

Economy and governance: time to end the stalemate

2.1 The tourist sector has traditionally been the main economic driver on Norfolk Island. A marked decline in tourist revenue has contributed significantly to the current financial crisis. However, it is but one of many fiscal and other challenges facing the Norfolk Island Government (NIG) and Norfolk Island Administration (NIA).¹ Most residents want to see the downward trajectory reversed.

Economy

2.2 The previous Committee visited Norfolk Island in April 2013 and reported that the economic situation there has continued to deteriorate. Specifically:

- Economic activity was down 24% on the previous year;
- Approximately 40% of shops had closed;
- Approximately 25% of the male population aged 25-50 had left the island since August 2011;
- Overall population had dropped by 9.4% since August 2011; and
- Tourism trends were variable ...²

2.3 One year on, the current Committee visited again, and it is clear that economic conditions have not improved.

1 The Norfolk Island Government refers to the Norfolk Island ministry. The Norfolk Island Administration refers to the Norfolk Island public service. The two appear to be used interchangeably, and sometimes confused with, the Norfolk Island Legislative Assembly. This reflects a blurred delineation of powers and responsibilities that is a feature of the territory's self-governing model.

2 The Joint Standing Committee on National Capital and External Territories, *Report of the visit to Norfolk Island 29-30 April 2013*, June 2013, p. 9.

2.4 Mr Bruce Walker, Norfolk Island resident and businessman, painted a grim picture:

Economic activity has dropped off, businesses have closed, real estate sales stalled, and consequently a good number of residents have had to move to other jurisdictions to gain employment that will sustain their families and mortgages. The domino effect on island is very evident without drilling too deep. A good deal of remaining private sector businesses are only marginally viable and on the brink of closing down. You might describe the community outside the public sector as depressed.³

2.5 Ms Elva Leaming, a visitor, observed ‘a noticeable decline’ during a trip she made this year, comparing it with an earlier one in 2011:

- Many properties and good land for sale.
- Many empty shops and the brewery closed.
- Decline in the number of shops selling quality goods.
- Decline in the bulk of goods in quality ware shops e.g. lack of range in shoe sizes.⁴

Unemployment and underemployment - ‘people doing it tough’

2.6 It is common practice for Norfolk Islanders to hold down several different jobs in order to make ends meet. Norfolk Island resident, Mr Peter Wilson described a modest lifestyle and increasing cost of living pressures:

Norfolk Island is about sidelines ... most Norfolk Islanders have at least three jobs. I myself have five ... Many families here still live quite a self-sufficient lifestyle. They grow their own vegies, meat and eggs, and of course catch their own fish. These other incomes then provide us with a sustainable lifestyle. However it is becoming increasingly difficult to survive on our island home as the cost of living rapidly rises, and these sidelines are not producing enough for a reasonable standard of living.⁵

2.7 Mr Neil Pope, Administrator of Norfolk Island from 1 April 2012 to 30 June 2014, pointed to the high cost of living too. He said that residents pay 43 per cent more for their food and groceries. There is also a growing number of ‘people doing it tough’:

... that is witnessed in a number of different ways, not just issues of food parcels but departures from the island – the emigration.⁶

3 Mr Bruce Walker, *Submission 29*, p. 1.

4 Ms Elva Leaming, *Submission 7*, p. 1.

5 Mr Peter Wilson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 33.

6 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 6.

2.8 Mr Julian Yates, a retired senior level public servant with years of experience on territory issues, referred to cases he knew of, individuals struggling on Norfolk Island, people without access to social security benefits. He said:

... the individuals who are in a bad state - and I know of some really tragic stories here – [need to] start getting proper support.⁷

Decreasing population and family dispersal

2.9 Mr Dick Massicks, a local business owner, stated that ‘the permanent population is down to about 1, 300 people.’⁸

2.10 Mr Pope indicated that the population was continuing to decline and that there was a new phenomenon of fly-in- fly-out workers:

You notice every time you fly in and out of mainland Australia to Norfolk Island the number of people on the plane. That was not the case a number of years ago.⁹

2.11 Mr Pope added that family members were having to leave the island in search of employment, and this has an adverse impact on family networks:

You have many people on the island where the primary breadwinner or indeed the children, be it adult children, leave the island to seek work on mainland Australia or in New Zealand. There is a breakdown in the whole fabric of the extended family. That is very hurtful to many people on the island, including the Pitcairn descendants.¹⁰

2.12 Mr Yates also talked about the economic and cultural ramifications for the island of ‘the kids leaving’:

The most productive people are leaving because they can get much better paid work elsewhere. This will inevitably cause [the Norfolk Island] ... culture to fade and degrade as people leave.¹¹

7 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 12.

8 Mr Dick Massicks, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 32.

9 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 6.

10 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 4.

11 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10.

Decline in tourism

2.13 Tourism accounts for 41 per cent of Gross National Product on Norfolk and is the island's principal economic activity.¹² Mr Glen Buffett, General Manager of the Norfolk Island Government Tourist Bureau (also known as and hereafter referred to as Norfolk Island Tourism) told the Committee that there had been a spike in tourist numbers since the Committee last visited:

In the last 10 months we have seen growth year on year in tourism figures ... Month on month we are seeing the differences in seasonality still affecting us, but we are definitely seeing growth.¹³

2.14 Mr Buffett provided a table titled 'Visitor numbers in comparison to previous year' that contrasts visitor numbers, on a month by month basis of 2012-2013 with 2013-2014. According to these figures there was a 9 per cent increase in visitors from 19, 513 in 2012/13 to 21, 204 in 2013/14.¹⁴

2.15 Mr Buffett said there was now more market confidence, related to the stability afforded by the airline contract with Air NZ, growth in Australia and New Zealand and the bureau having implemented 'a whole range of different marketing formats to see that growth realised'. He added:

... I cannot see any reason why that growth will not continue, albeit at a slower rate ...¹⁵

2.16 Mr Michael Prentice, tour company operator, informed the Committee that his daytime tours, shows, feature dinners and events on island are growing and he believes that trend will continue.¹⁶

2.17 However, the Tourism and Transport Forum (TTF) says that visitor numbers have reduced markedly in the last decade:

... declined from a recent peak of almost 40, 000 in 2003 to around 23, 500 in 2013-14 according to visitor data on the Norfolk Island Government website.¹⁷

2.18 Others agreed¹⁸ and voiced their concern about the overall industry trend, which is a decline in tourist numbers. Owner operator of the Gallery Guava and Fletcher's Mutiny Cyclorama. Ms Sue Draper said:

12 Tourist and Transport Forum, *Submission 2*, p. 1.

13 Mr Glen Buffett, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 12.

14 Norfolk Island Government Tourist Bureau, *Supplementary Submission 6.1*, p. 2.

15 Mr Glen Buffett, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 12.

16 Mr Boo Prentice, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 34.

17 Tourist and Transport Forum, *Submission 2*, p. 1.

When I first moved here we had around 15,000 more visitors per year and that number made quite a difference in terms of money coming to the island and circulating a flow on effect through the community and government.¹⁹

Barriers to growth in tourism

2.19 There are a number of barriers to tourism growth on Norfolk Island. The NIG has little or no control over some of these. Austrade explained that there are external contributing factors, such as the global financial crisis, and natural constraints around the size of the industry:

Its small population means that it cannot support commercially sustainable aviation services and does not have the infrastructure to support large tourism numbers.

It is less than 35 square kilometres ... it has one of the smallest populations of any country or dependency in the world.²⁰

2.20 There is also 'a number of internal factors' which have accelerated the decline of the tourism industry. According to the Department of Infrastructure and Regional Development (DIRD) these include:

- High accommodation and event costs when compared to other overseas holiday locations close to the mainland (i.e. South-East Asia);
- Difficulty in identifying as a destination of choice for the masses of Grey-Nomad groups travelling in regional Australia in mobile homes and caravans;
- Attracting new visitors and providing an ongoing variety of activity and entertainment to generate repeat visitation;
- Ageing infrastructure (e.g. tourism, roads, telecommunications); and
- A lack of new investment and inadequate product offering in all areas, including accommodation, retail, hospitality and events.²¹

2.21 Norfolk Island Tourism listed barriers identified by its stakeholders to tourism growth, new tourism investment and development of new tourist markets, including:

- Lack of clarity on future governance for Norfolk Island;

18 See also Mr Dick Massicks, *Submission 17*, p. 3, and Mr Julian Yates, *Submission 3*, p. 2.

19 Gallery Guava and Fletcher's Mutiny Cyclorama, *Submission 12*, p. 1.

20 Mr Nicholas Dowie, Assistant General Manager, Austrade, *Committee Hansard*, Canberra, 26 June 2014, p. 1.

21 DIRD, *Submission 30*, p. 7.

- Inconsistent regulatory environment;
- Uncertainty on taxation regime;
- No business development incentives;
- Restricted Commonwealth tourism grant access;
- High duty on capital items;
- High air and sea freight costs;
- Limited private sector industry group leadership;
- Lack of available industry and business statistics;
- Reduced tourism budget allocations;
- Lack of suitable Convention, Entertainment or Sports Centres;
- Limitations in skilled workforce;
- Need for Australians to have valid passports;
- Inability of Australian visitors to utilise Medicare rebates on island;
- Insurance costs;
- Longer term Air Service stability;
- Waste management practices;
- Private/ government partnership policy; and
- Outdated legislative regulations.²²

2.22 Submitters reiterated the above concerns, and elaborated on additional obstacles including:

- planning requirements and zoning that makes it difficult to change residential dwelling to registered tourist accommodation;²³
- restrictions on and opposition to immigration;²⁴
- high cost of the Norfolk Island GST²⁵;
- expensive electricity and telecommunications²⁶;
- high Norfolk Island import duty²⁷;
- lack of appropriate roads maintenance²⁸ and adequate footpaths;
- an old sewerage system, which only serves part of the Island;²⁹

22 Norfolk Island Tourism, *Submission 6*, p. 6.

23 Tourism Action Group, *Submission 19*, p. 1.

24 See for example: Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3; DIRD, *Submission 30*, p. 2; and Mr Dick Massicks, *Submission 17*, p. 5.

25 See for example: Mr John Brown, *Submission 32*, p. 2; and Mr Steven Brooks, Tourism Action Group, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27.

26 See for example: Mr Brad Forrester, *Submission 28*, p 2, Ms Charisse Clarke, Norfolk Island Liberals; *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20; Mr Steven Brooks, Tourism Action Group, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27; and Tourism Action Group, *Submission 19*, p. 3.

27 Tourism Action Group, *Submission 19*, p. 1

28 See for example: Mr Brad Forrester, *Submission 28*, p 2; and Mr John Brown, *Submission 32*, p. 2.

- [ineffective and malfunctioning] Government Business Enterprises (GBEs)³⁰ – charging higher than desirable fees as a general revenue measure to cross-subsidise other activities, rather than charging on a cost-recovery/fee for service basis;³¹
- reduced money available for and spent on marketing;³²
- reluctance or inability to adapt the tourist product; and³³
- limited engagement with Tourism Australia and exclusion from the Australian Tourism Data Warehouse (ATDW).³⁴

Committee comment

- 2.23 Many of the barriers to growth in tourism will only be satisfied by a change in governance arrangements.
- 2.24 Taking just one of the significant barriers – limited engagement with Tourism Australia³⁵ – illustrates how the self-governance model does not serve the best interests of Norfolk Island’s tourist sector and economy.

A significant barrier: Norfolk Island’s limited association with Tourism Australia

- 2.25 Submissions from Norfolk Island Tourism and Christmas Island Tourism Association (CITA) referred to their exclusion from the traditional tourism structures that operate on the mainland as a major limitation.
- 2.26 CITA explained:

29 Mr Julian Yates, *Submission 3*, p. 2

30 Government Business Enterprises on Norfolk Island include the airport, telecom, the electricity undertaking, the philatelic post office, water assurance schemes, waste management. Source: The Hon Tim Sheridan, Norfolk Island Minister for Finance, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 10.

31 See for example: Mr Dick Massicks, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 32; DIRD, *Submission 30*, p. 5; and Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

32 See for example: Mr Dick Massicks, *Submission 17*, p. 3; Ms Elva Leaming, *Submission 7*, p. 3; and Tourism Action Group, *Submission 19*, p. 1.

33 Mr Julian Yates, *Submission 3*, p. 2.

34 The Australian Tourism Data Warehouse is a joint initiative of Tourism Australia and all Australian State and Territory Government tourism organisations that markets Australian tourist products. See the website: <http://www.atdw.com.au/>. See Christmas Island Tourism Association, *Submission 13*, Tourism Action Group and *Submission 19*, Norfolk Island Government Tourism Bureau, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 13.

35 Tourism Australia is the Australian Government agency responsible for attracting international visitors to Australia for leisure and business events. The organisation is active in around 30 key markets and activities including advertising, PR and media programs, trade shows and industry programs, consumer promotions, online communications and consumer research. See Tourism Australia website for details: <http://www.tourism.australia.com/>.

This limits opportunities for promotion, partnerships, investment and planning available to destinations and operators across mainland Australia.

As Australia's Island Territories do not fall into the recognised systems of Regional Tourism Organisations (RTOs) and State Tourism Offices (STOs) we do not have access to many of the programs and services offered by these organisations and Tourism Australia.³⁶

- 2.27 Tourism Australia does not undertake specific marketing activities for Norfolk Island and implied that its member organisations make a financial contribution in return for receiving its member services:

It is worth noting that the cooperative marketing campaigns TA undertakes with State and Territory Tourism Organisations (STOs)³⁷ are paid from TA's appropriation from government, with direct monetary contributions from STO partners - all sourced from Australia's taxpayers.³⁸

- 2.28 Norfolk Island Tourism states it is disadvantaged by not having access to the Australian Tourism Data Warehouse (ATDW) - a joint initiative of Tourism Australia and all Australian State and Territory Government tourism organisations that markets Australian tourist products.³⁹ Mr Buffett said:

... if we can get into the Australian Tourism Data Warehouse ... that gives us access to a whole range of distribution that we have never had before.⁴⁰

- 2.29 The Tourism Action Group (TAG) similarly wants to see Norfolk Island part of the ATDW, and seeks additional support from Tourism Australia:

We need the experience and assistance of Tourism Australia to help profile Norfolk Island as a destination of choice. Currently, we do not receive recognition or assistance in any way from this extremely important part of Australia's marketing group.⁴¹

36 Ms Karen Singer, Christmas Island Tourism Association, *Submission 13*, p. 1.

37 Each state and territory in Australia has its own government tourism agency that works with industry. The role of the state tourism organisations (STOs) is to: support the development and marketing of sustainable tourism destinations and experiences within their state, to increase awareness and attract visitors. Source: Tourism Australia website, <http://www.tourism.australia.com/contact-us/state-tourism-offices.aspx>.

38 Tourism Australia, *Submission 33*, p. 1.

39 See the ATDW website for details, <http://www.atdw.com.au/aboutus/>.

40 Mr Glen Buffett, Norfolk Island Tourism, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 13.

41 Tourism Action Group, *Submission 19*, p. 4,

- 2.30 Ms Charisse Clarke, representative of the Norfolk Island Liberals voiced concerns about Norfolk Island's exclusion from Tourism Australia:

We can neither attend not participate in any of their promotional activities, nor gain access to their resources.⁴²

- 2.31 According to Tourism Australia, Norfolk Island does have observer status on the Australian Standing Committee on Tourism (ASCOT) and the Tourism Ministers' Meeting (TMM), and through this the opportunity to participate in the implementation of the national long-term tourism strategy, *Tourism 2020*.⁴³ Austrade advised the Committee that despite having observer status, Norfolk Island last attended a meeting, nearly three years ago, in October 2011.⁴⁴

- 2.32 Tourism Australia continues to send Norfolk Island material related to these meetings:

Having said that though, even though they did not attend those particular meetings ... they are sent all the materials that come from the meetings, including the minutes, all the papers and the products that come out of the Tourism 2020 process.⁴⁵

- 2.33 The Committee wanted to know what other contact and engagement Tourism Australia has had with Norfolk Island. Mr Tim Mahony, Government and Media Relations Manager, said he was aware of meetings held with Mr Glen Buffet and Mr Andre' Nobbs, then Minister for Tourism in 2011-2012, and suggestions Tourism Australia had made about marketing Norfolk Island with them, including:

... very low cost-stuff that they could achieve through leveraging our social media channels ... You can get great reach by linking and going through our Facebook page, for example. It has \$ 5.8 million followers around the world.⁴⁶

42 Ms Charisse Clarke, Norfolk Island Liberals, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20.

43 Tourism Australia, *Submission 33*, p. 1. See the Tourism Australia website for details of *Tourism 2020*, Australia's national strategy for the growth and competitiveness in the tourism industry, focusing on 6 strategic areas: <http://www.tourism.australia.com/statistics/tourism-2020.aspx>.

44 Mr Nicholas Dowie, General Manager, Austrade, Canberra, *Committee Hansard*, 26 June 2014, Canberra, p. 2.

45 Mr Nicholas Dowie, General Manager, Austrade, *Committee Hansard*, 26 June 2014, Canberra, p. 2.

46 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

- 2.34 Mr Mahony told the Committee he was unaware whether any of Tourism Australia's suggestions had been followed up.⁴⁷
- 2.35 Mr Buffett referred to delays with online marketing:
 Certainly the progression for us has been moving towards online marketing and stuff. ... understand that the skill base required to do that needs to be established too. That is the stuff that we have been working through in the last year to get people within our organisation to understand how social media works and we have developed a social media strategy. It all takes time but we are definitely now in a position to take that forward.⁴⁸
- 2.36 It is difficult to get a complete picture of tourism on Norfolk Island given it does not participate in Australia's International Visitors' Survey or National Visitors' Survey. These are key surveys undertaken by Tourism Research Australia – 'Australia's leading provider of quality tourism intelligence across both international and domestic markets.'⁴⁹ Tourism Australia summarised:
 There is no primary source of data for Norfolk Island available to Tourism Research Australia.⁵⁰

Committee comment

- 2.37 It is true that Norfolk Island Tourism is outside the mainstream Australian tourism system, although it does have opportunities to participate and leverage off Tourism Australia resources, which it has not fully utilised.
- 2.38 Its own resources are limited.
- 2.39 It is undoubtedly harder for Norfolk Island to resource and promote itself than if it were part of a state tourism association, affiliated with the national tourist body, Tourism Australia and able to access the ATDW and other forms of assistance, including grants.

The deficit — revenue and expenditure

- 2.40 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, confirmed that the Island's deficit for the next three

47 Mr Tim Mahony, Government and Media Relations Manager, Tourism Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

48 Mr Glen Buffet, General Manager, NIGTB, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 17.

49 Tourism Research Australia, <http://www.tra.gov.au/>.

50 Tourism Australia, *Submission 33*, p. 3.

years is estimated at between \$7.4 and \$7.8 million a year.⁵¹ He elaborated:

In our current budget we have a total income of just under \$30 million and our total expenditure is just over \$34 million. This financial year we were granted a \$4.4 million assistance package from the Commonwealth but that is dependent upon meeting certain milestones within the funding agreement. To date we have only received something like \$1.3 million or \$1.4 million out of the \$4.4 million ... From revenue from taxes we get \$9.5 million from taxes include[ing] customs duties [and] \$6.5 million on GST.

... Revenue from charges is \$320,000. Other revenue sources is \$19 million. Those are mainly our business enterprises through the airport, telecom, the electricity undertaking, the philatelic post office, water assurance schemes, waste management.

Salaries and wages are \$10.375 million; recurrent expenditure is \$23.3 million, and this year we have allowed some \$400,000 for capital expenditure. That is the area that suffers the most ... we fund our recurrent expenditure only and very little on capital expenditure.⁵²

Insolvency

2.41 According to DIRD 'the condition of infrastructure on the island is not far from critical failure' and 'without Australian Government emergency funding Norfolk Island would be bankrupt.' In sum, revenue has fallen dramatically, there is limited measuring data, services are below standard, Norfolk Island has far too many responsibilities for its capacity and a recalcitrant attitude toward diversifying its economy and amending legislation to attract investment and immigration:

Norfolk Island is currently experiencing a severe economic downturn with the Gross Territory Product falling by approximately \$20-30 million (in 2011 dollars) between 2009 and 2010 ... in contrast, the wider Australian economy saw more than 5% growth in economic output over the same period ...

There is limited up-to-date economic data available on the Norfolk Island economy and the Norfolk Island economy lacks both the

51 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 6.

52 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Government, *Committee Hansard*, Norfolk Island, 29 April 2014, pp. 9-10.

capacity and resources to source economic data, which makes the extent and effect of the downturn difficult to measure. That said its economy has stagnated and continues trending downwards. The drivers of this decline are a mix of external factors beyond the control of the Norfolk Island Government coupled with inefficient and ineffective internal arrangements (governance and operational).

... the Norfolk Island Government's delivery of national and state type services [are] measured well below Australian standards.

Norfolk Island's revenue base is presently too small to fund the breadth of its responsibilities [including its own legislature, hospital, school, services, customs, immigration and quarantine].

The Island's ability to diversify economically and attract new investment has been limited by the closed culture and monopolistic role of the Norfolk Island economy and the associated protectionist legislation that supports this role (ACIL Tasman 2012).

Although the Norfolk Island Government has amended some legislation to encourage economic investment this has largely been driven by the Australian Government. Changes to legislation aimed at increasing immigration and investment have to date been only partially successful due to ongoing issues with Norfolk Island Administration's interpretation and management of the Immigration Act.

Apart from the poor quality of infrastructure and lack of capital investment, further impediments to business investment include the high price of some utilities, including electricity, which is almost four times more expensive on-island, compared with the mainland; the current telecommunications network which is only equipped to handle 2G services and is inadequate for e-commerce or anything other than telephone or texting services; and the high cost of freight due to the island's remoteness and lack of adequate port facilities.⁵³

2.42 The Norfolk Island Finance Minister indicated that Norfolk Island cannot sustain itself financially:

We have no ability to raise [the deficit amount] locally. We are going through some endeavours to change our local tax raising base through the introduction of municipal rates ... [but] we will

53 DIRD, *Submission 30*, pp. 1-2.

be continuing to request financial support from the Commonwealth on a year-to-year basis.⁵⁴

2.43 Mr Pope said that he thought the lack of available finance is:

... overwhelmingly the problem with the utilities and the infrastructure on the island.⁵⁵

2.44 Mr Yates agrees that the Norfolk Island funding base is inadequate and Commonwealth assistance imperative because:

... there was little, in my view, that they could do to change themselves.⁵⁶

Transparency, accountability and tax practices

2.45 A lack of transparency and accountability – and its protectionist tax regime – is another long-standing criticism levelled at the Norfolk Island Administration and Government. This concern was raised in evidence and testimony from a number of witnesses who commented:

Norfolk Island's biggest problems are:

The continued lack of transparency and accountability on the part of the Administration and the Norfolk Island Government.⁵⁷

It does not matter what initiatives are given to this island to get it out of the mire ... they will be ... corrupt in who gets the benefits out of it.⁵⁸

- Reluctance of a well-positioned minority on the Island to truly open up the Island and its economy; and
- Vested interests not wanting the Australian tax system.⁵⁹

My first visits showed significant problems ... They had a tax regime that produces significant behavioural distortions; it was not allowing for innovation and new industry to come in. It was actually promoting a tax haven.⁶⁰

54 The Hon Tim Sheridan MLA, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 5.

55 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

56 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

57 Mr John Brown, *Submission 32*, p. 6.

58 Mr Dick Massicks, *Submission 17*, p. 2.

59 Mr Neil Pope, *Submission 34*, p. 5.

60 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

Lack of on-island expertise for the scale of the fix

- 2.46 One of the Road Map's key elements is reform of the Norfolk Island public service.
- 2.47 DIRD acknowledged changes made to improve Norfolk Island public sector legislation, however progress is slow:
- ... to enact appropriate policies, procedures and practice to give practical effect to these changes.⁶¹
- 2.48 DIRD states that capability is limited and it is beyond the ability of the Norfolk Island Administration to govern all the matters in its remit:
- Capacity and succession planning ... remains an ongoing challenge.
- The ability of the Norfolk Island Government to implement reforms to its public service is constrained due to a lack of appropriate skills and funding and it is unlikely to achieve meaningful change without significant Australian Government assistance.⁶²
- 2.49 Mr Yates agreed:
- The expectation for a community around 2000 people to have the governance, financial, and the skills base to run a semi-sovereign state, more or less, is just not practical. It cannot be done. They probably have not been financially viable from day one.⁶³
- 2.50 Local resident, Mr Rick Kleiner, describes the NIG's inability to realise important and substantive capital works projects. He said:
- My concern is that Norfolk's track record for delivering projects on time and on budget and in a way that meets what the customer expects and fulfils the technical specifications is close to zero, in my experience.⁶⁴
- 2.51 Mr Massicks referred to the inefficacy of the works department, the Government Business Enterprises and the whole NIG:
- Poor maintenance and rebuilding decisions by the Works Department.⁶⁵
- I believe that the local Norfolk Island Government should sell all of its GBEs or get rid of them or hand them over to Australia- do

61 DIRD, *Submission 30*, p. 6.

62 DIRD, *Submission 30*, p. 6.

63 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

64 Mr Rick Kleiner, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 28.

65 Mr Dick Massicks, *Submission 17*, p. 4.

something with them immediately—including the works department and everything else. There is far too much featherbedding in these organisations, and I do not think that they are working effectively and with good business sense.⁶⁶

- 2.52 Mr Pope praised the work of certain individuals (and progressive people in a previous 13th Legislative Assembly). However, in his assessment, by-and-large, the Norfolk Island Administration lacks the expertise required to meet the complex challenges it faces:

The Chief Executive Office, Jon Gibbons, and the deputy chief executive officer, Bruce Taylor, I think, do a terrific job, and it is an extremely time-consuming job for them. You will find them working seven days a week. There is not much back-up to them.

Consequently, we do not have the intellectual capacity to start looking at these issues of infrastructure and how you are going to get out of the economic depression they have currently been in.⁶⁷

The capability of the Norfolk Island Government and, more so, the capability of the Norfolk Island Administration of Norfolk Island, cannot deliver the required change and I think in some ways would stymie any real change into the future.⁶⁸

Committee comment

- 2.53 The Commonwealth Government and NIG are in an unenviable situation of having to negotiate annual ‘emergency funding arrangements’ in order to stave off bankruptcy. Having compliance and co-contribution conditions put on that agreement that the NIA is ever hard-pressed to meet is nonsensical.
- 2.54 The unfortunate economic reality is that Norfolk Island is now dependent on the Commonwealth for survival.

Self-government just not working

- 2.55 Mr Yates described self-government as an experiment that has failed:

There have been periods when they have been able to cover their operational costs, but I do not see any evidence that they really have been able to cover their capital investment or replacement costs. This is why we see the poor condition of the roads, the

66 Mr Dick Massicks, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 32.

67 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, pp. 3-4.

68 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

difficulties they have with the new hospital building, their inability to pay the runway refurbishment loans and the continual Commonwealth bailing out. ... I do not see how a community of that size will ever be remotely self-sufficient in a funding sense, which is what the current governance model requires.⁶⁹

Norfolk Island should not continue as a self-governing territory; the experience has not worked.⁷⁰

2.56 Mr Pope endorsed Mr Yates' comments. He added:

Self-government in 1979 was ill-conceived. To have an island of approximately 1600 permanent residents elect a parliament of nine members and a Government or Chief Minister that has carriage of all three levels of government responsibility, that is federal, state and local, is ludicrous.⁷¹

2.57 Mr Pope alluded to escalating costs:

In my 27 months as Administrator, I oversaw a funding commitment of in excess of \$40 million in Australian taxpayers' money.⁷²

2.58 Local resident, Mr Peter Wilson, summarised the present impasse:

The Australian Government have given us significant amounts of money over recent years. For that, we are truly grateful. However, not one cent has gone into rebuilding this broken economy. If you truly want to help us, stop paying out money to maintain a broken government. They have had their time and it is time to shut them down. This community will only grow if you help retrieve our struggling private sector. I believe your money would be better spent building a stable and vibrant economy. The Norfolk Island community will always cost the Australian Government money, as do all small Australian communities. However the stronger our private sector is, the stronger our economy will be and the less money the Australian government will have to outlay for this community ...

The time has come for change, and this community is fed up with watching the light at the end of the tunnel drive further and further into the distance.⁷³

69 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 9.

70 Mr Julian Yates, *Submission 3*, p. 3.

71 Mr Neil Pope, *Submission 34*, p. 1.

72 Mr Neil Pope, *Submission 34*, p. 3.

73 Mt Peter Wilson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 33.

2.59 Mr Pope emphasised that that the Norfolk Island Government is letting their own community down:

... the majority of the community are extremely well-meaning and it is a terrific community. However they are not well served by their government ... in fact I believe the Norfolk Island Government are letting down their community in a way which needs to be rectified, and needs to be rectified sooner rather than later.⁷⁴

2.60 Mr Massicks alluded to the wider community's frustrations with both the NIG and the Commonwealth Government:

Many people on Norfolk Island are unhappy that Canberra has failed in its duty of care to look after this territory and its people, and feel that no substantial changes are occurring. Even now with the funding packages the Norfolk Island Government is failing to perform and Canberra keeps paying: occasionally delaying a payment but still paying. We have often hoped that you would refuse payments entirely, forcing the public servants to be laid off and the Norfolk Island Government to resign giving Canberra a great opportunity to have the island come in under your own rules.

The Norfolk Island Government is continually increasing charges to an embattled and impoverished community. Winston Churchill once said that to try and tax your way to prosperity was like a man trying to pick up a bucket while he had one foot in it.⁷⁵

Community in limbo

2.61 Residents expressed multiple frustrations at perceived inaction on the part of both governments:

Norfolk Island has been both politically and economically in limbo for close on four years now ... very little action has occurred and the uncertainty regards the island's future hangs in the balance.

I love living on Norfolk Island but we feel trapped in a system that has taken away our cash flow and devalued our assets to the point where we must give consideration to moving off island should it not improve. At the same time imposts are rising and the only

74 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 3.

75 Mr Dick Massicks, *Submission 17*, p. 2.

news out of Kingston⁷⁶ is that there is more to come. The continued uncertainty of our future is placing our business interests in doubt, our cost of living exorbitant, and the continued indecision of the Norfolk Island and Federal Government to resolve the political status is depressing to say the least.⁷⁷

2.62 Mr Massicks said Norfolk Island needs certainty:

Investment decisions are being delayed, our work force and population is dwindling and we are going in ever decreasing circles. At this stage most of us don't care what happens as long as something does and we have certainty.⁷⁸

2.63 Mr John Brown concurred that Norfolk Island's biggest problem was uncertainty:

Uncertainty caused by the inaction of both governments. There needs to be a decision about income tax, social services etc and the two governments need to sit down and reach an agreement on any changes to the structure of government in Norfolk Island.⁷⁹

2.64 The Norfolk Island Finance Minister emphasised the impact that not knowing Norfolk Island's future governance arrangements has on his ability to do his job, and the economy:

... without knowing what type of model the island will be governed by into the future it is virtually impossible to accurately forecast the expenditure requirements for which budgets need to be set into the future, without knowing what transfer and equalisation payments Norfolk Island would be eligible for under an Australian taxation arrangement. And the current restrictive budgets do not allow for the Norfolk Island Government to provide for economic stimulus to the private community. This matter of knowing the ongoing fiscal relationship with the Commonwealth is vital for economic development on Norfolk Island. Without the certainty that this brings, it is difficult to provide to the community that which is needed.⁸⁰

76 Kingston is the administrative headquarters on Norfolk Island.

77 Mr Bruce Walker, *Submission 29*, pp. 1-2.

78 Mr Dick Massicks, *Submission 17*, pp. 2-5.

79 Mr John Brown, *Submission 32*, p. 5.

80 The Hon Tim Sheridan MLA, Minister for Finance, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 4.

Support from the community for change

- 2.65 Business owners informed the Committee that it was increasingly difficult for them to continue in the current environment. Mr Brad Forrester said:

Let me state quite categorically it is only due to our family's extreme perseverance that our businesses are surviving. There have been a few exceptions in years gone past of support from NI Government but none to draw on in recent years as times have not only got tougher but we see no evidence of important structural change necessary to put the island on a sustainable path.⁸¹

- 2.66 Mr Pope said there is widespread support on the island for reform:

I think you will find that tomorrow week in *The Norfolk Islander* that you will have the same characters coming out talking about Neil Pope is a 'colonial overlord'... I have no doubt that those same vested interests will be making those same noises. Overwhelmingly it is unfortunately a case of the silent majority because there are some bullies.

While some might disagree with the way it has been put forward ... there is still this overwhelming need that we have to do something. I think that the starting point is we have to look at governance.⁸²

- 2.67 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD said there has been a shift in her time in the job, towards an acceptance that change is inevitable:

... even amongst the Pitcairn community there is a growing understanding, however culturally undesirable to them, that there is a need for reform.⁸³

- 2.68 Mr Yates agreed:

... my sense from my time in the role over several years was that there was an increasing acceptance by a lot in the community of the need for change.⁸⁴

- 2.69 Mr Andrew Wilson, Deputy Secretary, DIRD endorsed Ms Fleming's comments:

81 Mr Brad Forrester, *Submission 28*, p. 1.

82 Mr Neil Pope, *Committee Hansard*, Canberra, 18 July 2014, p. 7.

83 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD, *Committee Hansard*, Canberra, 19 June 2014, p. 5.

84 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 10.

All of the information garnered by Minister Briggs, by Ms Fleming and Mr McInnes and the officers that we have on the island indicate that there is less resistance to the concept of a change and there is an acceptance that the current arrangements are, if not completely broken, certainly questionable as to the capacity for them to deliver ongoing, stable and efficient government.⁸⁵

- 2.70 Even the proponents of retaining the territory's self-governance acknowledge the need for decisive action.
- 2.71 Mr Ron Nobbs is of the view that the Road Map has been a failure and that practical solutions are required to 'create a robust economy.'⁸⁶
- 2.72 Mr Brett Sanderson said there is no point talking about the economy without due consideration of governance, and 'the bigger picture':
- The bigger picture needs to set the broader political and economic policy settings and framework before we talk too much about economic diversification. Tourism has sustained this island since the 1950s and 1960s. So I think it is really a waste of your time, which is extremely valuable, to talk about economic diversification without looking at the bigger picture, which is the governance structure and the broader economic policy settings.⁸⁷
- 2.73 The Hon Lisle Snell MLA, Chief Minister and Minister for Tourism, Norfolk Island Legislative Assembly said Norfolk Island wants certainty:
- After a period of some four years it is quite obvious that Norfolk Island is in a state of limbo and we need some definite aims and goals to work towards. And we need a finalisation of how we can achieve those.⁸⁸

Committee comment - change the status quo

- 2.74 Australian taxpayers are footing an ever increasing bill without a clear objective. Norfolk Island residents, business owners and investors have no certainty whatsoever and are living their lives in limbo.
- 2.75 After the Committee's visit to Norfolk Island in April 2014, it appears there has been a shift and resignation, if not full acceptance, of the need for reform, including amongst the Pitcairn descendants. Residents can see 'the

85 Mr Andrew Wilson, Deputy Secretary, DIRD, *Committee Hansard*, Canberra, 19 June 2014, p. 4.

86 Mr Ron Nobbs, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 25.

87 Mr Brett Sanderson, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 23.

88 The Hon Lisle Snell MLA, Chief Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 1.

writing on the wall' and that reform is the only way to save their island from insolvency and put it on a path towards economic development.

- 2.76 It is time to end the stalemate on Norfolk Island through serious consideration of new governance arrangements, for the sake of the economy and the community. What form this might take is the subject of the next chapter.

