



**NORFOLK ISLAND LEGISLATIVE ASSEMBLY  
14<sup>TH</sup> NILA HANSARD – 12 JUNE 2013**

**PRAYER**

Almighty God we humbly beseech Thee to vouchsafe Thy blessing upon this House, direct and prosper our deliberations to the advancement of Thy glory and the true welfare of the people of Norfolk Island, Amen

**CONDOLENCES**

Honourable Members you will know that we call upon condolences and you will be aware that we have had an untimely death in Norfolk Island. Condolences will be offered after the funeral arrangements have been and so we will have condolence in respect of that matter at our next sitting.

**PETITIONS**

We move to the matter of petitions. Are there any petitions this morning?.

**GIVING OF NOTICES**

Are there any notices?

**QUESTIONS WITHOUT NOTICE**

Are there any questions without notice Honourable Members.

**MRS WARD** Thank you Mr Speaker my question is to the Chief Minister. Does the Chief Minister who is also responsible for Tourism, regard the ten year Tourism Strategy as a necessary guiding document for the future of tourism on Norfolk Island and if so, will the Minister provide an update on the status of the Strategy as to why the Island is still without finalised guiding document

**MR SNELL** Thank you Mr Speaker and thank you Mrs Ward for the question. Mr Speaker this matter has been on the table for some time and I appreciate Mrs Ward's concern. The background regarding the provision of a Tourism Strategy for the period 2007-2012 was started some time ago. The draft Norfolk Island Tourism Strategy Plan was designed to operate in this instance from 2012-2022 with an area within it that is aimed at a recovery strategy. In integral part of this document is that the community has engaged in the production of it. There have been numerous forums, speaking with members of the Government and the community, person to person consultation, Peter Kenyon's visitation to the island and his facilitation both with the community on Island and his ongoing feedback into the development of the document and the Economic Development Australia's work with the Norfolk Island community also is of major importance, particularly the business and tourism elements of the community to also provide feedback and initiatives. The Norfolk Island community along with the Norfolk Island tourism stakeholders have all had an opportunity to view the draft document. The draft Strategy was tabled in the House on the 21<sup>st</sup> November 2012 and a good deal of feedback was received and the document modified with the final draft being tabled in the House on the 23<sup>rd</sup> January 2013. It is believed that if Norfolk Island's tourism industry is to recover from where we are now, we all need to

own the Strategy. The recommendations was to review the plan content to encompass new ministerial objectives, obtain endorsements from the current Legislative Assembly of the Norfolk Island Strategic Plan, obtain signatures for page 38 of the plan where it states the future of the Norfolk Island tourism industry is dependent on the commitment of all stakeholders to the guiding principles and themes and actions of the strategy. The General Manager of the Norfolk Island Government Tourist Bureau has spoken with the Advisory Board members and each are happy to be a signatory. Most of the board represents a particular group, for example, the Chamber of Commerce. Unfortunately, there have been some changes to views, particularly relating to change of the Tourist Bureau, change of membership to both the Accommodation & Tourism Association and also to the Chamber of Commerce so there have been some differing views and have delayed in the signing of the final draft of this proposed Norfolk Island Tourism Plan. My personal view is that if you want this to process to the best possible solution, all the stakeholders need to be required to have an input including the National Park and KAVHA which have not been addressed prior and they have agreed to give some input into this plan. I would like for the benefit of Members, refer to comments that have been received, particularly from the Secretary of the Accommodation & Tourism Association. Some of these are described as follows and are the result of various meetings. "As described in many emails over the past few days the presentation of the issues of the ATA multiple monthly meetings, have not endorsed the document in its present form and further that we had various correspondence with the Chamber of Commerce who believes that the entire document actually should be thrown out." Which is a great shame and won't happen. "Many of the comments received over the recent days, (and this is going back some weeks now) continue to suggest that the ATA members feel that the document has many goals but little way or plans to develop tourism and no measuring tools or periods where plans should be achieved, to name many criticisms. The ATA is one group and they have identified and we have clearly said more is needed so the present document is being seen as needing improvement but its intent is as a global document to set a tone or framework for other related and subdocuments yet to be created. From the global Norfolk Island Tourism Strategic Plan we need also to have specific documents to reflect the implementation plans and processes and measurement of these implementations in it and who is responsible for each aspect of that. Initially the ATA might suggest more slightly different key criteria regarding principles which relate to accommodation; the Chamber of Commerce might assist to tailor statements to better reflect the issues for retailers, the tour operators might suggest how their particular needs might be reflected in an ongoing development of the draft Norfolk Island Tourism Strategic Plan document. So at this stage we can plan for an agenda item for the next ATA meeting requested and the NIGTB to discuss perhaps a section of the current document, for example, section 2 Our Plan, 2.1 Purpose of the Tourism Plan 2.2 Importance of Tourism and 2.3 Guiding Principles, with the aim to review what are the important and generally agreed points and how they impact on accommodation and other services within our Tourism here on Norfolk Island. It is being reviewed. I do apologise sincerely for its delay. It will be rectified within the next period of time and as suggested by Mrs. Ward on previous occasions, there will be a timeline set on this for its implementation

MRS WARD Thank you Mr Speaker a supplementary, is when may we expect the timeline to be set and who does the Chief Minister need to have conversation with to determine that timeline

MR SNELL Thank you Mr Speaker and Thank you Mrs Ward, yes there will be a meeting of the Tourism Board in July and we'll set those parameters then

MR EVANS Thank you Mr Speaker this is directed to the Chief Minister. Does he recall at the last meeting the motion was passed to introduce an impact statement to improve Government decision making in relation to new or amending legislation, regulations or policies, and has this proposal been progressed

MR SNELL Thank you Mr Speaker, thank you Mr Evans for the question. Yes I'm pleased to advise Mr Evans and the House that a policy and legislative change impact statement and supporting documentation has been provided by the Service and I'm very thankful for their assistance with this, and on the 11<sup>th</sup> June I provided a copy of that form to Member and by the 18<sup>th</sup> June, I look for feedback from the Members which will go to Senior Managers and on the 25<sup>th</sup> June feedback from the Service on the form which is in place. The form has been compiled from the Office of Best Practice, Commonwealth and that form has been distributed and I will have some further advise on that

MR NOBBS I've a question for the Minister for Finance. Minister is it correct that entities residing on Norfolk Island pay income tax on income derived in Australia but not generally derived on Norfolk Island

MR SHERIDAN Thank you Mr Speaker, I might need to take this one on notice to get some clarification but as far as I'm aware, income that's earned on Norfolk Island you don't pay Australian tax or GST but if you are in Australia as a business entity and your work is over there, you would have to pay Australian tax and GST. Is that what you are after?

MR NOBBS No. If persons or entities residing on Norfolk Island pay income tax on income derived in Australia, okay, but not generally on income derived on Norfolk Island

SPEAKER That's correct. A business entity located here on Norfolk Island and conducts business on Norfolk Island and has business interests in Australia, well yes, they would be expected to pay Australian tax and GST on their business entity in Australia but they would not have to pay Australian tax for their business activities that are conducted here on Norfolk Island. That's it as far as I am aware. That's how it works

MR NOBBS Just a supplementary. What differentiates, and I guess you may have to take these on notice, and I should have put them on notice and I'm sorry about that, what differentiates a person residing on Norfolk Island whose money is paid by a Commonwealth or State authority whilst employed on Norfolk Island, they do not pay income tax on that money and other residents who receive funds or investments, superannuation or some other means from Australia on which income tax is required to be paid. What differentiates the two

MR SHERIDAN Mr Speaker I will have to take that on notice to get some clarity around the issue, if Mr. Nobbs could ensure that its on the Notice Paper next month I'm sure that we can come to some conclusion in that case

MR NOBBS Just a supplementary. You may be able to answer this Mr Sheridan. In your previous role in the last Government and your role in the current Government have you ascertained or gained at least an estimate of the tax actually paid to the Australian Government by individuals ordinarily residing and trading as a business in Norfolk Island

MR SHERIDAN Thank you Mr Speaker and thank you Mr Nobbs. No I haven't come to a conclusion in regards to that and I think that would be very difficult to determine, but again I'll take that on notice and get some further response to Mr Nobbs

MRS WARD Thank you Mr Speaker my question is to Minister Adams. Would the Minister undertake to examine whether or not Australian and New Zealand citizens are being asked to obtain a medical clearance in order to apply for residency and report back to the House

MS ADAMS Yes. Thank you

MR PORTER Thank you Mr Speaker. Further to my question at the last Legislative Assembly meeting, can the Minister responsible for the carriage of the legislation pertaining to Strata Community Title give us any further advise on the progress of this matter

MR WARD Thank you Mr Speaker. Thank you Mr Porter. As I advised the last time, the Strata Title material is with the Legal Services Unit and they are working out what legislation needs to go with that. They are progressing it, in amongst their other workload which is pretty extensive at the moment, so I expect to hear from them in the not too distant future

MR PORTER A further question Mr Speaker, given the exciting announcement regarding the upgrade to Cascade Pier, would the Minister responsible for land use, advised that he is pursuing the approval of Headstone for quarry purposes to ensure that the requisite materials will be available for the construction of that project in good time

MR WARD Thank you Mr Speaker and thank you Mr Porter, yes, consideration has been given for this. Nothing has been advanced at this stage until we have the formal notification of the project's approval. I have flagged this in a letter that's going to the Director of the National Parks to do with the marine reserve, there is some implication there with activity nodes, and we would have to get an EPBC approval to do it but at this stage that hasn't progressed and I suspect until we get a new Planning Officer in place we may not be progressing too far with things. We will do whatever is in our capacity to do but we are limited now until we get a new Planning Officer

MR EVANS Thank you Mr Speaker this is to the Chief Minister and Minister for Tourism, and I may take this on notice as it is probably something he may need to find out, but could the Chief Minister find out if the annual Tourism Awards, which is an annual event, whether they are to be continued and if they are to be continued if we would be advised as to when this may take place and if they aren't to be continued, why not?

MR SNELL Thank you Mr Speaker and thank you Mr Evans for the question. The Tourism Awards has been a success in the time since it commenced. The Tourism Awards are run by the Norfolk Island Government Tourist Bureau and the Board will be meeting as I mentioned previously in July. This will be a subject on their agenda but there are some budget considerations regarding the progress of whether its to be held or not and we'll have a decision on that after the July meeting

MR NOBBS Thank you Mr Speaker this is for the Minister for Community Services, Ms Adams, I recall that you said, I think at the last meeting Minister, that a private sector proposal to utilise buildings in KAVHA is currently being addressed by the KAVHA Board and if that is correct, was the proposal subjected to due diligence before it was placed before the board

MS ADAMS Thank you Mr Speaker. What I can say to you Mr Nobbs is this, that whilst a KAVHA full meeting was scheduled for this month, that isn't taking place. What is taking place tomorrow is just consideration of some issues that are on the current 66<sup>th</sup> agenda for the KAVHA Board. Yes, there is a private proposal on the 66<sup>th</sup> agenda, and it's my understanding, unless there's been some update since the Members of the Norfolk Island component of the KAVHA Board came together last week, unless something has changed that, I am of the understanding that we will be working to having a full KAVHA Board meeting in July at which time, I would presume

that, that private proposal will be given consideration. On the question of due diligence, I believe at this time, that, that is premature at this point in time

MR NOBBS A supplementary question. Does the KAVHA Board have a policy in relation to the private sector utilisation of KAVHA buildings.

DEPUTY SPEAKER took the Chair at 10.21 am

MS ADAMS Thank you Mr Speaker. Mr Nobbs I would have to take that on notice and refer back to the Memorandum of Understanding that continues to be in place at this time. I will report back to the House

MRS WARD Thank you Mr Speaker my question is to Minister Adams. Would the Minister give an overview of the Norfolk Island Hospital Advisory Board report into health service delivery on the Island and inform the House if any budget consideration was given to any of those recommendations in the report

MS ADAMS Thank you Mr Deputy Speaker. I don't have that document before me Mrs Ward but I'll certainly take that on notice and report back to you as quickly as I can, if not, on the 26<sup>th</sup>

MRS WARD Supplementary if I may. My particular interest is mental health and whether that was identified and because the budget is before us today, whether the Minister had any recollection of whether that had been identified and factored into the budget for next year

MS ADAMS Thank you Mr Deputy Speaker. Mrs Ward, just let me get this quite clear, what document it is that you are referring to. Are you referring to the meeting of the April milestones in the Funding Agreement. I can assure that, that is a one page document and it may not give you what you are asking for, but I'll copy you with that document

MR BUFFETT Thank you Mr Deputy Speaker. I ask the Chief Minister or he may have one of his Minister's look to this matter, this is about the Cascade Pier announcement that has been made over the weekend. Is there anything to be said by the Norfolk Island Government as we sit around the table here in this Legislative Assembly

MR SNELL Thank you Mr Deputy Speaker and Mr Buffett for the question. The conditions of the agreement for the renovation and the extension to the Cascade Pier have not been made available to the Government as yet but as soon as the details have been announced we will bring it to the knowledge of the Members

MR BUFFETT Supplementary if I may Mr Deputy Speaker thank you. Is the Chief Minister, on the same subject, is the Chief Minister able to give us some indicators of time frame for the various factors within this project at this earlier stage

MR SNELL The answer to that question Mr Deputy Speaker is no, I can't at this time

MR BUFFETT Is the Chief Minister able to confirm that this is a \$13m project

DEPUTY SPEAKER Order. Order please. I have a response from the Minister for the Environment

MR WARD Thank you Mr Deputy Speaker. It is my intention to have a full briefing with the current Planning Officer who compiled the funding bid, later this week and we'll be taking it from there, but the first steps would be to ascertain the management system that we would want to put in place. Whether we hire an engineer for the project or how we organise the oversight of the project. Once I've had this briefing with the officer I'll be in a better position to brief the House or the Member about it

MR BUFFETT A further supplementary if I may Mr Deputy Speaker, is the Chief Minister or Minister Ward able to confirm that it is a \$13m project and is it a fact that it covers the pier only, and not the crane work and not the projected barge work

MR WARD Thank you Mr Deputy Speaker. There has been some confusion about that factor. It does appear that the funding that has been granted is specifically for the construction of the pier, the extension of the Cascade pier, and there is some clarification being sought at the moment but the release did mention the barges as well, but that certainly is not thought to be part of it, the initial \$13m announcement

MR BUFFETT If I might ask one further supplementary Mr Deputy Speaker, that the Chief Minister or Minister Ward give some clarity to those items so that the community at large may be informed about the various components, important components

MR SNELL Yes, thank you, we are seeking clarifications as we speak for a media release. There is some confusion as to what exactly does the \$13m include and we'll have that to Member and to the public as soon as we know it

MR BUFFETT Mr Deputy Speaker, a question to the Chief Minister if I may. Under the provisions of the Norfolk Island Act, the Chief Minister assembles a ministerial team and recommends the appointment of that team to the Administrator who so appoints. I ask the Chief Minister, does the Chief Minister provide as a matter of principal and policy collegiate support to his Minister's who he has recommended in the appointment process that I've just mentioned, when decisions of Government are to be taken

MR SNELL Thank you Mr Deputy Speaker, yes I do. Where ever possible

MR BUFFETT If I could just have a supplementary in respect of this matter Mr Deputy Speaker. It's been drawn to my attention a note written by the Chief Minister, this was to the Accommodation Industry, and his opening words in that letter says "...I regret to inform you that the Minister for Finance charged with the responsibility to balance the 2013-2014 budget has suggested a registration fee for each accommodation unit..." then goes on to say some other things about this. But in terms of that opening paragraph where there has been an isolation of a particular Minister in terms of making a proposal, in other words, rather saying 'ent me' it's somebody else, is the Chief Minister comfortable that he is according the principles that he answered in terms of my first part of the question, in not apportioning blame to others if difficult decisions have to be considered and announced

MR SNELL Thank you Mr Deputy Speaker and thank you Mr Buffett. Yes, it is an unfortunate choice of words that I used in that circulation and I have had some response as indicated by Mr Buffett in regards to that. Several isolated incidences have come back and I do regret that it may have portrayed the wrong impression and I apologised to Minister Sheridan if that caused him any grief or hardship at all and I certainly would in future, even though I was instructed to inform these people

of the decision by Member of this House, maybe the language would have been a bit better couched and I do apologise

MR BUFFETT Mr Deputy Speaker a further question also to the Chief Minister if I may, may I ask the Chief Minister whether he has in place a legislative programme and whether he is able to give information in respect of this programme and in due course, table it

MR SNELL We have looked at the progress of some legislation, we have started to work on a legislative programme but at this moment, I'll take that question on notice and come back to that

MR BUFFETT A supplementary Mr Deputy Speaker thank you. Could I ask the Chief Minister what time he might put to that please

MR SNELL Taking into consideration the amount of responsibilities we have on our plates at this present time, I will try and get it for the July meeting

MRS WARD Thank you Mr Deputy Speaker my question is to the Chief Minister. What is the single most important policy objective that underlies the 2013-2014 financial year budget

MR SNELL The single most important policy objective Mr Deputy Speaker, and thank you Mrs Ward, is to comply with the requirements of the milestones of the Roadmap and its taking everybody's time

MRS WARD Thank you Mr Deputy Speaker and again my question is to the Chief Minister. What private sector stimulus measures are contained within the budget of the 2013-2014 financial year

MR SNELL I'll have to take that on notice

MRS WARD Thank you Mr Deputy Speaker would the Chief Minister outline where substantial cost cutting has taken place within areas of his responsibility within the 2013-2014 financial year budget

MR SNELL Thank you Mr Deputy Speaker, yes, I've had to take some unfavourable cost cutting measures within the areas that I control, particularly the amalgamation of the Senior Policy Advisor – Roadmap and the Chief of Staff, amalgamating that position into one, at a cost saving of hopefully around \$100,000 in my area. I'm looking at other areas of cost cutting, in particular as the Minister for Finance, will confirm when he makes his statement but there are other areas being looked at in my area, policing etc, but at the moment the main one has been the amalgamation of those two positions currently in the Old Military Barracks.

SPEAKER resumed Chair at 10.31 am

MRS WARD Thank you Mr Speaker, His Honour the Administrator, Mr Neil Pope, was on the radio this morning and said that there were issues with the April milestones. Is the Minister aware of what the Administrator may be referring to

MR SNELL Thank you Mr Speaker, no I don't

MRS WARD Thank you Mr Speaker at the last Sitting the Chief Minister spoke of reduced GST on some items. Is he now able to expand on that comment

MR SNELL Thank you Mr Speaker. No I don't recall reduced items for GST so I'll take that on notice and Mrs Ward may be able to give me some further detail on that

SPEAKER Further questions without notice. There being no further questions without notice we move on.

### **PRESENTATION OF PAPERS**

SPEAKER Are there any Papers for presentation this morning Honourable Members

MR SNELL Thank you Mr Speaker. I have a Statutory Report from the Legal Aid Committee from 01 July 2012 to 31 December 2012 and the report, under subsection 31(4) of the Legal Aid Act 1995 and clause 12 of the Memorandum of Understanding between the Commonwealth of Australia and Norfolk Island I now lay before the Legislative Assembly at the sitting of the 12<sup>th</sup> June 2013, a report addressing the matters specified in that subsection. (a) A report of the Legal Aid Advisory Committee for the above period relating to its activities for that period, (b) all recommendations of the Committee that have been accepted and a statement of reasons for the non acceptance of recommendations, (c) that no legal assistance has been provided to a body corporate and (d) enclosing a summary of the financial records of the fund for the above period. Dated 12 June 2013

SPEAKER Further papers? Honourable Members if there are no further Papers for presentation this we move on

### **MESSAGE FROM THE OFFICE OF THE ADMINISTRATOR - NO. 3**

SPEAKER Honourable Members I report Message No 3. "On 11 June 2013 acting pursuant to section 21 of the *Norfolk Island Act 1979*, I referred the following proposed law for instructions of the Commonwealth Minister: Public Service Bill 2013", and Message No 3 is from the Office of the Administrator is dated the 11<sup>th</sup> June 2013 and signed Neil Pope, Administrator.

### **NOTICES**

### **MESSAGE FROM THE OFFICE OF THE ADMINISTRATOR – NO. 4**

Message No 4 from the Office of the Administrator reads "On 11 June 2013 in accordance with the requirements of section 25 of the *Norfolk Island Act 1979* I recommend to the Legislative Assembly the enactment of the proposed law entitled "An Act to authorise expenditure from the public account for the year ending on 30 June 2014." Message No 4 s dated the 11<sup>th</sup> June 2013 and signed Neil Pope, Administrator.

### **APPROPRIATION BILL 2013-2014**

MR SHERIDAN Thank you Mr Speaker. I present the Appropriation Bill 2013-2014 and move that the Bill be agreed to in principle

SPEAKER The question is that the Bill be agreed to in principle

MR SHERIDAN Thank you Mr Speaker. I also table the supplementary budget papers including the Budget Narrative for the performance budgets. The time has come once again to try and have some funds available for the next financial year and I would just like to read the explanatory memorandum for the Appropriation Bill 2013-2014 into

Hansard. It's only very short and I'll then provide a Statement. This Bill sets out the expenditure estimates for the financial year ending 30 June 2014.

Clauses 1 and 2 provide for the short title of the Act and its commencement upon gazettal.

Clause 3 establishes that the authorisation is for expenditure for the 12 months ending on 30 June 2014.

Clause 4 authorises expenditure, in accordance with the Schedule, of moneys raised in accordance with the enactments referred to in the clause.

Clause 5 deals with expenditures made in accordance with other laws that authorise expenditure and provides an estimate of expenditures to be made in accordance therewith.

The Schedule sets out in usual form the various items of expenditure authorised or estimated as required to be expended as provided in the body of the Act.

Mr Speaker, I provide to the House the Appropriation Bill 2013-2014 and supporting documents as required under the *Norfolk Island Act 1979* and the *Commonwealth Finance Ministers (NI) Orders 2011*. These being budgeted financial statements for the Administration of Norfolk Island and its two statutory authorities, the Norfolk Island Hospital Enterprise and the Tourist Bureau. These supporting documents include a compliance certificate, a financial policy objectives and strategies statement, the budgeted financial statements for the Administration, the Norfolk Island Hospital Enterprise and the Tourist Bureau, a broad strategic priorities statement for the Norfolk Island Hospital Enterprise and the Tourist Bureau together with the Appropriation Bill 2013-2014. The Appropriation Bill 2013-2014 authorises expenditure from the Public Account for the period 1 Jul 2013 – 30 June 2014. The budgeted financial statements for the Administration, the Norfolk Island Hospital Enterprise and the Tourist Bureau provides details on the estimated comprehensive income, including estimated actual's for the prior year, an estimated balance sheet, including estimated actual's for the prior year, estimated statement of changes in equity and an estimated cash flow position, together with an estimation for the following 3 years. The frame work of which this budget was worked is contained in the Statement of Financial Policy and Objectives, of which I will read into Hansard.

## **STATEMENT OF FINANCIAL POLICY AND OBJECTIVES OF THE GOVERNMENT OF NORFOLK ISLAND BUDGET 2013/2014**

### **Background**

Norfolk Island has endured its fourth consecutive year of economic depression. During this period the island's economy has contracted by about 35% and the ordinarily resident population has fallen to approximately 1750 people. This represents a population loss of 14% since 2001. Tourism remains the island's single industry and the forecast arrivals for the 2012/13 year will be approximately 23,500 visitors. This is the lowest level of visitation in nearly 25 years.

The Norfolk Island Government has agreed to enter into the Australian income tax, Medicare and Social welfare system and expressed a desire that this take place as soon as possible. In April we were advised by Minister King that this will not occur in the near term. Meanwhile the Government has remained committed to the local reforms to improve the economy and is continuing to implement these. Immigration has been liberalised, barriers to competition have, or are in the process of, being removed, reforms of the Public Service legislation are taking place and the process of examination of Government Business Enterprises (GBE's) is about to take place with the initial assistance of external expertise. It is in this environment in which I frame the current budget for the 2013/14 year and the forward estimates for the period to and including the financial year 2016/17.

### **Long Term Financial Objectives**

The Norfolk Island Government's long term financial objective is to place the Territory into a financially sustainable position of the preferred model of Territory self-government that was presented in the 13<sup>th</sup> Legislative Assembly and again endorsed recently by this Government. This is through growing our economy and reforming the responsibilities of the Norfolk Island Government.

In improving our economy we are removing the local constraints that have been identified to its growth. Our strategy is to continue the reforms to create a better environment for business development and economic growth. Reforms in immigration and business regulation have the objective of allowing our existing people to expand or capture opportunities or allow new people to move to the island to develop these.

The increased role of the private sector in the provision of services to the community is designed to create further private sector opportunities. The adoption of the *Competition Policy Principles* for those enterprises which remain in public ownership will place these operations on a level playing field with the private sector. It will also reduce the Government's ability to draw greater than reasonable returns from these sources.

In the 2013/14 year the Government will commence the divestment assessment of the GBE's. For those GBE's where there has been a history of loss-making it will during the year examine and consider options associated with these services. Provision has been made for the operation of these services for 2013/14 during which time all options will be considered. The remaining GBE's will be assessed for divestment through the period 2013/14 to 2016/17 commencing with the Liquor Bond and Norfolk Telecom. The forward estimates have these remaining in public ownership but remove the revenues and expenditures from the Revenue Fund and replacing these with normal dividends based on the community investment<sup>1</sup>. It is assumed that any GBE's remaining in public ownership will report separately on their finances.

In the 2013/14 budget there is an increase in customs duty along with increases being sought to the passenger movement charge and international telephone charges from the island. These measures have been necessary along with expenditure reductions to counter act downward revision of estimates since the mid-year budget review.

The Government is committed to local tax reform and during the course of 2013/14, will undertake the valuation of all land on the island and propose drafting a Bill to allow the collection of Municipal rates on the island from the 1<sup>st</sup> of July 2014. In recognition of the difficult financial times on the island it is proposed to be introduced from a low rate in 2014/15 to the full tax rate by 2017/18.

Undertaking local economic reforms, whilst improving prospects for the local economy will worsen the Norfolk Island Government's financial outlook, the increased revenue from local tax reform will be less than the loss of revenues from GBE reform from divestment or corporatization. The fiscal outlook is provided in the next section and this underlying deficit will need to be made up through increasing essential services funding from the Commonwealth or from allowing the island into the Australian Taxation System and transfer payment arrangement for the provision of State and Local Government services to the community. The Government's strong preference is for the latter.

The existing forward estimates are shown in the Table 1

**Table 1 Forward estimates of income and expenditure 2012/13 to 2016/17**

	Budget		Forward Estimate		
	2012/13	2013/14	2014/15	2015/16	2016/17
<b>INCOME<sup>2</sup></b>					
Revenue from taxes	9,443,400	9,575,000	9,960,200	10,388,900	10,835,956
Revenue from charges	322,900	320,400	312,800	318,600	324,400
Revenue from other sources	19,634,500	19,824,200	4,131,400	4,253,600	4,377,500
Grant received - Aust govt.	4,500,000	4,400,000	-	-	
Total income budget	33,900,800	34,119,600	14,404,400	14,961,100	15,537,856
Less					

<sup>1</sup> A required Rate of Return of 8% on the value of assets invested in the GBE's has been used.

<sup>2</sup> Excluding Healthcare and Workers Compensation Revenues

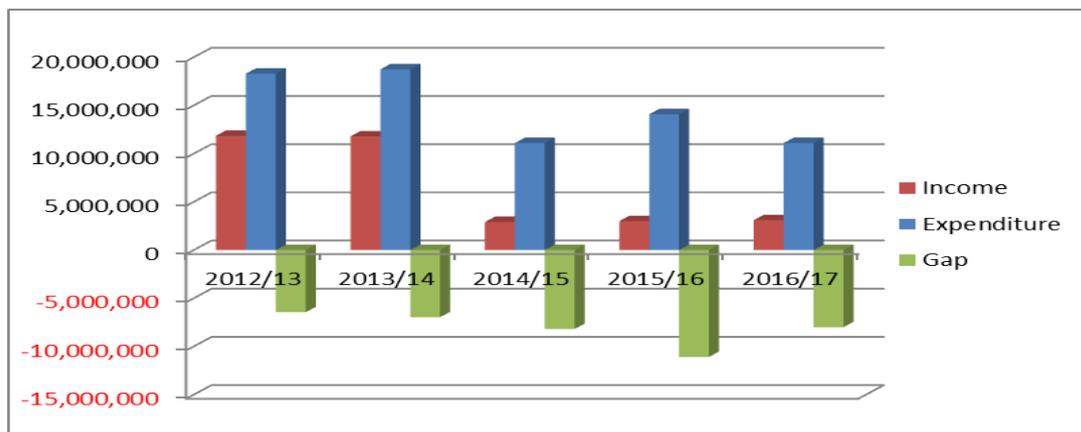
	Budget		Forward Estimate		
	2012/13	2013/14	2014/15	2015/16	2016/17
<b>EXPENDITURE</b> (excl depreciation)					
Salaries & wages			7,907,165	8,035,565	8,035,565
Recurrent expenditure	10,419,700	10,375,531	9,529,570	9,754,680	10,015,780
Capital expenditure	22,841,250	23,363,220	1,537,600	4,212,100	1,018,350
Total expenditure budget	640,400	401,150	18,974,335	22,002,345	19,069,695
	33,901,350	34,139,901			
	-				
Surplus/(deficit)	(550)	(20,301)	(4,569,935)	(7,041,245)	(3,531,839)

To remove the forecast structural deficit in the budget forward estimates, without entering the Australian tax and transfer payments system would require both massive local taxing increases and expenditure reductions. Putting this into context, if the Norfolk Island Government decided to stop providing Federal Government services such as border customs control, federal policing, subsidised Healthcare and Social Welfare the forecast 2014/15 deficit of \$4.569 mil would still result in a forecast deficit of \$1.263 mil. This would however have disastrous effects for those reliant upon these local benefits and would require a combination of further expenditure reductions or tax increases to balance the budget.

The reality is that it is not possible for the Norfolk Island Government to remove the underlying structural deficit in the budget due to the high cost of supplying State and Territory level services to the community (See Table 2). The high cost of providing Education, Hospital and Law and Order services to the community is greater than the revenue base to support these. Unlike the mainland States and Territories the Norfolk Island Government is expected to fund the full cost of providing these services without the corresponding Federal transfer payment system to assist in their provision.

**Table 2 State level income and expenditure 2012/13 to 2016/17**

State	2012/13	2013/14	2014/15	2015/16	2016/17
Income	11,861,300	11,795,850	2,912,936	3,011,100	3,110,627
Expenditure	18,311,205	18,755,888	11,105,153	14,092,497	11,108,750
Surplus/Deficit	-6,449,905	-6,960,038	-8,192,217	11,081,397	-7,998,123



**Figure 1 Deficit in the State level income and cost of providing State services 2012/13 to 2016/17**

**Key Financial Measures**

The Government has been advised that the Australian Government has agreed to provide direct budget support of \$4.4 mil in 2013/14 for the provision of essential services. This represents \$2.3 mil less than was estimated as being required at the mid-year budget review in January. The Governments financial position has deteriorated since January 2013 and this has increased the forecast level of the operating deficit by approximately \$2.0 mil

The combination of these factors has necessitated the following measures to be implemented for the 2013/14 year:-

1. There will be a freeze on public service recruitment
2. People leaving the service will not be replaced
3. Vital positions will be filled by internal transfer of non-essential staff.
4. Capital expenditure has been reduced from \$2.3 mil to \$0.401 mil and only on essential capital replacement
5. Customs duty will be increased from 12% to 18%
6. International telephone call costs during peak times will be increased from 20 cents per minute to 40 cents per minute from landline to landline calls. International mobile phone calls will be increased from 60 cents per minute to 90 cents per minute during peak periods.
7. Passenger Movement Charges will, subject to Commonwealth approval, be increased by \$10 per sector.

The Government has provided for in the forward estimates for its contribution to the improvement in shipping services to the island. In total it has provided \$3.645 million over the 2014/15 and 2015/16 years for the purchase of barges and related equipment for the discharge of cruise ship passengers and containerised freight.

**Policies to reverse discretionary financial actions**

During the 2012/13 year there has been no short-term measures entered into by the Government that now require reversal.

**Changes from previous policy objectives and strategies**

Due to the Norfolk Island Government not being able to pass a full-year budget for the 2012/13 year there were no previous statement of policy objectives.

**CERTIFICATE OF COMPLIANCE**

The attached budget, in our opinion:

Complies with matters required to be disclosed under clause 7, clause 9 and clause 10 of the **Commonwealth Finance Minister's (Norfolk Island) Orders 2011-Dated 24<sup>th</sup> February 2011** and is based on reasonable estimates of expected revenue in the budget year; and is based on reasonable costings for expected expenses and asset purchases in the budget year.

We are not aware of any other circumstances that could significantly impact the annual budget for the Administration of Norfolk Island that have not been taken into consideration in its preparation.

This statement means that over the next 12 months the NIG will have to make decisions on what its core responsibilities will be, what activities it will extract itself from, reform its local taxation collection and continue discussions with the Australian Government for the continuation & implementation of the Roadmap and their commitment to the extension of services into NI. It is designed to enable the NIG to be financially sustainable into the future years, without relying upon constant requests to the Australian Government to fund our deficit. The budget financial statements provide for income of \$29,719,580 and expenditure of \$34,139,901 a deficit of \$4,420,321, a deficit which has meant that the NI Government has had to request financial assistance from the Commonwealth to meet the shortfall. The original budget forecast back in January 2013 had a budget deficit of \$8.5m of which \$4.4m was allocated to capital expenditure. This budget was then re-worked down to a \$6.7m deficit, consisting of \$4.4m for recurrent expenditure and \$2.3m for capital expenditure. This was the figure that was requested of the Australian Government by the Chief Minister in late March 2013. The Australian Government in their budget in May allocated \$5.4m to Norfolk Island to assist in the projected budget deficit and delivery of services to NI, of which \$4.4m was to fund the budget deficit. I thank the Commonwealth for providing this \$5.4m for the upcoming FY, but also by this

allocation ensuring Norfolk Island residents have access to essential services whilst the two Governments continue to discuss how Norfolk's future sustainability will be achieved and to agree on timelines for the proposed introduction of Norfolk's participation in the Australian network of taxation and social services systems. As indicated in the financial policy and objectives statement, this is the only way in the long term that Norfolk will be able to be financially sustainable in its own right, I welcome dialogue in these matters with the Commonwealth as a matter of priority. The income of \$29,719,580 is raised from taxes, charges and other sources. It is forecast that taxes will realise \$9,575,000, charges \$320,400 and other sources \$19,824,180, these other sources relate mainly to Government Business Enterprises. This is actually approx \$320,000 over and above the previous years total income budget. The expenditure of \$34,139,901 will be expended in the area of salaries and wages, recurrent expenditure and capital expenditure. Some \$10,375,531 is expended on salaries and wages or 30% of expenditure, this includes a 3% (\$300,000) adjustment allowed for an increase for a cost of living adjustment application by the public service. This is an increase in some \$240,000 over the previous years total expenditure budget. Of this \$10m+, education and policing salaries cost \$3,573,500 or 34% of the salaries cost. Over \$2.6m is expended on salaries in Government Business Activities, with another \$1.4m on functions that have a federal responsibility. The remaining \$2.8m is spent on public service wages which includes \$250k for the NIG.

Full time positions have been reduced over the past two years in the Administration, with only some 168 positions available at this time, 55 within the GBE's, 47 in areas with a federal responsibility and 66 in the area of public service. Discussion has been had in regard to further reduction in the area of salaries and wages and at this time this budget has not allowed for any extra personnel to be hired and it is Government policy that as personnel leave the service, non-essential personnel will be transferred into the position if able to do so, and no recruitment will be undertaken unless it is necessary. Recurrent expenditure is \$23,363,220 and this provides for the functioning of Government and the administering of services to the community, such as social services, education, public works, electricity, telecom etc. and also grants to health, KAVHA, healthcare, workers compensation, tourism and areas of sport, cultural heritage. The depressed state of the economy over the past 4 years has seen little to no increase in recurrent expenditure with all departments experiencing a severe reduction in funds available to them to administer their functions. The monies provided by the Commonwealth enables these activities to continue and be provided for the community benefit. Capital expenditure has been severely affected over these past 4 years, with only very essential works or emergency works being able to be done during this period. This year will see only \$401,150 of capital expenditure being allocated, when the forecast 6 months ago was actually \$4.4m but reduced to \$2.3m worth when the budget was assessed. Unfortunately the funding from the Commonwealth only allowed for the recurrent expenditure deficit and not capital expenditure funding, which means that the NIG has to make decisions based on maintaining services but at a reduced rate or expending monies on capital works. These decisions are always hard to make and the NIG is fully aware that the infrastructure around the Island is decaying faster than it would like due to the inability to fund on-going maintenance and replacement. This budget has only a few additional increased charges in the area of passenger movements charges \$10 per sector (which will need to be ratified by the Commonwealth), telecom calls both land-line and mobile during peak periods to International which will result in a call to Australia by land-line at .40c per minute and mobile .90c per minute, and customs duty on personal imports to 18%. I have requested that the Administration conduct a full review of all fees and charges to ensure that where a service is provided at public cost that the charge applied covers the cost of the service, this may mean that during the year some fees and charges are adjusted to fully recover the cost of operations. This review will assist the Government to determine what Government Businesses it wishes to remain in Government control and which Businesses it will free itself from. This is all designed to ensure that the financial liability for the Government is reduced so that the Government can concentrate on services that are normally provided by a Government and allowing

private enterprise to take up some of the current business activities that the Government operates at the moment.

The road ahead for the Government certainly looks brighter with assistance from the Commonwealth, NI has been provided \$433,000 in funding towards the cost of installing a high temperature incinerator that will greater enable NI to modernise the waste management practices on Island. Also NI has also been provided with \$13m under the Regional Development Australia Fund so that the cascade pier can be extended and re-enforced. These works will continue over the next couple of years and should enable NI's economy to look at other areas of income. \$5.4m dollars has also been provided by the Commonwealth for the next financial year to allow this Government to fund its deficit, this includes \$500k for additional short-term services for family support, child protection, aged care assessments and an apprenticeship program for our young people on the Island. The details of these arrangements are yet to be decided upon. The recent visit by the Joint Standing Committee has also recommended that the commitment of the NIG and the Australian Government to reform should be documented in a joint statement and timetable. I would hope that this can be achieved immediately, esp. a timetable of which will allow some certainty for the introduction of the Australia welfare system, Medicare and entry into the Australian taxation system. This will then allow the NIG to project firm budgeting for the years into the future with the knowledge of when certain timelines would be met, and to allow the NIG to then commit to an enhanced public works program of which is vital for the continued success of the Island. It is unfortunate that this budget has not provided any stimulus to the community but we are fortunate that we are able to still provide all the basic services of which a community such as NI requires. This is a situation that in the years ahead it is the Governments aim to improve so that this community can grow and provide a great place for our children to grow, learn and prosper. I look forward to member's debate and to the community's comments prior to finalising this Bill in two weeks time.

It would be remiss of me not to thank the Administration 's Service in assisting me in developing this budget. It's been a long process and one which really wasn't finalised until last night and I would sincerely like to thank the Service and especially Bruce Taylor in formulating this budget this year. Thank you Mr Speaker

MR SNELL

Thank you Mr Speaker. I would firstly like to take this opportunity to thank Mr Bruce Taylor along with the Managers within the Public Service for the work they have done for us to have this budget before us today, especially in the financial difficulty that we find ourselves in at pre sent. I also thank the Minister for Finance, Mr Sheridan. I would like to mention the following points that cover my areas of port folio responsibility.

#### **Dealings with the Commonwealth**

This Legislative Assembly passed a Motion affirming the 13<sup>th</sup> Assembly's 11<sup>th</sup> July 2012 motion, which amongst other things affirmed our commitment, to enter into the Australian Taxation and Social Security Systems. We continue to work towards that end. Negotiations are presently under way for the next Funding Agreement to secure the financial assistance from the Commonwealth over the next financial year. That agreement I am sure will include mile stones to be met during the year to secure that funding and assistance.

As mentioned earlier, I have decided to combine the role of Senior government Advisor – Road Map Reform Process with the chief of Staff's role. This will mean the Chief of Staff will assume both roles from the end of June 2013.

This reduction in staffing levels will result in considerable savings, and I take this opportunity to thank George Plant for the valuable role he has playing in negotiations with the Commonwealth. I believe we are now in a position where that role can be undertaken by the Chief of Staff.

#### **Tourism**

The 2012/2013 financial year has eventuated in less visitors than the previous year and a continuation of challenging times for the Norfolk Island Tourism Industry. In the past 18 months the Norfolk Island tourism Industry has gone through significant changes. The most influential of changes has been the provision of the air services to and from

Australia under Commonwealth support, by Air New Zealand. The challenges within this new environment have included;

- . An overall reduction in capacity from Australia
- . A change in flight schedules
- . A reduction in Ports of Departure in Australia
- . The change in wholesale distribution partners in Australia

The Norfolk Island Government Tourist Bureau has played a pivotal role in the management of this change and in 2012/2013 focussed on maximising airline capacity from Australia whilst achieving growth in visitor numbers from New Zealand.

The continuation of the work done by the Norfolk Island Government Tourist Bureau in rebuilding Norfolk Island as a relevant tourism destination into 2013/2014 is critical to the Island's economy. Over the next financial year the key outcomes are to increase distribution channels, build destination awareness, enhance visitor experiences, support tactical sales campaigns in Australia and New Zealand, invest in new niche traveller markets, building awareness and capacity for market changes on island, provide on island visitor experiences, provide for a leadership role within the community, building organisation capacity and accountability.

With that responsibility in mind the Norfolk Island Government Tourist Bureau has still be able to deliver a 15% reduction in its budget for the 2013/2014 year. This results in a reduction of \$198,000 for this year.

#### **Police**

Whilst at present there is no great change from this financial year to last financial year in the area of the Norfolk Island Police, I am looking forward to meeting with the Assistant Commissioner Many Newton, when she is on island in the upcoming months. The main topics that will be discussed are the status of the Memorandum of Understanding and the update of the 1931 Norfolk Island Police Act.

#### **Public Service**

As the Minister for Finance pointed out earlier, all departments are experiencing severe reductions in funds for them to carry out their functions. I would like to thank the staff of the Public Service for their continuing efforts in providing all three tiers of Government services – Federal, State and Local.

Some areas of necessary increased expenditure this year are:

- . \$400,000 on land valuation. This will allow the Norfolk Island Government to have the figures to consider viable property based tax options. I feel it is important to point out here that public consultation is high on my Government's agenda on the matter of introducing property based taxes.

- . \$170,000 is committed to Information Technology compliance

- . \$200,000 for assistance for grant support including Regional Development Application Fund 4, which as we all know, we received the good news from Minister King on the weekend of our successful grant application and the Norfolk Island Administration will receive \$13 million towards the Cascade Jetty project. This funding is set aside to provide assistance for that to progress and any other assistance that may be required for other grants to the Administration

- . May 2013 saw the introduction of the New Public Service Bill re forming the Public Service and bringing it in line with other states and territories. This brings with it a requirement by the Commonwealth for an independent Public Service Commissioner which comes regretably at a cost. An allowance has been put into the budget for this cost, however, no appointment has been made as yet. The Public Service Commissioner will replace the Public Service Board. I would like to take this opportunity on behalf of the community of Norfolk Island to thank those people who have volunteered and served on the Board over the years, who freely gave up their time and expertise in undertaking what, at times, was a difficult and important role.

As we are existing on an essential services budget it is important to point out that the outcomes from continued cutting of expenses include:

- . Public infrastructure continues to deteriorate
- . Maintenance is reactive, rather than preventative
- . Staff continue to perform without all the 'tools' they require to do their jobs
- . No replacement of vehicles

However, in pointing out these negative side effects, I would also like to highlight that without the assistance from the Commonwealth our situation and future would be much bleaker and I would like to thank the Commonwealth for the \$ 5.4 million of assistance from this financial year of which \$4.4 million was provided for essential service funding. I would also like to thank them for the grant funding which will contribute to the Island installing a high temperature incinerator and allow the Cascade Pier project to progress. I have previously mentioned thanks for the Quarantine Shed which is under construction at the present time. Thank you Mr Speaker

MR WARD Thank you Mr Speaker. While not detracting from the efforts of the Minister for finance, I can only say I hope this is the last budget of this type we get to see. Minister Sheridan has had the unenviable job of formalising the process of doing the impossible with next to nothing. In the circumstances this is a responsible budget, but is one that can not address the needs of this community. It was the 13<sup>th</sup> Assembly's initial finance Minister Craig Anderson who first recognised that the capacity to pay had been reached and that there is no point trying to tax people beyond their capacity to pay – in effect that the system was unsustainable. For many years we have seen the annual desperate search for new revenue sources, efficiencies and savings. Today, even with the Roadmap funding, there is barely enough to maintain the essentials. The last Assembly embarked on the Roadmap reform process, seeking Commonwealth assistance and committing to a range of reforms to try and turn the island's finances around. If the Roadmap reforms deliver their anticipated results, the next budget should be a less challenging process. On the positive side the recent announcements of funding for the high temperature incinerator and Cascade jetty extension will be a boost for the economy and for both the short and longer term employment. This in turn ripples through the economy. The long term benefits of these projects are without question – I should also make mention of the new quarantine shed currently under construction in this context. It is my intention and the intention of this government to action the RDAF projects as soon as possible to generate some stimulus in the community and to have these assets performing their role as soon as possible. I accept the need for the increases detailed in this budget, but I have some concerns about raising personal import duty to 18%. While this will not generally affect those importing regular small orders from internet based suppliers, it could deter capital investment. I said that I hoped this would be the last budget of this type, I say this because we look to the Commonwealth Government to start to meet their undertakings in the areas of education, health and welfare which will reduce pressure on our revenue raising, or at least free up the funds we raise for use in essential areas not currently being addressed. In turn this should translate into a more cost attractive visitor destination and drive greater certainty. We will also of course have to adapt to the complexities of the taxation system and work to ensure the tourism industry is an attractive, competitive destination. I would like to acknowledge the incredible efforts of many of the Administration workforce who are working with a shortage of both material and personnel resources. I acknowledge the resourcefulness, ingenuity, skill and dedication of the employees at the coal face. Admin workers are often vilified, blamed for the financial woes we face today and so on. Without the dedication of many of these individuals, many areas of the Administration would have folded in the face of the lean times we have been subject to. While there is much I would like to action in both the environment and public works portfolios, the reality is we must cut according to our cloth. But I flag the fact that many of the Reserves are in need of new fences, road and track maintenance, and weed control works. In the public works area there is a need to re-sheet most of the roads; the inability to do these roads in a timely way will lead to greater costs in the future. On the issue of introducing a rating system by 1 July 2014 there will need to be some serious leg work done to: A. Assess by referendum whether the Norfolk Island community will accept this major change. B. Assess the capacity of the community to pay a land rates system. C. If accepted by this community, and a capacity to pay is found to exist, then there would need to be a model of rating system developed that will not create a systemic separation of the Norfolk Island people from their lands. Thank you Mr Speaker

MS ADAMS

Thank you Mr Speaker and I firstly applaud Minister Ward and support the words that he has spoken. Honourable Members, on the 7<sup>th</sup> of June 2013 I wrote to the Managers of the government departments within my areas of ministerial responsibility asking them to provide me with detail of budget cuts in their respective areas and how their departments will deal with the flow on effect of the reductions. I also asked them to provide me with the goals they wished to achieve in the departments they manage in the years 2013 through to 2015 notwithstanding that they have been asked to make severe cuts in their budgets because of the current economic difficulties we continue to experience. As explained to the Managers the Norfolk Island Government of the 14<sup>th</sup> Assembly is developing the forward direction it wishes to take and the goals it wishes to achieve in the life of the 14<sup>th</sup> Assembly despite our current economic situation. That document will include the goals that each Minister wishes to see achieved in their respective areas of responsibility. I have asked the managers in my areas of responsibility to partner with me in setting those goals.

Mr Speaker I thank those Managers who have responded in what was a very short time frame to do so and I will now provide extracts from the responses that I have received and I table a copy of that letter of 7 June 2013.

#### **NORFOLK ISLAND HOSPITAL ENTERPRISE**

Minister Sheridan has, in the documents tabled this morning, tabled the Hospital Budget. Under the Commonwealth Finance Minister's (Norfolk Island) Orders 2011 a territory authority, in this case the Norfolk Island Hospital Enterprise must provide a statement outlining amongst other things the broad strategic priorities on which the annual budget is based.

The Statement provided by the Hospital Director for which I thank her, includes the following key points:

"In the past 12 months the Norfolk Island Hospital Enterprise (NIHE) has been affected by the change in the Norfolk Island's current economic situation resulting in reduction in payment of fees and an increase in the debts owing to the hospital. There has been a reduction in cash flow and the hospital relies heavily on the monthly subsidy from the Administration of Norfolk Island.

"Accreditation is a process the hospital is currently embarking upon with the assistance of the South East Sydney Local Health District (SESLHD) partnership which will assist in reviewing all the current processes which will support the improvements required for activity to be carried out in a cost effective manner. These improvements should result in better inventory control, reducing items expiring and the requirement to dispose of such goods at a financial loss and an added expense to the hospital.

"The nature of the Hospital services is varied at times dependent upon the skills of the medical staff employed at the time e.g surgical procedures. This will reduce the hospital's expenditure on medical supplies.

The challenges affecting the budget of the NIHE for the 2013-14 include:

- (1) A reduction in the population and tourist numbers of Norfolk Island
- (2) Fees for service not paid at time of service
- (3) An increase in the cost of medical supplies
- (4) An increase in the cost of freight

The budget for 2013-14 and forward estimates has shown increase revenue in the following areas:

- (1) Increase in the fee for service medical treatment;
- (2) Increase in physiotherapy sessions fees
- (3) Increase in dental fees;
- (4) Increase in prices on goods sold by the Hospital.

The subsidy to the hospital by the Administration of Norfolk Island has been reduced from the 2012-13 budget of \$1,826,860 to \$1,500,000 for each of the next financial years. And I repeat, this is the Hospital to me, this is not something that has been done by us in setting the Hospital budget.

There will be a Health Service Plan formulated by the end of 2013. This plan is not reflected in the budget as there has been no previous plan to direct the health service. Community involvement will be engaged and the plan will be published for public record.

The Norfolk Island Hospital Enterprise will improve the ability of accountability on the government funds provided in the 2013-14 budget by engaging the staff in awareness of their responsibility in the use of public money. This will be done by implementing organisational policies and procedures accompanied by education. Again, I thank the Hospital Director for the comments she has provided and I also thank the Commonwealth Finance Officer, Mrs Alison Savary for her assistance in providing them with their budget.

Mr Speaker it would be remiss of me as Minister with responsibility for the Hospital Enterprise to not publicly thank our Hospital Auxiliary – a bank of wonderful volunteers, who work tirelessly to support the Hospital with the provision of additional supplies. In the last 12 months the Auxiliary has spent around \$18,000 on the provisions of new hospital beds, chairs, linen and patient aids, and on your behalf Members I offer our sincere thanks to the Auxiliary for its wonderful assistance to our community hospital and to the community as a whole.

### **IMMIGRATION**

The next area of responsibility is Immigration and the Manager for Customs and Immigration has provided me with the following budgetary statement for the 2013-2014 financial year and I quote -

“Given the present economic climate the budget that is proposed should enable the Immigration section to provide its basic services at about the same level as is offered today. However it should be noted that there may be additional staff resource demands placed on the staff in the section if the current efforts to attract new residents is successful. Whilst an amount for immigration systems was removed from the Immigration budget requests I am informed that there is provision in the Information & Technology budget to enable changes to be made to the ERP Suite to take into account recent changes to the Immigration Act.”

### **The stated Goals 2013 – 2015 for the Immigration Department are:**

In the period through to 2015 the Immigration section will work towards -

- Enhancing its service to customers both internal & external
- Providing more readily accessible information for enquiries
- Expanding present automated systems to provide timely information to management and the government.
- Investigating possible avenues that would enable an automated passenger movement system to be acquired.

I thank the Manager for Customs and Immigration Mr Alan Buffett.

### **HEALTHCARE, WORKERS COMPENSATION AND MEDIVACS HEALTHCARE FUND**

The Healthcare fund continues to provide assistance for those persons who require medical treatment both on the island and when they are required to attend the mainland. Now that the MOU has been signed with South East Sydney District Area Health (SESDAH) it provides the healthcare program with access to expertise and related health assistance at a very professional level. Importantly it also provides a very cost effective negotiated rate for service which is important in what are very difficult financial times for the island.

To maintain its operation the Healthcare fund continues to receive a subsidy from the Revenue Fund.

As a result of the Social Services Review Committee which has been established by myself as the Minister with responsibility for Social Services, there is an ongoing review of the provision of social services in the island and options have already been identified which may improve the cost efficiency of the healthcare service. Details in respect of this will be provided when the final report of the committee is made available to me.

Debt recovery is being progressed which will improve the fiscal position of the Fund and this will continue to be monitored.

Honourable Members you may recall that I have already alerted you to the need for urgent legislation to be passed to ensure that the healthcare fund is not at risk as a consequence of the recent changes to the immigration legislation. I hope to have a Bill to achieve this ready for urgent passage at the sitting proposed for 26 June 2013.

**WORKERS COMPENSATION**

The Workers Compensation scheme continues to provide a level of cover for those persons who are injured in the work place with compensation payable in certain circumstances for wages, medical and travel costs.

As with the Healthcare scheme, the Workers Compensation Scheme is also under review including whether the current levy payable by employers under the scheme is adequate and whether the inspectorial regime requires tightening up. At the present time this Scheme is supported by a subsidy from the Revenue Fund.

A review of the Healthcare Scheme and Workers Compensation Scheme by Milliman Consultants in June 2011 also provided recommendations for consideration in respect of the operation of these Schemes and these will also be taken into consideration in the review currently being undertaken.

**Medivac's**

The current healthcare scheme provides funding for 5 flights per year. However there is a need to review whether the current levy needs to be increased due to the increased demand on the scheme in recent years. I thank the Community Services Manager, Mr Allen Bataille, who in the absence of Mr Gary Dowling, the Healthcare Manager, has provided me with this report and I take the opportunity to wish Mr Dowling all the very best.

**MUSEUM Goals 2013 – 2015**

I thank the Museum Curator Mrs Lisa Richards for her budget statement which I will read in full:

The museum has put forward a budget reduced from 2012/13 by \$35,425 across the four museum cost centers; Museum 754, Conservation 750, REO Café and Bookshop 751 and Trial of the Fifteen 758.

As approximately 80% of our budget is spent on salaries and a further 10% on electricity and other utilities, there are little savings to be made through reductions to all other recurrent line items combined. The main savings therefore have been made by reducing staffing.

To preserve the core functions of the museum as the care and display of the collections, cuts have been made to the REO Café and Trial of Fifteen. The REO will no longer run as a café, but be operated as a one-person venue focusing on ticket, book and souvenir sales and short term exhibitions. The Trial of the Fifteen will permanently reduce to being performed once weekly.

Trial of Fifteen actors has had performances reduced since mid last year due to the down turn in visitor numbers. The budget cut now provides no option to respond to increased visitor numbers as they return, with increased performances. The potential to increase income is therefore lost. There is presently no timeframe for potential return to the REO building following recent asbestos testing. Establishing the new operations at the REO are then dependent on when the return occurs and when the vacant Administration Officer position is cleared for recruitment as this position will play a key role in establishing and maintaining the venue.

Honourable Members, notwithstanding the budgetary difficulties being experienced and the staff cuts identified by the Museum Curator, the Museums have my full and ongoing support as they are an integral part of our tourism industry and add weight to the visitor experience in the KAVHA world heritage listed area. The recently relocated Sirius Museum which officially opens this week, is in my opinion "world class".

The Curator goes on to provide the following positive goals to be pursued between 2013 and 2015 and I quote:

"Without predetermining the outcome of a soon to start 5 year strategic planning process, the following goals will be pursued between 2013 and 2015:

- To deepen the skill base of museum attendants enabling us to offer a wider range of authoritative tours and information related to the museum collection and island's history.
- To upgrade the Commissariat Store and No. 10 Quality Row displays that present World Heritage Listed KAVHA artifacts and First and Second Settlement stories.
- To continue to grow ticket sales income by 10% each year and I think it's important to record that despite the downturn in visitor numbers to Norfolk, museum income

grew by 17% from 2010/11 to 2011/12 financial years as a result of specific strategies to increase sales. I commend them for their efforts in that regard and as I have already stated, the Museums are an integral part of our tourism industry, and finally

- To re-brand the REO as the 'beginning point' for visitors to World Heritage Listed Kingston

Finally Member, a very important area, very dear to my heart,

#### **THE NORFOLK ISLAND CENTRAL SCHOOL**

Honourable Members, the School Principal is currently off Island attending a Secondary Principals' Conference in Sydney and we have agreed she will provide me with a report on her return in time for the next sitting of the House. The Principal, Deputy Principal and I continue to meet regularly to discuss school issues and recently we have worked to get the best budgetary outcome for recurrent expenditure for the School in the coming financial year and I thank the Minister for Finance and the Deputy CEO Mr Bruce Taylor for their assistance in difficult times, to help to achieve that outcome; and for the record Mr Speaker I will repeat words spoken by me in my statement to the House on 8 May 2013.

"Notwithstanding the great achievements at our school we must also be ever conscious of the changing needs of our youth as we move further and further into the age of technology and a good place to start is for Government on Norfolk and the School to partner in working towards a common goal that the students at the Norfolk Island Central School receive the same opportunities as are available to students in schools in NSW."

To achieve this long term goal Honourable Members I look forward to continuing to work co-operatively with the Principal and Deputy Principal to identify where the students at the Norfolk Island Central School might currently be disadvantaged when compared to students in New South Wales Schools so that we can set achievable goals to address this issue into the future.

Finally Mr Speaker, in conclusion I remain firmly of the view that we cannot tax an already depressed economy into prosperity. I further remain firmly of the view that we have to diversify on how we do business into the future. Tourism alone cannot bring us economic prosperity and I look forward to this Government working together and building its forward strategy looking at how to diversify our economy to bring us back to a place of economic prosperity. Thank you Mr Speaker

MR NOBBS

Thank you Mr Speaker, I would just like to wish Minister Tim all the very best with his budget and I hope that it will achieve all that he desires. There's no provision as has been spoken about, other than to just keep going and that's only sort of, to keep going but I believe that the resilience of the Island will in time prevail. Bearing in mind, this is only a budget about Government expenditure. Our problems are really very simple, and I don't think anybody will disagree. That with the economy down, that's our problem. How can you expect all the services, everything to go for you here with a maximum of 24,000 tourists against what we've been expecting in the high 30's and early 40's, thousand visitors a year. So unless we can do something about our economy the measures being put in now are really only to support us from completely going back to having to grow our own garden and doing whatever we had to do when I was a kid. This failure of the economy came on top of some poor decisions, I must admit and I'm going to say it now, that the Island was warned in early 2007 that unless they diversified even with 35,000 visitors at the time, unless they diversified the economy and expanded it, in the next few years the Island would be facing considerable difficulty. Not as much as at the present time, but it would be facing difficulties. That warning was never heeded unfortunately, some decisions were made and there were funds expended in areas that I knew weren't essential and I'm pretty sure that others did too and I'm saying that now because it makes me very angry that we are in this position, and I seem to be getting angry at every meeting, and I shouldn't do that, but it makes me angry that we are in the position that we are actually in. Thank you Mr Sheridan for your comment. It's much appreciated. Go the bunnies! What we are finding now is that the issues of expanding and diversifying the economy are quite difficult because the whole

economy is down on the Island here, there's complete uncertainty as to where we're going, there's problems of us accessing the area around us, the EEZ, as explained by Minister King when she was here a few weeks ago, I didn't see her when she was here this time, but a few weeks ago that we should keep our minds away from the EEZ. The EEZ is a major resource for this Island. It's a major resource for Australia. It's a major area of saving. If these people start thinking properly and start allowing Norfolk Island to exploit that area which I'm sitting here looking at now which is the open sea, outside the box may I also say for those who may also jump on the bandwagon and say we want professional fishing in the box. The go is that those sort of things must be considered. I've got a difficulty myself that we've got varying policies coming from Australia. We have some areas where you can use medical assistance here and in other areas with people having similar cards they can't get access to medical assistance here. Those sort of issues are really important. I remember years ago the idea that I had of why can't a tourist coming to Norfolk Island utilise their medicare card. Do you know what the answer was. Oh we charge them extra at the hospital so we'd be losing that revenue. I just couldn't believe that sort of attitude and I still believe that a tourist or a visitor holding a medicare card, Australian medicare card, which they contribute their funds to and all their taxes and that sort of thing, can't use one here. Other medical cards are accessible here but not that. Also why is it so important for the Commonwealth Government to place a band on the ability to access private health insurance on Norfolk Island. I still haven't got an answer to that. They may say, it's because we don't pay tax, and that's why I asked the question. I just put a question ~ and I'm sorry I did that Tim ~ but I just put the question to you to set the scene because I think you will find that if you get into the taxation side of things, that there is a significant sum paid in taxation by people and entities be they actually residing here or have a licence here but still pay tax, I find that there is a considerable sum paid here per head of population of course, into the Australian taxation system but nobody seems to want to recognise it and that's the issue. As far as the budget goes, I would have liked a little more time to go through it and have a look at it, instead of last night, we seem to be getting them all the night before, the drop comes around and that's it, but hopefully in the next financial year these quick rush jobs are not as quick and give us the time to assess it, but I still firmly believe, and the Minister knows my views on it, that the GBE's should not be in this budget. The GBE's should be divorced from the Administration. Year 1 commercialised, Year 2 corporatised. That was the view that I had and I put it to the Minister earlier and he said he'd get back to me and he hasn't got back to me but I know he's thought about it. We've talked about it at different times but he hasn't given me the real answer to it, a formal response would be nice thank you Minister but may I say this, that if they were out of the equation I think that there would be more savings in it than the figures that we look at with 66 staff here and 45 staff there and that sort of thing. I think that these guys would find it, and I know that in the past they have been supportive of being outside the Administration. They would be better off and so would the Administration because a CEO would then be able to concentrate on the specific areas of Governance and be more of a help than he can be at the present time to the Legislative Assembly. I think the role should be closer to a Legislative Assembly Advisor as well as operating those particular areas, or being in charge of those particular areas such as health, and social services, and lands, and courts, and policing and those things which are key governance items normally, but anyhow, that's for another day and we're going to spend a lot of money or the Commonwealth I think is spending it, a lot of money on another consultancy on how we can do it. I thought it was fairly simple because there's about two or three reports on these GBE's being privatised or not privatised so much but corporatized, in the past, in my time anyhow, there's been at least two and it's unfortunate that when you keep getting these consultancies they all want to add something new, so the first guy probably got it right, but the second guy changes it a bit, then the third guy changes it again and you get around to where it's not really what should be done, so I mean these sort of things just get me down that we have to keep running to consultants all the time. At one stage I heard a good description... overqualified and undereducated so there you go. But anyhow that's nothing to do with the budget I guess, except that it's unfortunate that we are in the position we're in and



support of all of his cabinet colleagues to pursue some of those options that he saw in doing things differently. During the recent election campaign the Chief Minister said that community expectations would play an important role when considering services. It is clear now that people are not being asked to reduce their expectations, expect perhaps the staff who come to work and then don't have tools, but they are being asked to pay more to maintain the status quo! So in effect, this budget is same old, same old. It's not realigning expenditure, not putting money to invest in areas such as the Museums where you may have a greater return. It's not investing in Forestry may the Minister may have had a vision that we would create the unique boutique pine forest. That of course would take millions and millions of dollars. I acknowledge that. But those discussions haven't been had around this table. I noted the education budget and realized that only a privileged few get to ride the emotional roller-coaster of what is budget preparation and I acknowledge both the efforts of Minister Adams and Minister Sheridan in the area of education, to have asked the Principal of the school to cut the school budget by 15% from her bottom line can only be described as an error of judgment or perhaps it was a lapse of concentration by the Cabinet. What I think is far more appropriate and I would welcome, is a complete review of education on Norfolk Island including but not limited to, staffing numbers, recruitment and transport costs and the effects of immigration changes on future tenure. Through you Mr. Speaker I would ask Minister Adams to put all options on the table and carry out a full review because under the preferred model of self Government the Norfolk Island Government will need to consider future service arrangements and negotiate a contract for service. That may be with New South Wales and it may not, but everything needs to go onto the table for full and frank discussion. In terms of how budgets are subsidised with education I would like to acknowledge and thank the membership of the P & C who every year provide tens of thousands of dollars and the community, that is the major fundraiser which we all know is the Easter Carnival which continues to attract almost \$20,000 that goes to help the children and their education. Minister Adams referred to same opportunities. We have a big battle ahead of us and it was interesting to hear the Treasurer, the Hon. Wayne Swan make comment in his budget that no Australian child will be disadvantaged by their postcode, and that was referring to education. So 2899, keep pushing! I was pleased to hear the Chief Minister's response, when I asked him what his main policy objective was, and that was compliance with the Funding Agreement and I will take that to mean the Roadmap in its entirety. So how we are demonstrating our ongoing commitment to the Road Map within the budget? We know that we have a long road ahead of us and in the immediate; we need to ready ourselves and the community for inclusion in the federal taxation system. And I think it would be unfair to the community to tease them with a referendum asking them the question, would they like a land valued taxation system or not. It's not a matter of choice any more, it is a commitment that has been made by the Government. Also a referendum costs I believe \$5,000. So when the response is going to be in the negative, that would be a waste of public money in my opinion. But coming back to the importance of committing in this budget to the Roadmap, there is a line that concerns me deeply and the Chief Minister has already referred to it, I think he's quite proudly stated that he's amalgamated two positions and there would be a saving. The Chief Minister informed me earlier this week, as he's done in the House here, that he has given the Roadmap Advisor notice that his contract would not be renewed and that the Chief Minister at that time, said to me that he envisaged the task would now be carried out by the Service. He has updated that statement and now says the chief of Staff can do the job. If there's a suggestion the Chief Minister would try to incorporate two very different skill sets into one position, that is, the Roadmap Advisor and the Chief of Staff, this is also clearly unacceptable if the Government puts the two job criteria's and qualifications and skills needed side by side. The role of the Roadmap Advisor is there to provide high level policy and economic advise to the Government and there is a change that if that position was removed at this early stage I feel that we are almost putting ourselves at risk of losing self government altogether. The role was created to guide the Norfolk Island Government and the Legislative Assembly through the complexities of the reform process and to create Discussion papers, Policy and Drafting instructions, based on the needs of the Government and the community. The position was tasked with creating a

program to transition us from existing services, to the Commonwealth, including the proposals for local staff transitioning consistent with the Public Service Review. We know that there needs to be further policy, strategy and planning development in all areas of the Roadmap. There needs to be a plan for how to implement the divestment assessment and there must also be Policy development associated with the role of an independent price regulator for the island. We will need a medium and longer-term infrastructure plan that is supported by an economic analysis and that is evidence-based. We will need somebody to negotiate access to local vocational education requirements with the Commonwealth. We need someone to prepare the Norfolk Island submission to the Commonwealth Grants Commission on the level of transfer payments for the island once our governance model is determined. We need someone to provide the economic evidence to support the staged introduction of Australian Income taxes into the island and delinking these with the provision of welfare payments preferably. We need professional policy advice on the future role of Norfolk Island excises (Fuel levy, Healthcare levy) in relation to the negotiations with the Commonwealth. We need professional advice relating to the policy objectives associated with the introduction of municipal rates. We need professional advice to Government on the economic implications associated with other potential income sources. Mr. Speaker, these are tasks that cannot be done on the back of an envelope. This is just the tip off the iceberg and I demand as a representative of the people that all future decisions are based on the best professional advice available to us, that is delivered to us by appropriately skilled professionals. Now unfortunately this decision is exactly what I would expect to see from the Chief Minister and in response I place on the public record my disapproval of his decision. I cannot stress strongly enough the risk associated with not having a suitably qualified person to carry out the role of Roadmap Advisor and I do not need to remind you Mr Speaker that we are a proud self governing island community; proud of what we have achieved to date and trying urgently, and with dignity, to maintain what we can, and the Roadmap has become our path to securing the future. The future that we hope for and the Roadmap Advisor is essential if we are to succeed and maintain that self government. Call it a prudent risk management policy of you will.

I will comment briefly on the revenue raising measures that the Minister for Finance, has highlighted and then the detail of the budget including the Tourist Bureau and the Hospital. I will take the next few days to go over those. One thing that is in here and I think it's very good because a lot of the feedback that I get around the place when we refer to having to raise revenue, is what about all the people who are dodging GST. Now what basis there is to all these allegations I'm not sure, but people are obviously fed up to the back teeth when they're doing the right thing, they are carrying those are aren't and so there is a figure of \$100,000 which is a crack down on non-compliance. That is a good thing.

Mr. Speaker I think you can hear from my debate that I am a firm believer in cost cutting – particularly when the economy is depressed but at the same time I appreciate the rough figure, I think it was \$3.8m has been cut across the board and the Minister for Finance continues to face a gap that he's needed to fill so I'm going to give him my 'in principle' support to the increase in import duty. I am having discussions with Mum's in particular who use the online shopping but the point that I make to them is clear, we are all in this together and everyone is being asked to contribute to the running of the island. I don't believe that it is fair and in fact there is no dignity in expecting others to subsidize the education of our children while they fly free under the duty radar. The increased duty is not aimed at stopping online shopping, a basket of goods will continue to be far cheaper at total, but it does mean is that everybody is being asked to pay a contribution to the public purse and I understand that the Minister for Finance is open to some further discussion on a sliding scale and picking up on the point that Minister Ward made on not wanting to deter capital investment, so I understand there will be further discussion.

The review of fees and charges, including a proposed new accommodation regulation fee. Discussion has already commenced with the ATA Members and other Accommodation owners and I would like to point out if those people are listening is that no revenue figure from a registration fee has been included in the revenue line of this

budget and neither should it be. The question of accommodation owners being asked to pay a fee for service for what should soon become a redundant requirement, and that is accreditation, is a matter for policy decision and for open debate in this House so I look forward to further discussion with stakeholders.

The last one which I would like to actively throw my support behind is the increase in the passenger movement fee although that is still to be negotiated with the Commonwealth. I do that because two years ago we were encouraged to remove the departure fee, and that saw a hit to our revenue of \$1.2m. The aim or the intent, the objective was pure. It was to bring the cost, the price of the airline ticket down and that in turn we would hopefully see an increase in visitor numbers. Unfortunately what we have seen here today is actually a 10% decrease in visitor numbers and we are still without revenue. We are being forced to increase the taxes on our community which does hit low income earners, families and businesses, as a result. So I support the Minister in his move to explore this further.

As I've said, the rest of the Bill I will take some time to consider further, hopefully in line with a new funding agreement which will be there to guide us and support us, and I think that is the most sensible approach I can take at this stage. Thank you Mr Speaker

MR PORTER Thank you Mr Speaker. I endorse the remarks of most of the speakers in thanking the Minister and staff in presenting a difficult budget as we all know. I think this budget reminds us that we need to stay the course, we need to be committed to the cause. There is no option bar to travel down the Roadmap path. If this budget is although balanced, in the public sector it's a death of a thousand cuts. In the private sector it's just being consigned to oblivion. We need to really be conscious of the fact that we cannot take one backward step in our path in the Roadmap process, stay the course to reform. We just can't survive in our current model and as I say this is a glaring example of that. Thank you Mr Speaker

MR SHERIDAN Thank you Mr Speaker. Just before I do finish up, I would just like to pass thanks, I forgot one person and that is our Roadmap Advisor for the work he has done on the compilation of this budget. He and the Deputy CEO, they've been the catalyst behind the figures you might say that have been presented and I would just like to thank him. Mr Speaker if there's no other discussion I'll move that debate be adjourned and resumption of debate be made an order of the day for a subsequent day of Sitting.

QUESTION PUT  
AGREED

The aye's have it, the debate is so adjourned Honourable Members.

#### **CUSTOMS ACT 1913 - EXEMPTION FROM PAYMENT OF CUSTOMS DUTY**

MR SHERIDAN Thank you Mr Speaker, I move that, under subsection 2B(4) of the Customs Act 1913, this House recommends to the Administrator that the goods specified in column 1 of the Schedule imported by the person specified in column 2, and on the conditions mentioned in column 2 of the Schedule, be exempted from duty.

These are Club Jerseys for the Norfolk Island Junior Rugby League and the amount of duty applicable is \$870.23 and the importer is the Norfolk Island Junior Rugby League

SPEAKER Thank you Mr Sheridan. Is there any debate Honourable Members. There being no further debate I put the question that the motion be agreed to

QUESTION PUT  
AGREED

The Ayes have it. The motion is so agreed. That concludes Notices Honourable Members and we move on

#### **FIXING OF THE NEXT SITTING DAY**

MR EVANS                                      Mr Speaker I move that this House at its rising adjourns until Wednesday the 26 June 2013 at 10 am

SPEAKER      Thank you Mr Evans. Is there any debate on that question. No further debate. I put the question that this House at its rising adjourns until Wednesday the 26 June 2013 at 10 am and obviously Members will know that this will be the second sitting in this month to finalise the budgetary arrangement that Minister Sheridan has put on the table today

QUESTION PUT  
AGREED

Thank you I believe the ayes have it. That motion is agreed to

#### **ADJOURNMENT**

MR NOBBS                                      Mr Speaker I move that the House do now adjourn.

SPEAKER                                      Thank you Mr Nobbs. Honourable Members, is there any further participation in adjournment debate Honourable Members

MRS WARD                                      Thank you Mr Speaker. As I said there's been quite a bit of discussion about the successful RDAF4 application. I just would like to mention one person and that is the previous Minister responsible in the area of lighterage and development and that's Andre Nobbs. There are some of us who will know the work that Andre did, particularly with Carnival Cruises, from the message I received from the Minister Catherine King was that it was really Carnival Cruises were a part of what got us across the line. It was a belief in Norfolk Island as a future cruise ship destination so I acknowledge the work of Andre Nobbs. I also thank Mr Alan McNeil the Planning Officer because it was his team who worked way above and beyond the call of their individual roles of the planning officer to ensure that Norfolk Island had the application in place and of course we have been successful in that. Thank you

SPEAKER                                      Thank you Mrs Ward. Is there any further participation in adjournment debate Honourable Members. There being no debate I put the question that the House motion be agreed to

QUESTION PUT  
AGREED

Therefore Honourable Members this House stands adjourned until Wednesday 26 June 2013, at 10.00 am

