



## **THE GOVERNMENT OF NORFOLK ISLAND**

### **MEDIA RELEASE**

#### **Financial options for Norfolk Island**

At the Norfolk Island Legislative Assembly meeting on 11<sup>th</sup> February, The Minister for Finance, the Hon Ron Nobbs MLA, made a statement on the financial situation of the Norfolk Island Government and Administration.

Mr Nobbs said “When I last made a statement on broad financial arrangements at the November meeting, I said at the time that we awaited certain actions. There have certainly been some developments, in the form of reports, at least. We received the anticipated Acumen Report followed by one from the Joint Standing Committee. In the mix, Members were provided with a compilation of a number of documents, from a working group looking at income sources. None actually stimulated the economy. With the economy running at less than optimum and no additional income sources agreed by the Assembly, I can only report that the Island’s financial situation has not improved”.

The Minister referred to a 1994 paper from the Bureau of Industry Economics listing six points under the heading of “Getting The “Fundamentals Right”, which were still relevant to today’s financial situation:

- Efficient management of the Public Sector and system of taxation
- Provision of efficient infrastructure
- Provision of effective education and training systems
- Operation of effective financial and labour markets
- Development of an effective regulatory and competitive framework
- Stability and predictability in policy setting.

Mr Nobbs went on to outline the history of Norfolk Island financial planning and management. He highlighted many of the problems caused by the mode of self-government, which he said was thrust upon Norfolk Island, in his opinion at a time of complete confusion. He said that self-government was greeted with gusto but unfortunately for Norfolk Island it did not receive the support and assistance as afforded other similar exercises such as the Northern Territory.

The Minister’s statement then explained the current situation and detailed his plans for reform:

“The Acumen Report was developed following an agreement by both the Australia and Norfolk Island Governments to have an independent financial report prepared. My understanding was simply that the report would be independent and following its completion it would be provided to both Governments, who would assess its findings and then both Governments would sit down & discuss it. My understanding is that this process remains in place and the only difference is a delay caused by Christmas/New Year and the Canberra close down factor.

What did the report say – precisely what I expected it to say – we are not currently insolvent but if we don’t do something we will be broke in the foreseeable future. Acumen provided several scenarios.

My view relates to the actual - which has always been that if we continue as we are - we will see real problems from June 2006 onwards. The post-June period will be dependent on the government raising additional income, revision and strict control on expenditure and the strength of the economy, which in itself impacts on income.

The Joint Standing Committee reported in a manner which seemed to me a bit strange. They provided two recommendations which in reality amounted to one that is gradual incorporation into the Commonwealth taxation regime. There was a dissenting report from Ms Panopoulos which provides interesting reading.

The recommendation to join with the Australia taxation regime is not new and has been a flag flown by the Australian Treasury for some time now. Treasury officers provided evidence to the Committee.

My view on taxation – be very very careful! I don’t know an Australian except those in the tax office who like their income tax system. A major attraction of Norfolk Island to those who have not seen the place is ‘we don’t pay tax’.

Earlier, Members sought advice on several alternative proposals to the Norfolk Sustainability Levy. These were specifically taxation regimes on income and land. Members were provided in this period with a compilation of basic documents from the Working Group established to look at alternate income streams.

The documents were headed:

Norfolk Income Tax

Integration into the Australian Tax Scheme

Land Tax

Example of a policy for fee for Government services

Norfolk Sustainability Levy

The documents need firming up and this requires allocation of resources. As a consequence the Working Group has requested and awaits the Assembly’s direction as to which should be progressed.

I think it is fair to say that there is a need broadly to:

1. Improve the current economy by increasing current tourism numbers;

2. Try to develop complimentary income streams for the Island;
3. Establish better service provision mechanisms; and
4. Provide economic planning mechanisms.

But these will take time. My views are encompassed in the following document I circulated to Members entitled Post Acumen Where To – Steps in the Process:

The issues raised in the Acumen Report are not new and express similar concerns to a succession of reports and statements. The question is how the Assembly deals with the issues and how quickly? My belief is that the following steps and time frames should be implemented.

#### STEP 1 - LEGISLATIVE ASSEMBLY

Any reforms should commence at the top. As an example, take a decision and make it well known that processes have been put in place to among other things reduce Assembly membership to 7, with only three Ministers and appoint an independent part time speaker.

#### STEP 2 - GOVERNMENT FUNCTIONAL REVIEW

It is essential that the Government very quickly assess the need for all functions currently supported by Government.

#### STEP 3 - PUBLIC SECTOR ORGANISATION

Following the functional review a planned consolidation of compatible functions will provide a basis for greater efficiencies. It is essential that during such consolidation, consideration of forward management/operational arrangements is not restricted to accepted public service terms and conditions. In saying this, it must be made clear that current Act and Policy permit such considerations.

#### STEP 4 - SOCIAL AND HEALTH SERVICES

A high cost area. Past reports contain very specific recommendations in relation to social and health issues. Such recommendations require implementation. It is also essential that the government progress the development and implementation of proposals which, in time, will afford NIG considerable cost saving (eg superannuation scheme).

#### STEP 5 - TOURISM

There is a need to accept that tourism is Norfolk's major industry and as such there is a need for some urgent attention. Government must look at what the Island offers in facilities, services, attractions and marketing arrangements if it wishes to increase FITs.

#### STEP 6 - FINANCES

The government must accept and implement an appropriate means of raising additional revenue.

#### STEP 7 – COMMONWEALTH GOVERNMENT

Once the above steps are agreed to there is a need to commence a series of face to face discussions with senior Ministers in the Commonwealth Government.

**TIMING**

All the above steps should commence immediately, be completed by June 2006 following which and provided amendments to the Legislative Assembly composition etc. are in place, an election be held in July 2006”.

Ron Nobbs

**Minister for Finance**

20<sup>th</sup> January 2006