



## THE GOVERNMENT OF NORFOLK ISLAND

### MEDIA RELEASE

# **Global financial crisis has cost Norfolk Island public finances \$5 million – Chief Minister**

Norfolk Island Chief Minister André Nobbs said today that the direct effects of the global financial crisis on Norfolk Island finances was around \$5 million in the 2008/09 financial year and the first three months of 2009/10.

The audited consolidated financial statements of the Administration of Norfolk Island for 2007/08 and 2008/09 show an overall bottom line change between the two financial years as -\$5,090,135. This figure comprises a drop in revenues of \$3,915,887, almost all of which is attributable to the 15% reduction in tourist arrivals arising from the global financial crisis (with much of the fall being among superannuants and retirees, whose incomes were most affected by the downturn), and an increase of \$1,112,933 in expenditure flowing from the general wage increase awarded by the Norfolk Island Public Sector Remuneration Tribunal.

The effects of the global financial crisis on public revenues have mainly occurred in reductions of direct revenues from passenger movement charges and departure fees; reduced GST collections arising from lower levels of economic activity; and losses incurred by Government-owned Norfolk Air. The Government remains committed to supporting Norfolk Air, which is an integral part of the Island's tourism industry. While the decline in passenger loadings has slowed, the downward trend has not been fully arrested and Norfolk Air has lost a further \$1,027,000 in the first three months of fiscal 2009/10.

This has placed the Revenue Fund at 30 September 2009 in a position approximately \$6 million worse off than at the start of the 2008/09 financial year, with almost \$5 million of that figure attributable to the global financial crisis. Because of Commonwealth legislation, the Norfolk Island Government is unable to borrow to cover this amount or to incur ongoing deficits. It has implemented a wide range of measures to deal with the situation, including:

- Sale of surplus assets, including land, houses and buildings;
- A freeze on discretionary spending and tight controls on capital expenditure, including expenditure already approved and appropriated;
- Prioritised payment of creditors;

- Applications for Building Australia Fund infrastructure support for nominated projects;
- Increases in taxes, fees and charges.

Mr Nobbs said that all other available options would be considered, including the current Legislative Assembly inquiry into changes in liquor importation and wholesaling.

The Chief Minister welcomed the advice received this week from the Australian Minister for Home Affairs (the Hon Brendan O'Connor MP) that the Commonwealth would defer for one year the payments due in 2009/10 on the loan for the Norfolk Island Airport runways loan, and that the Commonwealth would remove the obligations to make payments into a runway trust fund for the next airport upgrade due in around 14 years.

"These concessions by the Commonwealth will take the pressure off some of our future commitments and our forward budgeting", Mr Nobbs said. "I have today written to Minister O'Connor expressing our thanks for these decisions, and requesting a meeting with him in Canberra next week to progress discussions on options for short-term financial relief previously alluded to by the Minister for Finance and Deregulation and for a more stable and reliable future fiscal relationship with the Commonwealth".

The Chief Minister said that the Norfolk Island Government was disappointed that although almost 11 months had elapsed since it sought financial stimulus from the Commonwealth, the only firm decision that had been made was in relation to the airport loan, which had effectively been on the table for an even longer time. He said that Norfolk Island had put forward a more detailed submission for financial assistance, based on a number of arguments including the effects of the global financial crisis and the imbalance between Norfolk Islanders' substantial contribution to Australian taxes when compared with relatively modest Commonwealth expenditure on services and programmes for the Island.

André Nobbs  
**Chief Minister**

13 November 2009