

Submission to the Joint Standing Committee on the National Capital and External Territories

Inquiry into local governance on Norfolk Island.

From: Ronald. J Ward

16th March 2023

Background:

This inquiry into Norfolk Island local governance is welcomed by many long-term residents in the island community who have become increasingly alarmed at the impacts and consequences of the governance changes imposed since 2015/16.

It has become obvious that the model of local government established after the abolition of the Norfolk Island Legislative Assembly has not performed well nor improved the delivery of services it is responsible for.

Since its inception in 2016, senior management of the Norfolk Island Regional Council (NIRC) has directed the focus of accountability entirely to the Commonwealth department administering the island – with negligible, if any accountability to the Norfolk Island community. This is a direct result of structural issues that resulted from inappropriate advice the department relied upon before, during and after the abolition of the Norfolk Island Government.

The establishment of a Regional Council modelled on shires within the state of New South Wales has not, and cannot effectively function a small, geographically remote island out in the Pacific Ocean.

One of the primary failings of the Local Government Act for the Norfolk Island situation has been its integral reliance upon property rates as a revenue source.

Terms of Reference:

1. alternative approaches to property-based taxation revenue collection ('land rates') that are appropriate and equitable for the Norfolk Island community;

NIRC's contracted consultants Kategic Ltd, tasked with developing a rating system quickly recognised the inappropriateness of rates on Norfolk Island and stated in their report to NIRC:

"Generally, a Councils Base yield is calculated to equal the cost of running the Local Government Authority, However in the case of Norfolk Island, this cannot be achieved. This small number of properties cannot contribute a high enough Base Rate per property without exceeding the 50% yield rule. Therefore this approach is not feasible for NIRC".(Page 101, 2018-2019 Rating Model Report to NIRC March 21 2018)

Compounding this issue has been the practice of charging rates – base rate +ad valorem on minor easements and boundary adjustment portions. This appears to be a deliberate ploy to make it appear there are more taxable portions than is the reality. Letters to NIRC's General Manager seeking aggregation of portions for the purpose of rate calculation do not get answered.

There are alternatives to the charging of land rates that are worthy of serious consideration and thorough analysis.

1. A local goods and services levy imposed on the purchase price of all goods sold commercially on the island, and on trades and services operating within the island. Up until 2015, the Norfolk Island Government collected between 6-7 million dollars per annum through this form of taxing. Given the community now pays income tax which facilitates the Commonwealth extending social security and other services (and thus relieving Norfolk Island from raising the revenue to cover these costs), the target GSL rate should be set significantly lower. GST/GSL tends to be preferred by retailers as they are not liable to pay the fee until the imported stock item/s are sold.
2. An import duty on all imported items of value. As most goods are manifested on freight carrying aircraft or ocean-based vessels this can be achieved at a relatively low cost to administer. This system is less favoured by retailers as they are required to pay up front for their imports irrespective of how long the stock takes to sell on.

Both of the above systems and some possible variations of these concepts are more equitable as they directly tax each person based on what they spend. Those who undertake property development and other waste generating activities would be paying directly for the services they are using. Currently people on fixed incomes and aged pensioners are being taxed through the rates system to subsidise well-resourced home builders and property speculator developers activities.

2. whether the categorisation of the Norfolk Island Regional Council as a 'Rural Council', for the purposes of the Local Government Act 1993 (NSW)(NI) results in

an appropriate quantum of funding given the geographic remoteness and population density of Norfolk Island;

This categorisation alone cannot facilitate the appropriate quantum of funding needed to deal with the highly expensive waste processing and export of waste materials. Norfolk Island was derided for disposing of waste into the ocean. The reality is that a range of relatively inert submersible materials could be disposed of at minimal cost. Now these materials are set to cost massive amounts to export to Australia. In around 2011 a poorly considered high temperature incinerator was nominally funded by a Commonwealth grant. In 2015 it was estimated the device would have consumed \$600,000 dollars per annum in gas usage alone. Today's gas prices are substantially more expensive. There is however technology known as air curtain burners that could minimise the amount of material that needs to be exported. Trials conducted by the former Administration of Norfolk Island were most encouraging. The Commonwealth has instigated this expensive export of waste, so it should be willing to fund the equipment needed to minimise the costs or be willing to carry the ongoing export costs.

3. the impact of limiting access to state-partner grants on the financial sustainability of the Norfolk Island Regional Council;

This constraint is typical of the issues Norfolk Island faces in many areas, serviced by Australia Post yet our 2899 post code is increasingly vetoed by many suppliers. A range of online forms and proformas that don't work for us because of our different telephone numbers. There are many instances where Norfolk Island simply doesn't fit in with Australian systems yet aren't quite perceived as foreign either. While there are always people who are keen to seek out any available funding there are many long-term Norfolk Islanders who prefer to "live within our means" and not be a drag on external communities, State or Commonwealth. There is often a failure to consider the impact of Commonwealth funded projects such as competition for inwards freight capacity and competition for locally stocked materials, labour or other resources. This is not intended to disparage the value of such projects but a factor to be recognised and considered.

4. the relationship between property-based taxation and the delivery of commensurate local government services;

In Australia a person can choose to live in whatever area their incomes and amassed fortune allows. If a Norfolk Islander is priced out of his/ her island homeland by the current pro-development economic policies there is no cheaper suburb or place for them to go.

In a letter received from the Hon K. McBain dated 24th January 2023 she states:

- a. "The new subcategorization of rates allows for a more even and equitable distribution of rates and waste management charges among Norfolk Island residents. The majority of residents will see a decrease in the amounts they pay on their rental properties"

The reality is this subcategorization reduced the charges to these commercial properties and increased the burden on owners of undeveloped lands whose lands are contributing little if anything to the waste stream.

- b. "The rates and waste management charges allow for the provision of services and maintenance of infrastructure for the benefit of the Norfolk Island community. In 2022/23 the Australian Government has provided a \$1 million subsidy to minimise impact on the community. Council has previously supported payment plans to those experiencing hardship and rebates also apply to eligible pensioners."

The reality is that pensioners are only eligible for a rebate on one portion of land even though their home may be on an aggregation of portions and the supported payment plans do nothing to alleviate the burden rates have imposed.

5. the resilience and sustainability of current and alternative revenue approaches, noting the impact of COVID-19 on Norfolk Island's economy;

While there is a certain level of expenditure that has to be met irrespective of wide-scale external events a system of governance that is flexible enough to reduce discretionary expense during such times along with essential decision making being done by democratically elected people who understand the island's values and culture would be substantially better than the current under-administration Council presently trying to make decisions on our behalf.

6. the current governance model that supports the Norfolk Island Regional Council under the Local Government Act 1993 (NSW)(NI);

The Local Government Act is an adapted Act designed for managing various shires throughout New South Wales. The prohibition on local governments raising taxes has been a significant impediment, for this reason alone there is merit in Norfolk Island returning to a form of self-government. A more cohesive approach to what laws are applicable is also needed. The use of Queensland as a service delivery contractor adds further complexity to the legal mix.

7. alternative approaches to local government and local representation utilised across Australia;

Norfolk Island needs a system designed to suit its unique circumstances and history. The governance concept being developed by the Norfolk Island Council of Elders and Norfolk Island People for Democracy offers a credible way forward to facilitate the Norfolk Island community having the input into a new form of governance that was lacking in the 2015/16 takeover.

8. whether alternative approaches sustainably achieve the key outcomes of local government;

While no economic or governance system is 100% resistant to international financial failure or the impacts of a pandemic, a GST/GSL revenue base combined with prudent and resourceful management will ensure a more sustainable and resilient economy than the current policy of systemic dispossession.

The current local governance does not enjoy the community support it needs to be successful. Adequate consultation and factoring in the outcome of such consultation will be essential to achieve a better system of governance.

9. *whether alternative approaches equitably increase local representation and decision-making; and*

Re-establishing a credible form of self-government devoid of any form of grandiose indicators would enable people to approach their elected representatives or a particular member with responsibility for specific areas of responsibility. The systemic withholding of information from the 1st NIRC elected council and the resulting dismissal of that council highlights the need for change and the need for the administrative staff to be accountable to the elected body.

10. *whether alternative approaches would appropriately support the additional functions the Norfolk Island Regional Council provide on behalf of the Commonwealth.*

As most if not all of these functions have previously been administered by Norfolk Island there is no reason why these functions could not be adequately be managed by the new government. Establishing clear guidelines and responsibilities from the outset will be paramount.

Conclusion

Norfolk Island is very small area whose environment is its primary asset, much of which is endangered under IUCN guidelines. An over populated, over developed remote island has no appeal for tourism. The imposition of rates forces many people to minimise their holdings as a means of minimising their rates burden. Small properties impact the island's ecology as large trees such as the Norfolk Island Pines and White Oaks pose risk to buildings and other infrastructure, whether this be to the property they grow on or to adjacent neighbours. Equally important is the Norfolk Island custom of hereditary acquisition of family lands, this is a way to ensure island families maintain a stake in their homeland. The absence of rates was in effect a form of safety net. Islanders have no alternative place to go if priced out by inappropriate economic policy.

Norfolk Island people recognise that Rates have the effect of undermining security of tenure over their lands, especially as the island economy lacks the size, diversity or capacity to sustainably service the imposed Rate burden. When combined with the increased demand for homes and land driven by the Commonwealth's act of opening immigration to all Australians, a highly volatile and destructive policy has been established.

Thanking you for this opportunity to comment,

Ronald J. Ward