly; or

(d) not less than 5 members of the Legislative Assembly vote in favour of his removal from office; whichever first happens.

(4) A person who ceases to hold office as Speaker or Deputy Speaker is eligible for re-election to that office.

Procedure at meetings

42. (1) Subject to subsection 39 (3) and to the standing rules and orders of the Legislative Assembly, the Speaker shall preside at all meetings of the Legislative Assembly at which he is present.

(2) Subject to subsection 39 (3) and to the standing rules and orders of the Legislative Assembly, if the Speaker is absent from a meeting of the Legislative Assembly or is unable, by reason of the operation of subsection 39 (3), to perform his functions, the Deputy Speaker shall preside.

(3) If both the Speaker and the Deputy Speaker are absent from a meeting of the Legislative Assembly or are unable, by reason of the operation of subsection 39 (3), to perform the functions of the Speaker, the members present shall elect one of their number to preside.

(4) At a meeting of the Legislative Assembly, unless otherwise provided by enactment, 5 members constitute a quorum.

(5) Questions arising at a meeting of the Legislative Assembly shall be decided by a majority of the votes of the members present and voting.

(6) The member presiding at a meeting of the Legislative Assembly has a deliberative vote only, and, in the event of an equality of votes on a question, the question shall pass in the negative.

Validation of acts of Legislative Assembly

43. Where a person who has purported to sit or vote as a member of the Legislative Assembly at a meeting of the Legislative Assembly or of a Committee of the Legislative Assembly:

- (a) was not a duly elected member by reason of his not having been qualified for election or of any other defect in his election; or
- (b) had vacated his office as a member; all things done or purporting to have been done by the Legislative Assembly or that Committee shall be deemed to be as validly done as if that person had, when so sitting or voting, been a duly elected member of the Legislative Assembly, or had not vacated his office, as the case may be.

Minutes of proceedings

44. (1) The Legislative Assembly shall cause minutes of its proceedings to be kept.

(2) A copy of any minutes so kept shall, on request made by any person, be made available for inspection by him or, on payment of such fee as is fixed by or under enactment, be supplied to him.

Standing rules and orders

45. The Legislative Assembly may make standing rules and orders, not inconsistent with a law of the Territory, with respect to the order and conduct of its business and proceedings.

PART VI -- FINANCE

Interpretation

46. In this Part, "**Territory authority**" means a body corporate established for a public purpose by or under an enactment, being an authority that is empowered by enactment to borrow moneys.

Public Account of Norfolk Island

47. (1) All public moneys of the Territory shall form a fund to be called the Public Account of Norfolk Island and shall, subject to this Part, be available for the purposes of the government of the Territory.

(2) The receipt, expenditure and control of public moneys of the Territory shall be regulated by enactment.

(3) Where an enactment, other than an enactment to which subsection (4) or (5) applies, provides for the raising of revenues, revenues raised by virtue of that enactment shall, subject to subsection (2) and section 48, be available for the purposes of the government of the Territory.

(4) Where an enactment providing for the raising of revenues provides that the revenues raised by virtue of the enactment are to be used for the general purpose of matters specified in Schedule 2, a separate account shall be kept in the Public Account of all revenues raised by virtue of that enactment and any other enactment to which this subsection applies, and, subject to subsection 27 (3), moneys standing to the credit of that account (including income derived from the investment of those moneys) shall not be issued or expended (otherwise than by way of investment) for any purposes other than purposes of any matter or matters specified in Schedule 2.

(5) Where an enactment providing for the raising of revenues provides that revenues raised by virtue of the enactment are to be used for a purpose (other than the general purpose referred to in subsection (4)) specified in the enactment, a separate account shall be kept in the Public Account of all revenues to be used for that purpose by virtue of that enactment and any other enactment to which this subsection applies, and, subject to subsection 27 (3), moneys standing to the credit of that account (including income derived from the investment of those moneys) shall not be issued or expended (otherwise than by way of investment) except for that purpose.

Withdrawals from Public Account of Norfolk Island

48. (1) The moneys of the Public Account of Norfolk Island shall not be issued or expended except as authorized by enactment.

(2) The moneys of the Public Account of Norfolk Island may be invested in such manner as is provided by enactment.

Borrowing from Commonwealth

49. The Minister for Finance may, on behalf of the Commonwealth, out of money appropriated by the Parliament for the purpose, lend money to the Administration or to a Territory authority on such terms and conditions as the Minister for Finance, in writing, determines.

Borrowings otherwise than from Commonwealth

50. (1) The Administration or a Territory authority may, with the approval of the Treasurer:

- (a) borrow money otherwise than from the Commonwealth; or
- (b) raise money otherwise than by borrowing; on terms and conditions that are specified in, or consistent with, the approval.

(2) Without limiting the generality of subsection (1), the Administration or a Territory authority may, under that subsection, borrow money, or raise money otherwise than by borrowing, by dealing with securities.

(3) A borrowing of money, or a raising of money otherwise than by borrowing, under subsection (1) may be made, in whole or in part, in a currency other than Australian currency.

(4) An approval may be given under subsection (1) in relation to a particular transaction or in relation to transactions included in a class of transactions.

(5) An approval under subsection (1) shall be given in writing.

(6) In this section, "**securities**" includes stocks, debentures, debenture stocks, notes, bonds, promissory notes, bills of exchange and similar instruments or documents.

(7) A reference in this section to dealing with securities includes a reference to:

- (a) creating, executing, entering into, drawing, making, accepting, endorsing, issuing, discounting, selling, purchasing or re-selling securities;
- (b) creating, selling, purchasing or re-selling rights or options in respect of securities; and
- (c) entering into agreements or other arrangements relating to securities.

(8) For the purposes of this section:

- (a) the issue by the Administration or a Territory authority of an instrument acknowledging a debt in consideration of:
 - (i) the payment or deposit of money; or
 - (ii) the provision of credit; otherwise than in relation to a transaction that is in the ordinary course of the day-to-day operations of the Administration or the Territory authority shall be deemed to be a raising by the Administration or the Territory authority, otherwise than by borrowing, or an amount of money equal to the amount of the money paid or deposited or the value of the credit provided, as the case may be; and

- (b) the obtaining of credit by the Administration or a Territory authority otherwise than in relation to a transaction that is in the ordinary course of the day-to-day operations of the Administration or the Territory authority shall be deemed to be a raising by the Administration or the Territory authority, otherwise than by borrowing, of an amount of money equal to the value of the credit so obtained.

Guarantee of borrowings

50A. (1) The Treasurer may, on behalf of the Commonwealth, enter into a contract:

- (a) guaranteeing the repayment by the Administration of money borrowed under paragraph 50 (1) (a) and the payment by the Administration of interest (including any interest on that interest) on money so borrowed; or
- (b) guaranteeing the payment by the Administration of such amounts (which may be interest) that the Administration is liable to pay with respect to money raised under paragraph 50 (1) (b) as are specified in the contract.

(2) The Treasurer may, in writing, determine:

- (a) that the repayment by the Administration of money borrowed under paragraph 50 (1) (a), and the payment by the Administration of interest (including any interest on that interest) on money so borrowed, are guaranteed by the Commonwealth; or
- (b) that the payment by the Administration of such money (which may be interest) that the Administration is liable to pay with respect to money raised under paragraph 50 (1) (b) as is specified in the determination is guaranteed by the Commonwealth; and, where the Treasurer makes such a determination, the repayment of that money and the payment of that interest are, or the payment of that money is, by force of this subsection, guaranteed by the Commonwealth.

(3) A contract may be entered into under subsection (1), and a determination may be made under subsection (2), in relation to a particular transaction or in relation to transactions included in a class of transactions.

(4) A contract entered into under subsection (1) may include either or both of the following provisions:

- (a) a provision agreeing, on behalf of the Commonwealth, that proceedings under the contract may be taken in the courts, or a specified court, of a country other than Australia;
- (b) a provision waiving, on behalf of the Commonwealth, the immunity of the Commonwealth from suit in the courts, or a specified court, of a country other than Australia in relation to any proceedings that may be taken under the contract.

Administration may give security

50B. The Administration may give security for:

- (a) the repayment by the Administration of money borrowed by the Administration under section 49 or paragraph 50 (1) (a) and the payment by the Administration of interest (including any interest on that interest) on money so borrowed;
- (b) the payment by the Administration of amounts (including any interest) that the Administration is liable to pay with respect to money raised by the Administration under paragraph 50 (1) (b); or

- (c) the payment to the Commonwealth of amounts equal to any amounts that the Commonwealth may become liable to pay under a contract entered into under subsection 50A (1) or a determination made under subsection 50A (2).

Borrowings not otherwise permitted

50C. The Administration or a Territory authority shall not borrow money, or raise money otherwise than by borrowing, except in accordance with sections 49 and 50.

Delegation by Treasurer

50D. (1) The Treasurer may, either generally or as otherwise provided by the instrument of delegation, by writing signed by the Treasurer, delegate to a person holding or performing the duties of an office in the Department of the Treasury all or any of the powers of the Treasurer under sections 50 and 50A.

(2) A power so delegated, when exercised by the delegate, shall, for the purposes of this Part, be deemed to have been exercised by the Treasurer.

(3) A delegate is, in the exercise of a power so delegated, subject to the directions of the Treasurer.

(4) A delegation under subsection (1) does not prevent the exercise of a power by the Treasurer.

Appointment of Norfolk Island Government Auditor

51. Subject to section 51A, the Administrator shall, on the advice of the Legislative Assembly:

- (a) appoint a person or firm to be the Norfolk Island Government Auditor; and
- (b) determine the terms and conditions of employment (including remuneration) of the Auditor.

Restrictions on appointment of Auditor etc.

51A. (1) The Administrator shall not appoint a person or firm under section 51 to be the Auditor unless the person, or at least one member of the firm, is, or is deemed to be, registered as an auditor (in this section called a "**registered auditor**"):

- (a) under Division 2 of Part II of the Companies Act 1981; or
- (b) under Division 3 of Part III of the Companies Act 1985 of the Territory.

(2) The appointment of a firm as the Auditor shall be deemed to be an appointment of each member of the firm who, at the date of appointment, is a registered auditor.

(3) Where a firm that has been appointed as the Auditor is reconstituted because of the death, retirement or withdrawal of a member or members or by reason of the admission of a new member or new members, or both:

- (a) a person who was deemed under subsection (2) to be the Auditor and who has so died or retired or withdrawn from the firm as previously constituted shall be deemed to have resigned as the Auditor as from the day of that person's death, retirement or withdrawal and, if that person was the only member of the firm who

was a registered auditor and, after that person's death, retirement or withdrawal, there is no member of the firm who is a registered auditor, the firm shall cease to hold office as the Auditor as from the day of that person's death, retirement or withdrawal;

- (b) a person who is a registered auditor and who is so admitted to the firm shall be deemed to have been appointed as the Auditor as from the day of that admission; and
 - (c) the reconstitution of the firm does not affect the appointment as Auditor of any continuing member of the firm who is a registered auditor.
- (4) Except as provided by subsection (3), upon the dissolution of a firm appointed as the Auditor:
- (a) the firm ceases to hold office as the Auditor as from the day of dissolution; and
 - (b) each member of the firm who is deemed by subsection (2) or paragraph (3) (b) to have been appointed as the Auditor ceases to hold office as the Auditor as from the day of the dissolution.

Auditor-General may accept appointment

51B. It is lawful for the Auditor-General for the Commonwealth to accept appointment as the Auditor.

Audit

51C. (1) The Auditor shall, at least once in each year, inspect and audit the accounts of the Territory and shall draw the Speaker's attention to any irregularity disclosed by the inspection and audit that is, in the opinion of the Auditor, of sufficient importance to justify the Auditor so doing.

(2) The Auditor may dispense with all or a part of the detailed inspection and audit of any accounts referred to in subsection (1).

(3) The Auditor shall, at least once in each year, prepare, and give to the Speaker and the Administrator, a report on the inspection and audit carried out under subsection (1).

Tabling of report etc.

51D. (1) The Speaker shall cause a copy of the Auditor's report given to the Speaker under subsection 51C (3) to be laid before the Legislative Assembly within 65 days after the day on which the Speaker receives the report.

(2) The Administrator shall, as soon as practicable after receiving the Auditor's report under subsection 51C (3), forward the report to the Minister.

Access to documents

51E. (1) The Auditor or a person authorised in writing by the Auditor is entitled at all reasonable times to full and free access to all accounts, records, documents and papers relating directly or indirectly to the receipt or payment of money by the Administration or a prescribed authority or to the acquisition, receipt, custody or disposal of assets by the Administration or a prescribed authority.

(2) The Auditor or a person authorised in writing by the Auditor may make copies of, or take extracts from, any such accounts, records, documents or papers.

(3) The Auditor or a person authorised in writing by the Auditor may require any person to furnish the Auditor with such information in the possession of that person or to which that person has access as the Auditor or authorised person considers necessary for the purposes of the powers and functions of the Auditor under this Act, and the person shall comply with the requirement.

(4) A person who contravenes subsection (3) is guilty of an offence punishable, upon conviction, by a fine not exceeding \$200.

(5) In this section, "**prescribed authority**" means a Territory authority whose accounts are not required to be audited under an enactment.

Auditor not subject to direction

51F. Subject to section 51G, the Auditor is not, in the exercise of powers and the performance of functions under this Act, subject to the directions of the Minister, the Administrator, the Legislative Assembly or any member of the Legislative Assembly.

Auditing standards

51G. (1) Subject to subsections (2) and (4), the Legislative Assembly may, by resolution, set the auditing standards to be complied with by the Auditor when inspecting and auditing the accounts of the Territory.

(2) In setting the auditing standards under subsection (1) the Legislative Assembly shall have regard to:

- (a) the auditing standards set by the Auditor-General under subsection 63MB (1) of the *Audit Act 1901*; and
- (b) the auditing standards issued jointly by The Institute of Chartered Accountants in Australia and the Australian Society of Accountants.

(3) The Legislative Assembly may amend or vary the standards set under subsection (1) and subsection (2) applies accordingly in relation to such amendment or variation.

(4) Where the Auditor-General is appointed as the Auditor:

- (a) the auditing standards set under subsection (1) do not apply to the Auditor-General; and
- (b) the Auditor-General shall comply with the auditing standards set under subsection 63MB (1) of the *Audit Act 1901* when inspecting and auditing the accounts of the Territory.

PART VII – THE JUDICIAL SYSTEM

Constitution of Supreme Court

52. (1) The Supreme Court of Norfolk Island established by the *Norfolk Island Act 1957* continues in existence, notwithstanding the repeal of that Act, as the Superior Court of Record of the Territory.

(2) The Supreme Court shall consist of a Chief Justice and such other Judge as is, or such other Judges as are, appointed in accordance with this Act.

Appointment of Judges

53. (1) The Governor-General may, by Commission, appoint a person who, or persons each of whom, is a Judge of another court created by the Parliament to be a Judge or Judges of the Supreme Court.

(1A) The Governor-General may, by Commission, appoint a person who is a Judge of another court created by the Parliament to be the Chief Justice of the Supreme Court.

(2) Before tendering advice to the Governor-General for the purposes of subsection (1) or (1A), the Minister shall give the Executive Council the opportunity of furnishing comments to him and shall consider any comments so furnished.

(3) A person shall not be appointed:

- (a) as a Judge under subsection (1); or
- (b) as the Chief Justice under subsection (1A), whether or not he already holds office as a Judge; if he has attained the age of 70 years.

(4) A Judge ceases to hold office as a Judge upon his attaining the age of 70 years.

(5) A Judge ceases to hold office as a Judge if he no longer holds office as a Judge of another court created by the Parliament.

(6) A Judge may resign his office by writing under his hand delivered to the Governor-General.

Acting Chief Justice

53A. Whenever:

- (a) the Chief Justice is absent from both Australia and Norfolk Island or is absent from duty; or
- (b) there is a vacancy in the office of Chief Justice; the next senior Judge who is in Australia or Norfolk Island and is able and willing to do so shall perform the duties, and may exercise the powers, of the Chief Justice.

Seniority of Judges

54. The Chief Justice is the senior Judge of the Supreme Court and the other Judges have seniority according to the dates on which their Commissions took effect or, where the Commissions of 2 or more of them took effect on the same date, according to the precedence assigned to them by their Commissions.

Holding of other judicial offices

55. A person may be a Judge of the Supreme Court notwithstanding that he is also a Judge of another court created by the Parliament, or is also the holder of a judicial office in relation to a Territory other than Norfolk Island, by virtue of an appointment made either before or after his appointment as a Judge of the Supreme Court.

Salaries and travelling allowances

56. (1) A Judge shall be remunerated with the salary and annual allowance that he receives as a Judge of the other court, or other courts of which he is a Judge.

(2) A Judge shall be paid such travelling allowances as the Governor-General approves.

Oath or affirmation of Judge

57. A Judge appointed after the commencement of this section shall, before proceeding to discharge the duties of his office, take before the Governor-General, a Judge of the Supreme Court or of another court created by the Parliament, or a person authorized by the Governor-General for the purpose, an oath or affirmation in accordance with the form in Schedule 4.

Exercise of jurisdiction

58. (1) The jurisdiction of the Supreme Court is exercisable by one Judge, sitting in Court or, to the extent and in the cases provided by or under enactment, sitting in Chambers.

(2) The Chief Justice is responsible for ensuring the orderly and expeditious discharge of the business of the Supreme Court and accordingly may, subject to this Act and to such consultation with the Judges as is appropriate and practicable, make arrangements as to the Judge or Judges who is or are to constitute the Supreme Court in particular matters or classes of matters.

(3) The Supreme Court constituted by one Judge may sit and exercise the jurisdiction of the Court notwithstanding that the Court constituted by another Judge is at the same time sitting and exercising the jurisdiction of the Court.

(4) The exercise of the jurisdiction of the Supreme Court by a Judge is not invalidated and shall not be called in question on the ground that it is not in accordance with arrangements made in pursuance of this section.

Jurisdiction of Supreme Court

59. Subject to regulations referred to in paragraph 67 (1) (a), the jurisdiction, practice and procedure of the Supreme Court shall be as provided by or under enactment.

Establishment of courts and tribunals

60. Courts and tribunals for the Territory may be established by or under enactment.

PART VIII -- MISCELLANEOUS

Officers

61. Provision may be made by enactment for and in relation to the appointment and employment of such persons as are necessary for the purposes of this Act and for the proper government of the Territory.

Grants of land

62. The Minister may, in accordance with law, make grants or other dispositions of Crown land in the Territory.

Customs duty on certain goods

64. Duties of customs are not chargeable on goods imported into Australia from the Territory if the goods:

- (a) are the produce or manufacture of the Territory;
- (b) have been shipped in the Territory for export to Australia; and
- (c) are not goods which, if manufactured or produced in Australia, would be subject to a duty of excise.

Remuneration and allowances

65. (1) A person is to be paid, in respect of the person's services in an office to which this section applies, such remuneration and allowances (if any) as are provided for under an enactment.

(2) If the remuneration or an allowance in respect of the office is not so provided for, the person is to be paid such remuneration or allowance (if any) as is specified:

- (a) in any determination of that remuneration or allowance by the Remuneration Tribunal that was in force immediately before the commencement of this subsection; or
- (b) if no such determination was then in force - in the regulations; until the remuneration or allowance (if any) is so provided for.

(4) This section applies to an office of member of the Legislative Assembly, member of the Executive Council or executive member, or any other office in or in connection with the Assembly that can be held only by a member of the Assembly.

Grant of pardon, remission etc.

66. (1) The Governor-General, acting with the advice of the Attorney-General, may, by warrant under his hand, grant to a person convicted by a court of the Territory exercising criminal jurisdiction a pardon, either free or conditional, or a remission or commutation of sentence, or a respite, for such period as he thinks fit, of the execution of sentence, and may remit any fines, penalties and forfeitures imposed or incurred under a law in force in the Territory.

(2) Without limiting the powers of the Governor-General under subsection (1), provision may be made by enactment for the remission, for good conduct, of part of the sentence of a person serving a sentence of imprisonment in the Territory.

(3) Where an offence has been committed in the Territory, or where an offence has been committed outside the Territory for which the offender may be tried in the Territory, the Governor-General, acting with the advice of the Attorney-General, may, by warrant under his hand, grant a pardon to an accomplice who gives evidence that leads to the conviction of the principal offender, or of any of the principal offenders.

Regulations

67. (1) The Governor-General may make regulations, not inconsistent with this Act, prescribing all matters required or permitted by this Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to this Act and, in particular:

- (a) making provision for and in relation to sittings of the Supreme Court in a State or in a Territory other than Norfolk Island for the purpose of hearing and determining a matter, otherwise than in the exercise of its criminal jurisdiction, if a Judge is satisfied that the hearing of the matter outside the Territory is not contrary to the interests of justice; and
- (b) prescribing penalties, not exceeding a fine of \$500 or imprisonment for 3 months, for offences against the regulations.

(2) The regulations may repeal or alter any item in, or add any new item to, Schedule 2 or 3, but:

- (a) regulations repealing or altering an item in Schedule 2 shall not be made except after:
 - (i) a copy of the proposed regulations has been laid before the Legislative Assembly; and
 - (ii) the Legislative Assembly has passed a resolution approving the proposed regulations; and
- (b) regulations made by virtue of this subsection reducing the scope of the matters specified in Schedule 3 do not have the effect of reducing the scope of the matters specified in Schedules 2 and 3.

(3) A reference in subsection (2) to a Schedule shall be read as including a reference to that Schedule as varied from time to time by regulations made by virtue of that subsection.

PART IX -- TRANSITIONAL

Interpretation

68. In this Part, unless the contrary intention appears:

"**commencing date**" means the date fixed under subsection 2 (2);

"**previous Act**" means the *Norfolk Island Act 1957*.

Election of Legislative Assembly

69. (1) The powers of the Governor-General under the previous Act to make Ordinances extend to the making of an Ordinance before the commencing date for the purposes of subsection 31 (3) and with respect to matters relating to the Legislative Assembly.

(2) An election for the purposes of subsection 31 (3) shall not be held before 1 July 1979.

(3) The writ for an election for the purposes of subsection 31 (3) to be held before the commencing date shall be issued by the Administrator.

(4) In subsection (3), "**Administrator**" has the same meaning as in the previous Act.

Administrator etc. to continue in office

70. (1) Where, immediately before the commencing date, a person holds office by virtue of a provision of the previous Act as the Administrator, an Acting Administrator, the Deputy Administrator, or a Judge, he continues, subject to this Act, to hold office for the remainder of his term of office as if he had been appointed under the corresponding provision of this Act, and any instrument by which his appointment was made continues in force accordingly.

(2) Sections 10 and 57 do not apply for the purposes of the continuance in office of a person by virtue of subsection (1) of this section.

Proposed Ordinances and regulations

71. Where, before the commencing date:

- (a) a proposed Ordinance was, under section 16 of the previous Act, furnished to the Norfolk Island Council for its consideration; and
- (b) the proposed Ordinance, or the proposed Ordinance as amended, was not made under subsection (3) or (4) of that section; then, whether or not representations were made by the Council in relation to the proposed Ordinance under that section, a copy of the proposed Ordinance shall, as soon as practicable after the commencing date, be laid before the Legislative Assembly at a meeting of the Assembly, and, upon its being so laid before the Assembly, this Act has effect in relation to the proposed Ordinance as if it were a law introduced into the Legislative Assembly under section 26 of this Act.

Laying of Ordinances before the Parliament

72. In relation to an Ordinance made under the previous Act, section 17 of that Act continues to apply, by force of this section, on and after the commencing date as if that section had not been repealed and as if the reference in subsection (5) to the making of an Ordinance were a reference to the making of an enactment under this Act.

Validity of Ordinances and enactments

73. An Ordinance made under the previous Act and an enactment made in pursuance of section 71 of this Act is as valid and effectual as if it had been made, or wholly made, as the case may be, under Part IV of this Act.

Contracts and agreements

74. (1) This section applies to:

- (a) rights and liabilities of the Commonwealth subsisting immediately before the commencing date by virtue of a contract or agreement entered into on behalf of the Commonwealth by the Administrator of Norfolk Island or the Administration of Norfolk Island (however described);
- (b) rights and liabilities of the corporation referred to in subsection 17 (3) of the *Public Moneys Ordinance 1964* of Norfolk Island, being rights and liabilities subsisting immediately before the commencing date arising out of the investment of any moneys in pursuance of section 17 of that Ordinance; and

- (c) rights and liabilities (other than rights and liabilities referred to in paragraph (a) or (b)) of the Commonwealth, the Administrator of Norfolk Island or the Administration of Norfolk Island subsisting immediately before the commencing date by virtue of any contract or agreement entered into or purporting to be entered into by the Administrator of Norfolk Island or the Administration of Norfolk Island (however described).

(2) All rights and liabilities to which this section applies become, on the commencing date, rights and liabilities of the Administration of Norfolk Island.

Public Account of Norfolk Island

75. All moneys that were, immediately before the commencing date, standing to the credit of the Public Account of Norfolk Island kept in accordance with section 6 of the *Public Moneys Ordinance 1964* of Norfolk Island become, on that date, moneys standing to the credit of the Public Account of Norfolk Island established by this Act.

Audit

76. The reference in section 63 to the accounts of the Territory shall be read as including a reference to accounts prepared before the commencing date and to accounts prepared on or after the commencing date in respect of any period before the commencing date.

Regulations

77. (1) The regulations may make provision (including provision by way of modifications and adaptations of any Act) for and in relation to any matter arising from, consequential upon or otherwise connected with the establishment of the Administration of Norfolk Island as a body politic.

(2) The power to make regulations by virtue of subsection (1) extends to the making of regulations expressed to take effect on and from a date earlier than the date of the making of the regulations, not being a date earlier than the commencing date.

(3) Regulations shall not be made by virtue of this section after 30 June 1980.

SCHEDULES

SCHEDULE 1

Sub-section 4 (1)

THE TERRITORY OF NORFOLK ISLAND

Norfolk Island and all the other islands and rocks lying within the area bounded by the parallels 28 degrees 59 minutes and 29 degrees 9 minutes south latitude and the meridians 167 degrees 54 minutes and 168 degrees east longitude.

SCHEDULE 2

Sections 4, 7, 12, 21, 27, 47 and 67

1. The raising of revenues for purposes of matters specified in this Schedule.
2. Public moneys of the Territory (other than the raising of revenues).
3. Surface transport (including road safety, traffic control, carriers, vehicle registration and the licensing of drivers).
4. Roads, footpaths and bridges.
5. Street lighting.
6. Water supply.
7. Electricity supply.
8. Drainage and sewerage.
9. Garbage and trade waste.
10. Primary production.
11. The slaughtering of livestock.
12. Domestic animals (including birds).
13. Public pounds.
14. Pests and noxious weeds.
15. Recreation areas.
16. Cemeteries.
18. Fire prevention and control.
19. Quarrying.
20. Building control (including the repair or demolition of
21. Advertising hoardings.
22. The prevention and suppression of nuisances.
23. Noxious trades.
24. Gases and hydrocarbon fuels.
25. Firearms.
26. Explosives and dangerous substances.
27. Tourism.
28. Places of public entertainment.
29. Boarding houses and hotels.
30. Museums, memorials and libraries.
31. Foodstuffs and beverages (including alcoholic liquor).
32. Trading hours.
33. Markets and street stalls.
34. Hawkers.
35. Radio and television.
36. Postal services.
37. Coastlines, foreshores, wharves and jetties.
38. The transporting of passengers or goods to and from ships.
39. The maintenance of rolls of residents of the Territory.
41. The registration of births, deaths and marriages.

Attachment E

42. Matters in respect of which duties, powers, functions or authorities are expressly imposed or conferred on executive members by or under laws in force in the Territory other than a matter that relates to immigration or the operation of the Immigration Act 1980 of the Territory.
43. Public Service of the Territory.
44. Public works.
45. Lotteries, betting and gaming.
46. Civil defence and emergency services.
47. Territory archives.
48. The provision of telecommunications services (within the meaning of the Telecommunications Act 1989) and the prescribing of rates of charge for those services.
49. Branding and marking of live-stock.
50. Pasturage and enclosure of animals.
51. Registration of bulls.
52. Bees and apiaries.
53. Exportation of fish and fish products from the Territory.
54. Live-stock diseases (other than quarantine).
55. Plant and fruit diseases (other than quarantine).
56. Water resources.
57. Energy planning and regulation.
58. Fences.
59. Business names.
60. Navigation, including boating.
61. Price and cost indexes.
62. Fund-raising from the public for non-commercial purposes, and associations registered for fund-raising of that type.
63. Administration of estates and trusts.
64. Census and statistics.
65. Inquiries and administrative reviews.
66. Registration of medical practitioners and dentists.
67. Public health (other than: dangerous drugs, within the meaning of the Dangerous Drugs Ordinance 1927 of the Territory; psychotropic substances; quarantine).
68. Mercantile law (including sale or lease of goods; charges and liens on goods or crops; supply of services).
69. Law relating to the interpretation of enactments.
70. Civil legal proceedings by and against the Administration of the Territory.
71. Official flag and emblem, and public seal, of the Territory.
72. Fees or taxes imposed by the following enactments of the Territory: Absentee Landowners Levy Ordinance 1976; Cheques (Duty) Act 1983; Departure Fee Act 1980; Financial Institutions Levy Act 1985; Fuel Levy Act 1987; Public Works Levy Ordinance 1976.
73. Protection of birds.
74. Matters incidental to or consequential on the execution of executive authority.
75. Remuneration, allowances and other entitlements in respect of services of members of the Legislative Assembly, members of the Executive Council and other offices in or in connection with the Legislative Assembly that can be held only by members of the Assembly.
76. Prices and rent control.
77. Printing and publishing.
78. Public utilities.
79. Housing.
80. Community and cultural affairs.
81. Industry (including forestry and timber, pastoral, agricultural, building and manufacturing).
82. Mining and minerals, (excluding uranium or other prescribed substances within the meaning of the Atomic Energy Act 1953 and regulations under that Act as in force from time to time), within all the land of the Territory above the low-water mark.
83. Provision of rural, industrial and home finance credit and assistance.
84. Scientific research.

85. Legal aid.
86. Corporate affairs.
87. Censorship.
88. Child, family and social welfare.
89. Regulation of business and professions.
90. The legal profession.
91. Maintenance of law and order and the administration of justice.
92. Correctional services.
93. Private law.

SCHEDULE 3

Sections 4, 7, 12, 21, 27 and 67

1. Fishing.
2. Customs (including the imposition of duties).
3. Immigration.
4. Education.
5. Human quarantine.
6. Animal quarantine.
7. Plant quarantine.
8. Labour and industrial relations, employees' compensation and occupational health and safety.
9. Moveable cultural heritage objects.
10. Social Security.

SCHEDULE 4

Sections 10 and 57

OATH

I, A.B., do swear that I will be faithful and bear true allegiance to Her Majesty Queen Elizabeth, Her heirs and successors according to law, that I will well and truly serve Her in the office of and that I will do right to all manner of people according to law, without fear or favour, affection or ill-will: So help me God]

AFFIRMATION

I, A.B., do solemnly and sincerely promise and declare that I will be faithful and bear true allegiance to Her Majesty Queen Elizabeth, Her heirs and successors according to law, that I will well and truly serve Her in the office of and that I will do right to all manner of people according to law, without fear or favour, affection or ill-will.

SCHEDULE 5

Sub-section 15 (1)

OATH

I, A.B., do swear that, except as authorized by law, I will not divulge any information (including the contents of any document) of which I have become aware by reason of my membership of the Executive Council of Norfolk Island: So help me God]

AFFIRMATION

I, A.B., do solemnly and sincerely promise and declare that, except as authorized by law, I will not divulge any information (including the contents of any document) of which I have become aware by reason of my membership of the Executive Council of Norfolk Island.

SCHEDULE 6

Sub-section 15 (2)

OATH

I, A.B., do swear that, except in the course of my duties or as authorized by law, I will not divulge any information (including the contents of any document) of which I have become aware by reason of my holding executive office: So help me God]

AFFIRMATION

I, A.B., do solemnly and sincerely promise and declare that, except in the course of my duties or as authorized by law, I will not divulge any information (including the contents of any document) of which I have become aware by reason of my holding executive office.

SCHEDULE 7

Sub-section 15 (3)

OATH

I,A.B., do swear that, except as authorized by law, I will not divulge any information (including the contents of any document) of which I have become aware by reason of my having attended any meeting of the Executive Council of Norfolk Island: So help me God]

AFFIRMATION

I,A.B., do solemnly and sincerely promise and declare that, except as authorised by law, I will not divulge any information (including the contents of any document) of which I have become aware by reason of my having attended any meeting of the Executive Council of Norfolk Island.

SCHEDULE 8

Sub-section 32 (1)

OATH

I,A.B., do swear that I will be faithful and bear true allegiance to Her Majesty Queen Elizabeth, Her heirs and successors according to law: So help me God]

AFFIRMATION

I,A.B., do solemnly and sincerely affirm and declare that I will be faithful and bear true allegiance to Her Majesty Queen Elizabeth, Her heirs and successors according to law.

SCHEDULE 9

Sub-section 32 (1)

OATH

I,A.B., do swear that I will render true and faithful service as a member of the Legislative Assembly of Norfolk Island: So help me God]

AFFIRMATION

I,A.B., do solemnly and sincerely promise and declare that I will render true and faithful service as a member of the Legislative Assembly of Norfolk Island.

ATTACHMENT F

MEMBERSHIP OF THE LEGISLATIVE ASSEMBLY

1. Since the First Assembly elections on 1 August 1979, there have been 38 different people elected as representatives of the Norfolk Island community.
2. Those elected in each of the eight Assembly elections and the five by-elections are shown in Table F-1.

Table F-1 NORFOLK ISLAND LEGISLATIVE ASSEMBLY MEMBERSHIP – 1979-1997

| 1 August 1979 1 st Assembly | 27 January 1982 2 nd Assembly | 18 May 1983 3 rd Assembly | 21 May 1986 4 th Assembly | 10 May 1989 5 th Assembly | 23 April 1992 6 th Assembly | 27 April 1994 7 th Assembly | 30 April 1997 8 th Assembly |
|---|--|--|--|---|---|--|---|
| DE Buffett WA Blucher ED Howard GW Jackson KJ Williams JD McIntyre BC Mackenzie <i>BK Nunn</i> <i>JH Ryves</i> LD Snell (After June 81) AI Buffett (After June 81) | DE Buffett ED Howard GW Jackson AI Buffett BE Christian- Bailey GGF Quintal CB Cray WW Sanders JT Brown | DE Buffett ED Howard (After July 84) GW Jackson AI Buffett WW Sanders JT Brown BG Bates EB Reed PA Page AF Buffett | DE Buffett ED Howard WW Sanders JT Brown GH Aafjes GJ Bennett RG Evans DJ Rodgers HV Sampson | DE Buffett WA Blucher AI Buffett JT Brown RG Evans NC Christian | DE Buffett GJ Bennett | DE Buffett BG Bates <i>HV Sampson</i> NC Christian | DE Buffett JT Brown BG Bates |

Table F-1 NORFOLK ISLAND LEGISLATIVE ASSEMBLY MEMBERSHIP – 1979-1997 (CONTINUED)

| 1 August 1979 1 st Assembly | 27 January 1982 2 nd Assembly | 18 May 1983 3 rd Assembly | 21 May 1986 4 th Assembly | 10 May 1989 5 th Assembly | 23 April 1992 6 th Assembly | 27 April 1994 7 th Assembly | 30 April 1997 8 th Assembly |
|---|---|---|---|---|---|--|--|
| | | | | GC Smith | | GC Smith (after Aug. 95) | GC Smith |
| | | | | E Christian CN Ion Robinson | E Christian CN Ion Robinson | MW King | CN Ion Robinson |
| | | | | | MW King LR Semple | N Lozzi- Cuthbertson | |
| | | | | | | R Adams M Anderson D Evans (after July 96) | R Adams |
| | | | | | | | G Robertson R Nobbs G Gardner |

Name in bold — Executive member

Name in italics — Resigned prior to next election

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