

Introduction

Norfolk Island - a history of reports and reviews

- 1.1 The need to reform Norfolk Island, a self-governing external territory of Australia since 1979,¹ has long been a subject of discussion. Over the decades, there have been numerous reports and reviews on governance arrangements and economic development on Norfolk Island, completed by this Committee, and others, including the Commonwealth Department of Infrastructure and Regional Development (which has portfolio responsibility for Australia's external territories, hereafter referred to as DIRD) and experts.²
- 1.2 In March 2014, the Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP (hereafter referred to as the Minister) referred to the abundance of reports and reviews produced to-date:

Over the last four decades there has been a plethora of reviews and reports looking at these arrangements, including a royal commission conducted in 1976, 12 separate parliamentary inquiries and the commissioning of more than 20 reports from experts in various fields including outgoing reports from former

1 Norfolk Island was established as a self-governing territory by the *Norfolk Island Act 1979*. (Cth). See the Department's website for details, including the island's history and administrative arrangements: http://regional.gov.au/territories/norfolk_island/index.aspx.

2 See for example: Joint Standing Committee on National Capital and External Territories reports such as *Report of the visit to Norfolk Island 29-30 April 2013* (June 2013) and *Inquiry into Norfolk Island Governance Part 2: Sustainability of Government* (December 2005); the consulting firm ACIL Tasman's *Norfolk Island Economic Development Report* (March 2012); and the Deloitte work (still in draft form) *Norfolk Island Government Business Analysis* (2014).

administrators. All of these reviews, reports and audits have been unanimous in recommending significant changes and reforms.³

Three years on from the Road Map little progress made

1.3 This inquiry into economic development on Norfolk Island comes three years after the Norfolk Island Road Map was introduced in March 2011. The Road Map was a partnership agreed to by both the Commonwealth and Norfolk Island Governments (the latter hereafter referred to as NIG). Its reform objectives included:

- **Governance** through providing a stronger, more open and transparent form of government, building on the reforms in the *Territories Law Reform Act 2010*; and
- **Economic development** through quick action to address barriers to tourism, particularly reform of air services, access to the Island, and facilities for cruise ships;
- Enabling the Norfolk Island Public Service to provide good financial and policy advice and effective services to the Norfolk Island Government and community;
- Social services including immigration ... removing barriers to business investment ...;
- Access to the benefits provided by the Australian tax system and a fair contribution to the tax system in return for the benefits; and
- Extend[ing] Commonwealth laws to the Island to promote improved economic growth and diversification.⁴

1.4 In March 2014, the Minister said that while the Australian Government had been working with the NIG to introduce public sector and immigration reforms, as well as land valuations ahead of the introduction of municipal rates on island, progress has been disappointingly slow. He acknowledged the steps that previous Australian Governments had taken to help the Norfolk Island community, including the provision of emergency financial assistance on an annual basis and ensuring certainty for the tourism industry by agreeing to underwrite the airline services to the island.⁵ Yet, despite all these measures, he observed:

3 The Hon Jamie Briggs MP, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 25.

4 *The Norfolk Island Road Map* (2 March 2011), p. 4.

5 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 25.

... the Norfolk Island Government seems to lack the capability to address many of the key sustainability issues facing the island.⁶

Minister's visit

1.5 The Minister visited Norfolk Island in February 2014. During the visit he made a speech where he restated the Commonwealth Government's intention to integrate the Norfolk Island community into the broader taxation and welfare system of Australia. He spoke about the challenges facing the island and emphasised the positive opportunities ahead:

Lots of chances for a better future, a stronger economy, more jobs, higher wages, better outcomes. I think if we work together on some of the unique challenges you have, we can achieve that.

It seems to me quite absurd that we have got a different system in one part of Australia than we do in the rest of it, and I think we have to address that quickly. We are going to work away at addressing that, and in doing so now is also the time, to have a good look at how else we can make Norfolk work better for the community and work better for the country.⁷

Community views sought on reform

1.6 On his return to Australia the Minister wrote to Norfolk Island residents noting that almost everyone he met during that visit believed that things need to change. The Minister sought the community's views on the best ways to deliver real changes that will make a difference, including the identification and promotion of economic opportunities, best delivery of essential services and best governance model for the future. The Minister said the input would inform government policy going forward.⁸

Australian National Audit Office report

1.7 In March 2014, the Minister tabled an Australian National Audit Office (ANAO) report on Norfolk Island's financial statements. The independent report outlines the pervasive extent of Norfolk Island's growing debt and

6 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 26.

7 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, 'Speech-Official Reception, Norfolk Island', *media release*, 14 February 2014.

8 Copy of Minister's letter to residents provided to Committee as private correspondence.

associated problems. The Delegate of the Auditor-General paints a picture of the Norfolk Island Administration failing to keep economically afloat:

... the Administration is currently experiencing financial difficulty, associated with a continuing economic downturn and a decline in tourism, and continues to incur losses.

The Administration has prepared cash flow forecasts that estimate that the Administration will not hold sufficient cash and cash equivalents as at 30 June 2014 to cover net cash outflows from operations in the 2014-15, 2015-16 and 2016-17 financial years of approximately \$7.4 million, \$7.4 million and \$7.8 million respectively. In addition these forecasts do not make any provision for any repayments of the outstanding balance of \$11.4 million of a loan from the Commonwealth...

... the forecast significant negative net cash flows and the end of the Commonwealth's current funding commitment to June 2014 give rise to a material uncertainty that may cast significant doubt upon the Administration's ability to continue as a going concern. ... in the event that the Administration does not obtain additional funding from the Commonwealth and/or reduce expenditure in line with available revenue, the Administration may not be able to continue its operations as a going concern ...

However, I have not been provided with sufficient appropriate audit evidence by the Administration of how the Administration and the Consolidated Group's ⁹funding requirements will be met to enable the Administration and Consolidated Group to operate in 2014-2015 and later years. Consequently, I am unable to ... remove significant doubt of the Norfolk Island Administration's and Consolidated Group's ability to continue as going concerns.¹⁰

- 1.8 The Minister spoke about the lack of proper financial controls and poor financial management practices within the Norfolk Island Administration. He emphasised the gravity of the financial situation and the worsening state of the island's infrastructure:

9 The Consolidated statements include the Norfolk Island Administration (including the Kingston Arthur Vale Historic Area, workers compensation and healthcare) as well as the Norfolk Island Government Tourist Bureau and Hospital. Source: Department of Infrastructure and Regional Development, private communication, 13 August 2014.

10 Covering letter in Australian Government Department of Infrastructure and Regional Development, *The Australian National Audit Office Independent Report of Norfolk Island's Financial Statements 2012/3*, (10 December 2013).

These issues identified by the ANAO are longstanding ... but these problems are becoming more critical as deficits increase and essential infrastructure on the island further deteriorates.

There has been no significant infrastructure investment since the 1970s ... The roads are deteriorating. Broadband services are poor. And the island's electricity network is extremely fragile and at risk of collapse.¹¹

Referral of inquiry and terms of reference

- 1.9 Soon after his visit, the Minister referred the inquiry into economic development on Norfolk Island on 25 March 2014, asking the Committee to focus on positive action to encourage diversification and broaden the island's economic base.
- 1.10 The Committee was asked to inquire into and report on:
- redressing barriers to tourism, with particular regard to air services, facilities for cruise ships, roads and other infrastructure;
 - complements to tourism, such as agriculture, other industry or small-medium enterprises; and
 - proposals and opportunities for niche tourism.

Conduct of the inquiry

- 1.11 The inquiry received 34 written submissions from a range of stakeholders including the Commonwealth and NIG, business owners, community groups, former public servants and Norfolk Island residents. The submissions are listed at Appendix A.
- 1.12 The inquiry was advertised in *The Australian* on 9 April 2014, 14 May 2014 and 11 June 2014 and *The Norfolk Islander* on 29 March 2014.
- 1.13 The Committee held five public hearings: four in Canberra and one on Norfolk Island. As part of the proceedings on Norfolk Island, the Committee held two hour-long sessions of community statements during which individuals and organisations were given the opportunity to address any of the terms of reference in a dedicated time slot. The five-minute community statements were an effective way for the Committee to hear from a large number of residents in the time available to it. Members

11 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 25.

listened to different views within the community, key priorities and recurrent themes.

- 1.14 Details of the hearings and witnesses are listed at Appendix B. The transcripts of the hearings are available from the Committee's website.¹²

Visit to Norfolk Island in April 2014

- 1.15 The Committee visited Norfolk Island from 28-30 April 2014. Apart from the public hearing and community statement sessions on 29 April 2014, the Committee undertook a diverse range of inspections, visiting staff at tourist sites, and meeting business owners including farmers, tourist and retail operators, accommodation providers and boutique producers. The visit program is included at Appendix C.
- 1.16 The Committee acknowledges the valuable contribution of all those it met with and the effort put into facilitating an excellent visit program, including by the former Norfolk Island Administrator, Mr Neil Pope, and staff.
- 1.17 The Committee was impressed with the passion and enthusiasm that local resident, Ms Rachel Nebauer, together with Ms Ginny Maidment, put into organising a comprehensive site visit program that focused on the island's small commodity-based industries which complement tourism and/or have export potential. This was a highlight of the visit and instrumental to members gaining insights into the limitations faced by and possibilities for small business owners on the Island.

Bipartisan support for future direction and best outcome for all Norfolk Islanders

- 1.18 During his visit to Norfolk Island, the Minister indicated that there is a bipartisan commitment to:
- ... making sure [that] Norfolk [Island] is as good as can be.¹³
- 1.19 This sentiment was endorsed a month later by the Shadow Parliamentary Secretary for External Territories, The Hon Warren Snowdon MP, when the Minister tabled the ANAO report in the House of Representatives. Mr Snowdon said:
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12 The Joint Standing Committee on the National Capital and External Territories website, Public hearings, http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Capital_and_External_Territories/Norfolk_Island/Public_Hearings

13 The Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, 'Speech-Official Reception, Norfolk Island', *media release*, 14 February 2014.

I commend the Assistant Minister for Infrastructure and Regional Development for his statement on the governance and finances of Norfolk Island and say that we agree with the direction in which the government is heading.

We support the development of a discussion paper but I think those of us on this side of the chamber, with experience of Norfolk Island, which we have had over many years, would say to you: let's expedite the process ...

I am sure the Member for Canberra and I can attest to the strong feeling of support for change ...

It is very important that we actually address the needs of the community on Norfolk Island. Your observations and the examples that you provided about those people that are missing out is a salutary reminder of what we need to do in this place as parliamentarians to make sure all Australians are treated fairly and equally.¹⁴

Scope of inquiry

- 1.20 The Committee sees little point in this report simply repeating the findings of the numerous previous reports undertaken on economic development and governance.
- 1.21 Whilst the Committee's original intention was to focus on economic development and leave governance matters aside – not least because they were not spelled out in the terms of reference – it soon became apparent that sound governance underpins any discussion of economic development.
- 1.22 This is especially the case given the increasingly dire fiscal situation that the Norfolk Island Administration finds itself in.
- 1.23 The Minister asked the Committee to focus on positive action to encourage diversification and broaden the island's economic base. Certainty and confidence is contingent on the introduction of a form of mainstream government. This is a prerequisite for investor confidence and growth.

14 The Hon Warren Snowdon MP, *House of Representatives Official Hansard*, Canberra, 27 March 2014, p. 28.

Report outline

- 1.24 The report consists of five chapters.
- 1.25 Chapter two provides an overview of the economy and governance on Norfolk Island. The purpose of this chapter is not to explore all the failings in full, because few are new ones, but rather to paint a clear and frank picture of the reality today and why change is required.
- 1.26 Chapter three addresses governance reform and what form that might take. Without it, economic development will not be possible.
- 1.27 Chapter four focuses on infrastructure because it is so vital to the economy and a recurrent theme of the inquiry. The focus is on the stalled Cascade Pier upgrade which is expected to deliver two key economic benefits: a greater successful offload rate of cruise ship passengers; and containerised freight.
- 1.28 Chapter five looks ahead to what Norfolk Island's economic prospects might look like once the reforms in chapter two get underway, and Norfolk Island is brought into the Australian system. Reform of the nature described in chapter three should deliver better essential services and provide a framework for new economic opportunities.