

Statement by the Chief Minister to the Norfolk Island Legislative Assembly on 15th March 2006 – Norfolk Island economic situation

Mister Speaker

We are approaching the midpoint of the term of the 11th Norfolk Island Legislative Assembly, which was elected to office in October 2004. At the commencement of the 11th Assembly, we adopted a 12-point Priorities Plan. That Plan was formalised into the Government of Norfolk Island Priorities Plan 2004-2007, which was tabled in this Assembly just on 12 months ago. The Plan called for an outcome review in April 2006 and a full revision of the Plan itself by October this year. In view of the recent announcements by the Commonwealth Minister for Local Government, Territories and Roads, the Hon Jim Lloyd MP, on Australian Government plans for the future of Norfolk Island, I wish today to report to Members and the community on the substantial achievements already made toward achieving the major aims of the Priorities Plan. With one exception, I will deal with the 12 issues identified in the same order as they appear in that Plan.

Development of a 15-year Asset Management Plan

The work involved in identifying and assessing all assets of the Norfolk Island Government and Administration has proven to be complex, but the task of producing a final Asset Management Plan is almost complete. That Plan will then form the basis of a 15-year forward financial plan for the maintenance, upgrading and replacement of the wide range of assets involved, including buildings, plant and equipment, roads and airport runways, among many others. This matter will require address in the 2006-07 budget, which is now in preparation and will be presented to the Assembly for consideration in the near future. The Government of Norfolk Island acknowledges the significant assistance of the Commonwealth in providing finance for a private consultant to assist in researching and preparing the Asset Management Plan.

Expenditure and revenue review

Evolving events and changed economic circumstances have meant that the full review of expenditure and revenue has proceeded differently from the process outlined in the Priorities Plan. However, a great deal has been achieved, with many initiatives implemented and more to be detailed in the forthcoming budget. I commend the Administration on its production of a comprehensive Administration Management Plan, covering all major areas of service delivery and detailing the manner in which most of the priorities set by the 11th Assembly were being implemented. The Administration Plan has been fully reviewed and a revised Administration Management Plan was tabled in the Assembly in December 2005.

I commend the Minister for Finance for the work he has undertaken on the review of revenue and expenditure and the concrete results achieved so far. Some of these changes resulted from a major independent consultancy commissioned by the Minister. Expenditure has been rigorously reviewed, and

steps put in place to contain costs in public employment. Major savings have been achieved through a freeze on new employment, liberalised conditions for employees to take leave without pay and revised overtime provisions which have cut overtime payments significantly. The Minister has also developed comprehensive plans for corporatisation of government business enterprises and restructuring of the public sector, which are currently under consideration.

The 2006-07 budget will include some major revenue measures which will address the need to fund recurrent and capital expenditure. The Assembly already has before it legislation for the Norfolk Sustainability Levy, but I expect this proposal to be significantly modified and represented as part of the budget strategy for the next financial year.

Land initiative

It is pleasing to report that the first stage of the land initiative has been virtually completed through the smooth transfer of Crown leasehold lands to freehold title. The Commonwealth has made 129 offers to convert leases to freehold, the vast majority of which have been accepted. Offers will remain open until 30th June 2006. Proceeds from the transfers will be placed by the Commonwealth into the Toon Buffett Memorial Environmental Trust. The advisory group to the Trust will shortly hold its first meeting to recommend priorities for the distribution of funds.

While we are grateful to the Commonwealth for the work done to complete the first stage of the land initiative, progress on the main issues identified in the Priorities Plan is at risk following the recent announcements of governance changes for Norfolk Island. We had proposed steps to permit the Norfolk Island community to sustainably manage its environment, land and resources including parks, reserves, the 200-mile economic zone and the Norfolk Island fishing box. We will continue to pursue these objectives as part of the intensive dialogue with the Commonwealth arising from its unilateral announcement of major changes to Norfolk Island governance.

Community Services review

The Priorities Plan envisaged review of major services including police, education and social welfare. Significant progress has been made in each of these areas and has been previously reported to the Assembly. Social services legislation has been considered by the Scrutiny of Bills Committee. We are continuing discussion on finalising memorandums of understanding to cover provision of police and education services into the future.

Airport runway upgrade

The Norfolk Island Airport is one of the most critical parts of our infrastructure because of the Island's economic dependence on the tourism industry. There have been some frustrating delays in the commencement of the actual paving works, but I am pleased to inform Members that the project is now progressing well. The major contractors, Boral Limited, have used the temporary landing facility at Ball Bay to import large amounts of equipment and materials and deliveries of over 20,000 tonnes of crushed rock to the airport site by local subcontractors will be completed within the next few

weeks. I understand that the pavement overlay work at the airport will commence with pavement trials in the last week of this month. Completion of the overlay project will take about 16 weeks in total, leaving Norfolk Island with a greatly improved asset and an airport facility to service what I am sure will be a growing number of air services.

Administrative and Governance review

The Norfolk Island Government has completed the majority of work within its control to implement a full administrative review system for the Island community. We have put in place legislation and procedures dealing with declaration of pecuniary interests by Assembly Members, the keeping of a register of such interests and a code of conduct for Members. The effectiveness of these procedures has been evidenced by the referral of complaints to the Committee of Privileges and its reports to the full Assembly that have resulted in decisive action. We have also reviewed the functions of the Administrative Review Tribunal to give community members a wider range of rights of review of administrative decisions impacting on their lives and business activities. A legislative amendment to our Immigration Act to allow appeals to be heard by the ART awaits formal endorsement by the Commonwealth.

Draft Norfolk Island legislation for an ombudsman function and freedom of information has been prepared and ready for consideration for over a year. However, such legislation can only be effective if it is complemented by legislative changes to Commonwealth acts to permit the Commonwealth Ombudsman to handle administrative complaints and freedom of information issues for Norfolk Island. Amendments to the relevant Commonwealth legislation are still in preparation and we await advice of the final timetable for that process.

Telecommunications strategy

In compliance with the timelines in the Assembly Priorities Plan, the Minister for Finance made a full statement to the Assembly in October 2005, setting out the telecommunications strategy which had been adopted. I will not repeat the full details of the strategy, but it set out measures to increase the efficiency and profitability of Norfolk Telecom, to provide new and improved services and to reduce the costs to government and the community in the supply of international telecommunications. The three major initiatives involved:

- Broadband connectivity
- Access to a cellular mobile phone network and
- Cheaper international phone calls.

I am pleased to advise that all of these initiatives are well on the way to achievement, including the calling of appropriate tenders. The Government has also moved to protect the revenues of Norfolk Telecom through the firm enforcement of the provisions of legislation designed to ensure maximum social benefit from centralised provision of telecommunications services.

Quarrying and rock crushing

Very significant progress has been made in the life of this Assembly in ensuring an ongoing supply of crushed rock and a readily available stockpile of high quality rock for future use in Norfolk Island business, home building and public works. The emergency measures which were implemented early in the life of this Assembly succeeded in breaking through the impasse which had existed for a lengthy time, allowing supplies of crushed rock to begin flowing for important public and private projects.

I pay tribute to the achievements of the Minister for the Environment who has put in countless hours of hard work to ensure that rock crushing could proceed while all relevant concerns about the environment, safety, noise and dust were also addressed. The result has been that in the past 12 months we have seen one of the largest volumes of crushed rock products delivered in Norfolk Island history.

Real progress has also been made on the development and implementation of a quarrying and rock crushing strategy to provide for the foreseeable needs of the Island for years to come. Two major developments have contributed to this desirable outcome. First has been the consolidation and management of the rock stockpiles at the Cascade Cliff quarry and rock stockpile site. The second major initiative resulted from a negotiated settlement with a contractor to recover and screen a large quantity of usable rock and other products from the Middlegate site near the school. That work was funded at no cost to the Administration and resulted in a substantial stockpile of high grade rock for future crushing, together with additional materials suitable for road base and other uses. Subsequent work undertaken by the Administration added to those considerable resources by the moving and screening of stockpiles previously held at Youngs Road and Banyan Park. Overall, the result of these major works has been to create substantial new stockpiles of usable high-grade rock and associated materials in addition to the stocks already held at Cascade.

Tourism industry support

All of the tasks listed in the Priorities Plan for the development and growth of tourism to Norfolk Island were completed, including major industry consultations and preparations for the review of the Unity 2005 document. However, the tourism industry faced one of its biggest challenges in many years, with the collapse of Norfolk Jet Express in June 2005. It is now clear that a range of factors resulted in the failure of that company, especially the extreme competition on fares resulting from the growth of discount air services in Australia and between Australia and New Zealand.

Faced with the immediate cessation of air services between Norfolk Island and the Australian mainland, the Norfolk Island Government, with the support of the Assembly, acted decisively to protect passengers, ticket holders and tourism wholesalers by establishing air charter services. This was achieved by expanding the existing Norfolk Island Airport GBE and entering into contractual arrangements with three major private sector organisations to provide charter flights, ground handling, passenger processing, airfreight and

associated services. It was the Government's view at the time – and remains our view – that the economy of Norfolk Island is heavily dependent on tourism and that airline services to and from Australia must be maintained and expanded. By contrast, the Commonwealth's expressed policy at that time was that provision of air services to remote communities was a role for government only if other existing air services were not available. That is, while Air New Zealand was flying, there was no role for the Commonwealth.

The Norfolk Island Government strongly disagreed with that position, which could have resulted in the near total collapse of Norfolk Island's critical tourism industry. Faced with the Norfolk Island Government's decision to maintain air services to Australia, the Commonwealth subsequently funded a limited consultancy to advise on fare structures and possible options for future air services. The Government continues to negotiate with a number of commercial airlines in an endeavour to find a long-term replacement service, but these have been protracted in large measure due to the requirements of Commonwealth legislation and airline policies.

The government air charter services have been designed to maximise visitor numbers rather than to accumulate operating profits. To date, over \$1.5 million worth of valid Norfolk Jet tickets have been honoured, and apart from that commitment the air service has operated close to a break-even point. With almost all Norfolk Jet tickets now accounted for and strong growth in forward bookings, services were expanded from the start of March to include Sunday flights under charter from Air Nauru, which has a codeshare arrangement with Qantas. Air Nauru expects to be able to convert those flights to its new 737 aircraft from some time in April, which will bring incoming seat capacity from Australia to around 42,000 seats per annum to add to the existing capacity of around 13,000 from New Zealand.

In addition to the support of air services, the Assembly voted an increase of \$400,000 in the tourism promotion funds made available to Norfolk Tourism. This has resulted in some innovative new promotions and special packages which are now beginning to bear fruit in the form of encouraging forward sales. Norfolk Tourism also took over responsibility for the Jazz Festival and Opera in the Ruins, previously conducted by Norfolk Jet, and will continue to promote those events and to support the ongoing programme of community activities and events. Overall, recovering the tourist market and aiming for growth has been a difficult and slow process, but we are now seeing progress and I am optimistic about the prospects for real growth in the future.

Immigration review

Progress on the review of immigration and population policy has not been as rapid as might have been hoped at the commencement of the 11th Assembly. While some progress has been made through legislative amendments and fine-tuning of existing procedures, which were undertaken by the Hon. John Brown in his previous Executive role, this area remains one which deserves greater scrutiny and action in the remaining part of the term of this Assembly.

Roads

Most of the strategy outlined in the Priorities Plan for roads has been incorporated into the Administration Management Plan and the Asset Management Plan. These documents set out short-term and long-term strategies for road maintenance, improvement and replacement.

Despite the difficult budgetary situation which has largely resulted from the decline in tourist numbers, there have been some significant steps undertaken to improve Norfolk Island roads and planning for the future. For a small, remote community, we already enjoy a very high proportion of sealed roads when compared with similar shires or towns in Australia. Around 90% of public roads are sealed, and while many require further improvement or maintenance, it is extremely rare for Norfolk Island public roads to be closed due to weather or poor condition – in stark contrast to what occurs in similar mainland communities.

The Assembly recently agreed to a private roads policy which has resulted in nine roadways previously classified as “private” becoming part of the public roads network. Major reconstruction work has been undertaken on Marshs Road and JE Road.

The Government will be dealing with projected expenditures on road rebuilding and improvement identified in the Asset Management Plan in the 2006-07 budget now in preparation.

Economic policy – achievements and the future

Mister Speaker, the summary I have given of the actions taken to implement the Assembly Priorities Plan largely outlines the economic and social policies which have been pursued by the Norfolk Island Government with the support of the 11th Legislative Assembly. In summary, the major economic policy initiatives of the first part of the term of this Assembly have been:

- Creation of a government airline service through expansion of the Airport GBE. This service has operated reliably for the past nine months, stabilising passenger services and doubling the amount of airfreight in both volume and revenue. In turnover, it has become the largest government business enterprise in the history of Norfolk Island and has been the major factor in preventing the collapse of the vital tourist industry. It has protected holders of Norfolk Jet tickets from losses and has aimed to maximise visitor numbers by operating at a break-even point rather than seeking to generate business profits. It has recently increased services to include additional Sunday flights and expects that incoming seat capacity from Australia will be expanded to a rate of almost 42,000 per annum from April 2006. When added to the capacity of flights from New Zealand, Norfolk Island should have around 55,000 incoming seats available per annum from that time.
- More than \$400,000 in additional funding has been made available for tourism promotion. This has helped to stabilise the tourism market and is now resulting in pleasing growth in forward bookings for coming

months. The newly appointed General Manager of air services and General Manager of Norfolk Tourism are working closely together on a range of tourism and air service initiatives for future months.

- Substantial expenditure savings have been achieved through review of all public sector structures and functions and changes to restrict recruitment and overtime.
- A modern and progressive telecommunications strategy has been put in place, which will increase revenue, provide new telecommunications services to the public and reduce Norfolk Telecom costs.
- A comprehensive strategy for the provision of crushed rock has resulted in high levels of production and the creation of new stockpiles which will meet future needs for many years.

These major policies, and many more detailed initiatives, have been aimed at stimulating the Norfolk Island economy and commencing a process of economic growth through the recovery of the tourist industry. I will be making a separate announcement later this week about some joint public/private sector initiatives to assist in the revitalisation of small businesses in Norfolk Island.

I have been concerned to note the statements of my Commonwealth colleagues and their departmental staff indicating that nothing has been done to deal with the economic issues facing Norfolk Island and that the Administration and Government are facing insolvency in the foreseeable future. We do not accept that assessment, neither do we intend to take no action to deal with the economic challenges in front of us.

The Commonwealth has relied heavily on the report of Acumen Alliance, which I believe to be seriously flawed in its methodology and conclusions, many of which were based on draft asset management information which has since been significantly modified. When the revised figures are properly taken into account, the conclusions about the economic sustainability of Norfolk Island are much less alarming and the situation is clearly manageable. The Commonwealth has chosen to act on the Acumen report without engaging in the consultation with Norfolk Island Government as it had previously promised. It has also failed to supply the information we sought on the modelling used by Acumen, which would have enabled us to assess its conclusions and what action should result.

It is further clear that the Acumen report was far from "independent". One glaring example was its claim that a wide range of services provided by the Norfolk Island Government were in fact supplied by the Australian Government. In contrast, reports from genuinely independent consultants engaged by the Norfolk Island Government have outlined strategies and specific actions that will continue the sustainability of the current governance model, provided that certain policy and structural changes are made. Some of those measures have already been put in place and others will be introduced in the budget for 2006-07.

Mister Speaker, I now return to the one item not already covered from the 11th Assembly Priorities Plan. That was the very first item in the Plan and involved the maintenance and strengthening of self-government for Norfolk Island. That goal now seems further away than ever, with the announcements by Minister Lloyd that the Commonwealth proposes to remove some of the powers of self-government and to move to one of two models, either of which would drastically reduce the autonomy of the Norfolk Island Government and community. I regret to advise the Assembly that in the face of these clear statements of intent by the Commonwealth, the visionary goals of the Priorities Plan are unlikely to be achieved in the near future. However, as I have said many times recently, the Norfolk Island Government intends to vigorously engage in constructive dialogue with the Commonwealth during the remainder of this year, with a view to achieving the best possible outcomes for the people of this Island, which we all value so highly.

Thank you, Mr Speaker.

Geoff Gardner
Chief Minister of Norfolk Island

15th March 2006