

**Commonwealth Grants Commission Consultation Conference
17 August 2006**

Opening remarks by Chief Minister of Norfolk Island, Hon David E Buffett

Chairman Alan Morris, Commissioners Ross Williams and Glenn Appleyard, officers of the Commonwealth Grants Commission, ladies and gentlemen:

It was my pleasure to meet with the Commissioners and staff of the Commission yesterday. Today I repeat in public my warm welcome to all of you to Norfolk Island. For some of you who have been here before, welcome back, and for those here for the first time I trust that you will take what opportunities are available to experience the delights of our beautiful island home.

I wish to start by commending the Grants Commission for the manner in which it has conducted its Review of the Financial Capacity of Norfolk Island. The Chairman and staff of the Commission have made great efforts to meet with and consult our community at many levels. We have appreciated the openness and availability of all Commission representatives and thank you for taking the time to attempt to come to grips with the special factors which comprise the unique social, cultural, economic and political community which is Norfolk Island.

This Community Consultation meeting is a further illustration of the consultative approach taken by the Commission, and I congratulate all involved in arranging this important initiative. I also recognise the seriousness with which the Commission has tackled the tasks set for it by its terms of reference which have clearly hindered it from considering all aspects of the financial capacity of Norfolk Island. The Grants Commission 1997 report was a comprehensive study of the administrative and financial capacity of Norfolk Island economy and pointed the way towards economic and social progress. Regrettably, in 2006 the

Commission was not given the time or the authorisation to conduct a similar fulsome study.

In its submission to the current inquiry, the Norfolk Island Government drew attention to the inadequacy of the terms of reference in the following terms:

The NIG is of the opinion that the draft terms of reference for the current CGC inquiry are incomplete and inadequate. In particular, NIG is disappointed that ...the CGC has not been charged with reviewing its 1997 Report but instead has been given terms of reference which will result in an unbalanced assessment of the financial capacity of Norfolk Island if it only has regard to local and state revenue and expenditure.

Mr Chairman, at this moment in time Norfolk Island stands at the crossroads. We have signposts pointing in many directions, with the Commonwealth Government trying to direct us down a certain path. As part of its consideration of changes to Norfolk Island governance, the Commonwealth has established a number of inquiries to look at various aspects of the administration and economy of Norfolk Island. In some ways, those inquiries have added even more signposts, not all of them pointing in a consistent direction. Most of those inquiries, like that of the CGC, have been constrained by limited terms of reference and a lack of detail from the Commonwealth about what its proposals involve.

The Australian Bureau of Statistics undertook a study of the business community which by definition excluded consideration of business activities within the public sector. Acumen Alliance looked at the solvency of Norfolk Island Government and Administration and at the maintenance and upgrading of public infrastructure. However, it was not tasked to take into account policy changes or new programmes and therefore drew conclusions that were incomplete and of doubtful relevance. The Grants Commission's inquiry into the financial capacity of Norfolk Island has been limited to consideration of the types of services and revenue measures of local and state /territory jurisdictions within Australia. The Centre of International Economics has just commenced an economic impact study of the extension of Commonwealth legislation to Norfolk Island.

The Commonwealth has funded all of these studies which have produced, or will produce, useful information about aspects of the Norfolk Island economy. But even if taken together, they fall well short of a comprehensive analysis of the Norfolk Island economy and its sustainability. As well, there is an almost total lack of consideration of the social and cultural impacts of the Commonwealth proposals. It is of great concern to the Norfolk Island Government that despite all of the frenetic activity since Minister Lloyd's announcement of governance changes in February 2006, the Commonwealth is moving towards final decisions taking into account mainly this disparate but incomplete body of information.

Faced with this situation, the Norfolk Island community and Norfolk Island Government have not sat on their hands. For example, the Norfolk Action Group has grown into a vigorous representative body which has undertaken substantial analysis of the study reports published so far. Based on that analysis, it has put forward its vision of a sustainable Norfolk Island without the need for major structural changes to governance, taxation and legislation. The Group is in the process of collating final results of a detailed community survey conducted in recent weeks, which will give a picture of the types of services sought by the people of Norfolk Island. I understand that there has been a strong response to the survey, and look forward to incorporating its valuable findings into Government social planning and economic policies.

For its part, among other initiatives the Norfolk Island Government commissioned EconTech, a respected econometric research company, to examine its current and future financial position and to produce a model to assess the direct and indirect impacts of policies. EconTech used an economy-wide model to compile the findings which it has recently provided to the Government, and will produce a detailed report in the very near future. Unlike the studies commissioned by the Commonwealth, the EconTech modelling provides a comprehensive picture of the Norfolk Island economy. The EconTech findings and model will form part of

the discussions which my Ministerial colleagues and I will hold in a meeting with the Minister for Territories in Canberra next week. So as not to jeopardise the purpose of that meeting, I am not in a position to release the detailed EconTech findings today. But I can inform you that the study provides a much more optimistic picture of Norfolk Island sustainability than some earlier reports.

In summary, EconTech found that Norfolk Island Government's financial position is sound and is fully sustainable, including adequate provisions for depreciation and infrastructure replacement, with the ongoing implementation of policies already in place to expand airline services and boost tourist numbers and to stabilise revenue collections.

It is critical to reiterate that the EconTech model takes into account direct and indirect effects of policies, thus allowing for flow-on or multiplier factors. This was notably lacking from the earlier studies, which used a partial indicators approach rather than an economy-wide model.

I believe that it is relevant to consideration of the Grants Commission staff paper which will take place over the next two days to take into account that the economic tools now available to the Norfolk Island Government will enable us to adjust policy to ensure the future economic growth and sustainability of Norfolk Island. That does not mean that there should not be full consideration of the comprehensive information in the Commission's study concerning local and state style services and revenue measures and the important concepts it raises about revenue sharing and comparable communities.

I do not propose in these opening remarks to engage in debate about the detail of the Grants Commission paper. Representatives of the Norfolk Island Government and Legislative Assembly will be present at the sessions of the Consultation Conference and will join in the discussions. As well, the Chief Executive Officer of the Administration of Norfolk Island will be present together

with other senior officers. They have already raised many issues of detail with Commission staff and will carefully note any matters discussed today and tomorrow which may require the attention of the Government.

I have, however, noted some fascinating items in the Commission paper and wish to comment on one or two. I found it of great interest that average per capita local government-type revenues in Norfolk Island were found to be substantially higher than in the states and territories used for comparison, and in fact were higher than the average for all states. This is not a finding that Norfolk Islanders are highly taxed, but rather a reflection of one of the many differences in our community which make Norfolk Island so distinctive. Over half of the revenues which contributed to the higher average in Norfolk Island arose from the operation of our various Government Business Enterprises. Of course, these revenues in turn were used to provide essential community services and public facilities. It is perhaps worth noting that Norfolk Island, unlike all of the other jurisdictions, did not receive any Commonwealth grants or subsidies relevant to local government-type functions.

Another issue which stood out was the difficulty encountered by the Commission in identifying which revenues and services should be classified as being state-type or local-type. Its terms of reference excluded it from considering federal-type areas. The reality is that Norfolk Island Government and Administration operate in an environment which consolidates all three types of functions into a seamless single model, which I believe to be a more cost-effective and efficient structure than the compartmentalised arrangements implied in the Commonwealth's governance proposals.

Mr Chairman, thank you for inviting me to make some opening remarks today. I trust that everyone involved will find the Consultation conference productive and look forward to hearing of the conclusions reached. Thank you.

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