

Infrastructure: investment required

4.1 The deteriorating state of Norfolk Island's infrastructure and the Norfolk Island Government (NIG)'s inability to finance its repair and upkeep is outlined in chapter two.

4.2 The ACIL Tasman report highlights the critical relationship between infrastructure investment and economic growth:

Infrastructure investment is a core determinate of economic growth. The sustained low level of public structure investment on Norfolk Island has acted as a constraint to economic development. Failure to invest in shipping access facilities has restricted the ability of the tourism industry to expand into servicing the cruise shipping industry...¹

4.3 The status of the long-awaited Cascade Pier upgrade, as well as other sea access proposals, namely, a safe or deep harbour and alternative landing sites are infrastructure priorities for residents.

4.4 Mr John McCoy, Chairman of the Cascade Port and Marina Development Inc. explained Norfolk Island's dependence on good sea access:

Norfolk Island does not enjoy the benefits of a natural harbour or lagoon capable of accommodating large ships, moorings or safe anchorage. The geographical isolation and being surrounded by ocean means that reliable and safe access from the sea is intricately woven into the financial well-being of the economy.²

1 Norfolk Island Economic Development Report, *Infrastructure Investment*, p. 56, in Norfolk Island Government, *Submission 21*, p. 7.

2 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 27.

- 4.5 Sea access is the first issue explored in this chapter. This will be followed by short sections on other infrastructure priorities: air services; roads; and telecommunications.

Condition of current landing facilities: Kingston and Cascade Piers

- 4.6 Norfolk Island has two landing facilities for the transfer of people and goods. Kingston Pier is on the southern side of the island and Cascade Pier is on the northern side.³
- 4.7 Cruise ship passengers are unloaded at both landing sites, depending on the prevailing weather conditions. All goods are unloaded via traditional stevedores at Cascade Pier.
- 4.8 Mr Glen Buffett, General Manager, Norfolk Island Tourism acknowledged that work is required to redress infrastructure deficits that exist at both Kingston and Cascade piers.⁴
- 4.9 Witnesses described how Kingston Pier needs dredging because it is too shallow for use at low tide.⁵
- 4.10 Mr Duncan Evans, Transam Argosy provider of shipping agency services, elaborated:
- At low tide the ship tenders often strike the seabed, and it is necessary to severely restrict the number of passengers being carried in each tender so as to safely navigate the Kingston boat harbour. The Kingston harbour needs dredging to remove a build-up of silt that has washed down from Flagstaff Hill.⁶
- 4.11 According to Transam Argosy, the problem with Cascade Pier is that it is too short to handle the ship tenders. The NIG purchased a shore pontoon in 2010 that extends the pier, however it is rarely used because it is

3 Some say Cascade Pier is on the north-east side of the island and others say it is on the east side of the island. DIRD refers to Cascade Pier as being on the northern side, and Kingston and Cascade as 'piers' and 'jetties': the terms jetties, wharves and even harbour are used interchangeably, as illustrated in the quotes. Cascade Pier will be deemed to be on the northern side of the island and the terms Cascade and Kingston piers used in this report, for consistency.

4 Mr Glen Buffett, Norfolk Island Tourism, *Submission 6*, p. 3.

5 The Hon Lisle Snell, MLA, Chief Minister, Norfolk Island Government, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 2; and Transam Argosy, *Submission 9*, p. 8.

6 Mr Duncan Evans, Transam Argosy, *Submission 9*, p. 4.

cumbersome to launch and retrieve, and a prevailing north-easterly swell pushes the tenders away from the pontoon.⁷

4.12 On the state of the Cascade Pier, Mr Jim Tavener, Norfolk Industries (a rock supplier) said:

The present jetty is dangerous. It is hollow underneath and, if we get another cyclone, we will have no jetty.⁸

4.13 Mr Andre' Nobbs, local resident, referred to a lack of access ramps, safety and security, and toilet and first aid facilities.⁹

4.14 Occupational Health and Safety standards are sub-par. Mr Duncan Evans, Manager of Transam Argosy said there is 'virtually no requirement to wear any safety equipment.' In his 2012 Churchill Fellowship comparative study on the methods used to load and unload of containers from supply ships at small isolated islands, he recommended that Norfolk Island introduce the following occupational health and safety standards:

- That all the Norfolk Island stevedores (including lighterage) should be qualified in an appropriate training course such as the Certificate in Stevedoring;
- That all workers be required to wear appropriate personal protective equipment, such as hard hats, high-visibility vests, boots and gloves, and that this equipment be provided by the stevedoring operator; and
- That in addition to the wearing of personal protective equipment, all workers aboard launches and barges must wear inflatable life vests.¹⁰

Committee comment

4.15 The Committee acknowledges the concerns about the condition of the two piers, and the lack of Australian occupational health and safety standards in operation. These are deficiencies which clearly need to be rectified. The Committee examines these matters in more detail later in this chapter.

7 Mr Duncan Evans, Transam Argosy, *Submission 9*, p. 4.

8 Mr Jim Tavener, Norfolk Industries, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 31.

9 Mr Andre' Nobbs, *Submission 14*, p. 3.

10 Mr Duncan Evans, Transam Argosy, *Submission 9*, p. 9.

Complementary or alternative sea access

Safe deep water harbour/port facilities — prohibitive cost

4.16 The Norfolk Island Finance Minister, the Hon Tim Sheridan MLA stated that the best infrastructure investment would be the provision of a safe harbour:

... for the importation of goods and to provide a safe landing site for visiting cruise ship passengers.¹¹

4.17 He suggested that building a safe harbour has the potential to stimulate the Norfolk economy significantly, even:

... to a degree of financial sustainability.¹²

4.18 Others endorse the establishment of a deep water harbour. Mr David Porter, MLA, speaking in a private capacity, said studies point to Cascade as the obvious location for a deep water harbour¹³. In his view, it would be a 'prime motivator [of the economy]' and 'calm water will allow the safe transfer of passengers as well as the unload reload of containers.'¹⁴ He emphasised the long-term benefit:

... to achieve meaningful, sustainable growth for the island our only real option is a harbour.

4.19 Mr Glen Buffet, General Manager, Norfolk Island Tourism said the lack of a port per se was 'the biggest barrier to growth of the cruise industry:'

Although attempts have been made in the past to provide better landing facilities via a portable solution, more permanent solutions are required for a long-term success.¹⁵

4.20 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc. advocates for a deep water harbour too. His Cascade port and marina proposal goes beyond facilitating regular cruise ship visits and reliable sea freight delivery to include 'marina facilities for ocean-going vessels and construction of a six-start tourist accommodation resort.'¹⁶

4.21 The cost of establishing a deep water harbour is very expensive. The Norfolk Island Finance Minister acknowledged that its construction

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

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

13 Mr Dave Porter, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20.

14 See Mr Dave Porter MLA, Norfolk Island Legislative Assembly, *Submission 20*, p. 2.

15 Mr Glen Buffett, Norfolk Island Tourism, *Submission 9*, p. 3.

16 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 28.

would be in the realm of many millions of dollars, which he said was beyond the scope of the NIG to provide for.¹⁷

- 4.22 Mr McCoy concurred that the project would cost in the region of 'many millions of dollars.'¹⁸
- 4.23 Retired public servant, Mr Yates indicated that he understood adequate port facilities to allow containerisation would require an investment in the order of \$100 million.¹⁹

Alternative landing sites on western and southern sides of the island

- 4.24 Others advocated for additional or alternative, safer landing sites on different sides of the island to Kingston (south) and Cascade (north).
- 4.25 Proponents of an additional landing site at Jacob's Rock (or Headstone or Puppies Point) on the western side of the island include Mr John Christian-Bailey,²⁰ Norfolk Island Tourism²¹ and former Administrator Mr Neil Pope.²²
- 4.26 The Hon Ronald Ward MLA, Minister for the Environment, Norfolk Island Legislative Assembly explained the benefits of having a more sheltered western side port option:
- One of our problems has been that we have fairly prevailing south-easterly winds. When those winds kick up they put the northern and southern side ports out ... [a west side port] would mean that you always have one point of the island in the shelter, in the lee, of the island, where you can unload in relatively calm conditions.²³
- 4.27 Proponents of establishing a landing site at Headstone on the western side of the island include Mr Jim Tavener. According to him, advantages of the Headstone site include it being in the lee of the prevailing wind that comes from the South East that currently prevents use of the Cascade and Kingston wharves; Headstone has deep water offshore of

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

18 Mr John McCoy, Chairman, Cascade Port and Marina Development Inc, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 29.

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

20 Mr John Christian Bailey, *Submission 5*, p. 1.

21 Norfolk Island Tourism, *Submission 6*, p. 3.

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

23 The Hon Ron Ward MLA, Minister for Environment, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 1.

the cliff edge; and a close mooring ability would allow faster offloading of cargo and cruise ships.²⁴

Cascade Pier project the most developed

4.28 DIRD said that the development of alternative landing sites on island was impractical owing to challenges varying from heritage concerns to difficult terrain. According to DIRD the most appropriate site for improvement of landing facilities remains Cascade Pier:

... for increased volumes of freight and goods, a variety of uses (including passenger cruise ships) and improved access.²⁵

4.29 Residents support the Cascade upgrade proposal. They said:

Let's go with Cascade. 'If the money is set aside, let's not waste time.'²⁶

We need anything that can stimulate the economy and that seems to be the only funded project that is ready to go. So in that sense it needs to work.²⁷

Cascade Pier upgrade

4.30 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd described the consultancy work he completed for the Commonwealth and Norfolk Island governments respectively, to support the introduction of barges (see multi-purpose barges section below) at Cascade and Kingston, but with a primary focus on Cascade Pier.²⁸

4.31 In its first report, Worley Parsons Services Pty Ltd concluded that the Cascade Pier in its current configuration could not launch and retrieve the proposed barge as the pier is too small geometrically to accommodate a 50 or 100 tonne mobile crane with a safe perimeter to allow personnel space to move around the crane. There is also insufficient water depth adjacent to Cascade Pier to safely accommodate the proposed barges at all times and under swell. The first report stated that the structural condition of Cascade was 'unknown and questionable' with 'many voids around the perimeter underwater.' If Kingston Pier

24 Norfolk Industries, *Submission 27*, p. 2.

25 DIRD, *Submission 30*, p. 8.

26 Mr Jim Tavener, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 31.

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

28 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 1.

were to be dredged there would be adequate water there for the proposed barges.²⁹

4.32 The second report was completed in 2013. Its remit was the detailed design and documentation for the widening of and a 20 metre extension to the Cascade Pier - in order to accommodate the 100 tonne crane, and a cost estimate.

4.33 Worley Parsons Services estimate came in at \$13.2 million with an accuracy of minus or plus 30 per cent contingency. Mr Batt said this estimate excluded:

- procurement of barges, including trailers; procurement of a new mobile crane;
- construction of a storage shed to house the new crane and barges;
- modification to the road leading to Cascade Pier as well as strengthening the bridge; and
- The cost of the rock required should that need to be brought into the island.³⁰

4.34 Subsequent to the Worley Parsons' reports, the Commonwealth dedicated \$13 million from a Community Development Grants program towards Cascade Pier's upgrade, its strengthening, widening and extension. The upgrade will:

- Allow for the use of a mobile crane to be situated on the jetty to unload cargo from barges and to raise and lower the barges into and out of the sea; and
- Include steps to allow large volumes of passengers to disembark from the barges to the jetty safely and efficiently while also reducing transport costs for cruise ship operators.³¹

Works stalled

4.35 DIRD referred to hold-ups with the project, concerns about project management and financial capacity (issues outlined in chapter two) and the availability of sufficient raw material on island:

I think there are some concerns still with the Norfolk Island Government's capacity to implement the project that we are still working through with the Norfolk Island Government. One of the concerns is around the quantity of rock that they have available to

29 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 2.

30 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 2.

31 DIRD, *Submission 30*, p. 8.

supply that project and other costings. We are encouraging them to continue to develop up the proposal such that it can be progressed under the funding agreement where they meet their preconditions. That is still a work in progress.

As we work with them, we are finding more aspects which we think probably need to go to a more detailed plan as part of that implementation.³²

- 4.36 Mr Duncan Evans from Transam Argosy shared DIRD's concerns about the Norfolk Island Government's capacity to deliver the upgrade:

My biggest concern is the ability of the Norfolk Island Government to undertake this project. I urge the Commonwealth Government to take over responsibility for this project to ensure it is completed as soon as possible.³³

- 4.37 The NIG said that the grant is 'now conditional upon the implementation of municipal rates' and the cost of the pier upgrade exceeds \$13 million. The Norfolk Island Government says there is provision in its budget for the additional infrastructure required for barges and cranes.³⁴

- 4.38 DIRD responded that the introduction of a municipal rates regime is a condition of Australian Government funding, and also a milestone in the 2013-2014 emergency funding agreement to which Norfolk Island is a signatory.³⁵

- 4.39 Further, the \$13 million grant that was initially agreed to noted contingencies of around 20 per cent and Norfolk Island's own funding commitment of around \$5.8 million.³⁶

Committee comment

- 4.40 It is not clear how the NIG can honour its initial commitment of \$5.8 million, accompanying contingency provisions or pay for additional infrastructure. Norfolk Island is, to all intents and purposes insolvent (see chapter two). Their municipal rates scheme is yet to be introduced and unlikely to generate sufficient revenue for a project of this magnitude in any case.

- 4.41 The \$13 million upgrade cost estimate is a conservative one given its exclusion of core project components such as the barges, new crane,

32 DIRD, *Committee Hansard*, Canberra, 19 June 2014, p. 2.

33 Transam Argosy, *Submission 9*, p. 5.

34 Norfolk Island Government, *Supplementary submission 21. 1*, p. 5.

35 DIRD, *Supplementary Submission 30.1*, p. 6.

36 DIRD, *Supplementary Submission 30.1*, p. 6.

- storage, road and bridge strengthening works around Cascade and core materials.
- 4.42 Improvements need to be made to Cascade, extending and widening the pier, and to Kingston, namely dredging. Introducing OH & S standards commensurate with the Australian mainland is imperative.
- 4.43 The reality is that a deep water harbour is not an option for the Norfolk Island or the Commonwealth Governments. A cost estimate of hundreds of millions is again, probably a conservative one. The alternatives at Jacob's Rock or Headstone appear to be expensive and difficult options. The Cascade proposal seems the most developed and best value for money, at this point.
- 4.44 If the Cascade Pier upgrade is to progress the Commonwealth Government will have to fund and project manage it, or pay someone else to deliver it.
- 4.45 Realistically the project and supports will cost more than \$13 million. In light of chapter three's conclusions and the Committee's recommendation to replace Norfolk Island's system of self-government, it seems inevitable and appropriate that the Commonwealth Government take the project over, accepting it may cost more than \$13 million. In so doing it will demonstrate to the Norfolk Island community that the Commonwealth Government is committed to investing in Norfolk's economic future.

Recommendation 3

The Committee recommends that the Commonwealth Government assume responsibility for the Cascade and Kingston Pier upgrades and that the Commonwealth Government expedite the works in line with Australian standards and occupational health and safety requirements, as soon as practicable.

Multi-purpose barges

- 4.46 Several witnesses recommended that the Commonwealth purchase three to four new dual purpose barges for use on Norfolk Island. These are estimated to cost about \$800, 000 each³⁷ and intended to more efficiently

37 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 4

transfer people and goods to and from Cascade and Kingston piers.³⁸ Benefits are purported to include an increase in the successful offload rate of cruise ship passengers, boosting the tourism industry, and greater efficiency and safety.

4.47 Carnival Australia owns and operates seven cruise ship lines that visit Australia and represents 80 per cent of the cruise market in the region. Carnival alluded to the difficulties it has currently in getting passengers to Norfolk Island.³⁹ It cannot land approximately 60 per cent of its intended visits owing to inclement weather and the operational limitations of normal cruise ship tenders. Carnival indicates that the high failure rate means it has all but removed Norfolk Island from future itineraries.⁴⁰ Transam Argosy said that over half of the P & O Cruises (Australia) that have attempted to land since 2010 have had to be aborted owing to Norfolk Island's basic port facilities and sea/swell/weather conditions on the day.⁴¹

4.48 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia explained that when visiting Norfolk Island, a ship drops anchor about half a mile out from the island and uses the ship's lifeboats to move about 90 passengers at a time to and from the ship. He explained the risks of using the lifeboats:

When conditions are unfavourable, we risk damaging the lifeboats and then we have to abort the port.⁴²

If there is any damage to one of the life craft we have to leave passengers on the island because there is a set number of life-craft passengers per ship.⁴³

4.49 The appeal of using the proposed barges is their durability and not having to risk the ship's life-saving vessels.⁴⁴

Increase off-load rate

4.50 According to Carnival Australia's modelling, the success of the offshore unload rate will increase from 25 per cent to 75 or 80 per cent, should the

38 See for example: Tourism and Transport Forum; *Submission 2*, Carnival Australia, *Submission 24*; Norfolk Island Liberals, *Submission 15*; and Mr Dick Massicks, *Submission 17*.

39 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

40 Carnival Australia, *Submission 24*, p. 2.

41 Transam Argosy, *Submission 9*, p. 4.

42 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

43 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 3.

44 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

barges be purchased. For Carnival Australia, a 70 per cent success rate is required to 'put Norfolk Island back on itineraries'.⁴⁵

- 4.51 In Transam Argosy's view, if the unload rate is increased as a result of the improvements to Cascade and Kingston piers and the use of barges, it is likely that other cruise ship lines will follow Carnival Australia's lead and add Norfolk Island as a destination to their itineraries.⁴⁶

Ideal cruise ship stop

- 4.52 Carnival Australia says while few ships currently visit, it has big aspirations for Norfolk Island as a cruise destination. Mr Taylor spoke about a growing domestic cruise ship market. He said that some 800, 000 Australians took a cruise last year. And, that cruising has a 50 per cent repeat passenger rate.

... 50 per cent will cruise again within 18 months. So, it is really important for us to pioneer new destinations.⁴⁷

- 4.53 According to Mr Taylor of Carnival Australia, Norfolk Island is a unique destination with interesting attractions and would work well on itineraries as a day-trip:

We think Norfolk Island is perfect for the cruise market. Its diversity, history and quirks as well as ability to see so much in one day... the Kingston historic site, the Cook Monument, the Emily Bay glass-bottom boat ride, which is hosted by one of the Fletcher Christian descendants. The shopping at Burnt Pine is surprisingly popular ... Lego is a big seller... there are visits to some of the quirkier places like the distilleries, the mazes and the opportunity to live like a local for lunch or part of the day. A growing area is the soft-adventure activities like four-wheel drives, horse-riding, hiking and golf.

... [each cruise] brings about 2, 000 passengers plus 800 crew. All the passengers would disembark and visit the island. They do not require hotel rooms. The ship arrives in the morning and departs in the early evening. It utilises existing tourism assets and does not require significant infrastructure spend, but the dollars it brings are significant.⁴⁸

45 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

46 Transam Argosy, *Submission 9*, p. 5.

47 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, pp. 1-3.

48 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

- 4.54 Mr Zimmerman, Deputy Chief Executive and Director, Transport Policy, Tourism and Transport Forum (TTF)⁴⁹, supported Mr Taylor's assertions about the growth of the cruise-shipping industry, describing it as 'the stand-out performer in relation to Australian tourism in the past decade,' and agreed that the addition of Norfolk Island on the itinerary would enhance cruise ship companies' offerings. Moreover, there is potential for other companies, including expedition cruise-shipping companies.⁵⁰
- 4.55 For international ships, Norfolk Island is potentially a stop between New Zealand and Australia. Mr Taylor described it as 'beautifully placed between the two.'⁵¹
- 4.56 Mr Taylor emphasised that Norfolk Island is a much sought after inclusion in its itineraries:
- We know that the satisfaction rates from Norfolk Island are amongst the highest of our destinations. We know it works, we know it sells.⁵²

Economic benefits of growing visitor numbers

- 4.57 Mr Taylor suggested that the barges will deliver a substantial economic pay-off to the island. Each cruise ship visit can reap the island \$200, 000:
- We are talking about \$200,000 per visit ... through landing fees but, predominantly, through passenger spend. Most passengers would book tours and an activity- that is about \$100 spend per passenger ...⁵³
- 4.58 Transam Argosy confirmed that each call of a P& O Cruise ship contributes around \$200, 000, including about \$24, 000 in GST revenue to the Norfolk Island Government.⁵⁴ Mr Dave Porter agreed with the estimation:

49 The Tourism and Transport Forum (TTF) is the peak industry body for the tourist, transport and infrastructure sectors in Australia. See the TTF website for details:

<http://www.ttf.org.au/>.

50 Mr Trent Zimmerman, Deputy Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

51 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

52 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 3.

53 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

54 Transam Argosy, *Submission 9*, p. 4.

... when we have been fortunate enough to have a ship disembark up to 2000 passengers and crew during the course of a day the result is in excess of \$200, 000 injected into the local economy.⁵⁵

- 4.59 Carnival Australia has invested money in designing the barges costed at \$800, 000.⁵⁶ Carnival says they are an affordable solution, if you consider that each time a cruise ship visit there is an injection of \$200,000 into the local economy. Carnival Australia indicated its willingness to pay a landing fee, as it does elsewhere in Australia:

... we would be happy to pay to use the vessels ...

This is not dissimilar to the arrangements we have in places like Tangalooma on Moreton Island and many other regional locations.⁵⁷

- 4.60 At the same time, Carnival Australia advised that it would not be willing to purchase the vessels outright:

It would not be commercially viable, nor has Carnival done that anywhere else in the world.⁵⁸

- 4.61 TTF said that Commonwealth Government support for the purchase of the vessels should be considered in light of international cruise shipping being a growing and lucrative market, precedent in other parts of Australia and the need to boost the economy on Norfolk Island:

... we see governments in ports and other jurisdictions investing considerable money and import facilities to try and attract cruise shipping.

The fact that cruise ships are not going to Norfolk Island at the moment points to the need for some form of government support, and a charging regime.⁵⁹

- 4.62 According to Carnival Australia, the economic benefits would accrue. Mr Taylor described how cruise itineraries are published 18 months ahead of a cruise sail date meaning there is plenty of lead time to grow the numbers of visiting ships. Mr Taylor said, in time, there could be as many as 50 cruise ship visits a year, on average, one a week.⁶⁰

55 Mr Dave Porter MLA, *Submission 20*, p. 1.

56 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

57 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

58 Mr Peter Taylor, Vice-President, Corporate Affairs Department, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 4

59 Mr Trent Zimmerman, Deputy Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

60 Mr Peter Taylor, Vice-President, Corporate Affairs, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 7.

Modern freight handling

4.63 Carnival Australia emphasised the dual-purpose nature and advantage of the barge design, which in addition to transferring passengers, will be able to transfer goods:

... the vessels would be used for passengers on cruise days but their seating can be removed so that the vessels can then be used to move freight to and from the cargo ships. That would be of huge benefit to the island.⁶¹

4.64 The high cost of freight on Norfolk Island has long been a concern to many residents.⁶²

4.65 Mr Bruce Walker said:

... we remain an open roadstead discharge port limited to break-bulk cargo methods and with shipping freight rates of \$600+ per tonne.⁶³

4.66 Mr Dave Porter summarised the impact:

The current sea freight system has served the island for generations however the labour intensive nature of this operation is seeing the cost of living on Norfolk Island under tremendous pressure.⁶⁴

4.67 Transam Argosy outlined the current cargo handling practices on Norfolk Island:

... the cargo ship anchors approximately 1km offshore, with the cargo being unloaded by ships derricks into lighters, which are towed ashore by motorised launches. The lighters are modelled on whaleboat chasers used earlier in the last century. Due to the small size of the lighters standard 20' and 40' shipping containers cannot be handled at Norfolk Island. All cargo is handled as breakbulk, and must be packed into pallets or crated.⁶⁵

4.68 The potential economic benefits of a more efficient containerised freight system are many, including:

- Exports of Norfolk Island products to international markets;

61 Mr Trent Zimmerman, Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

62 See for example: DIRD *Submission 30*, p. 2; Mr John Brown, *Submission 32*, p. 4; Mr Brad Forrester, *Submission 28*, p. 1; Mr Ian Anderson, Vice-President, Chamber of Commerce, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 20; and Mr Boo Prentice, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 34.

63 Mr and Mrs Walker, *Submission 29*, p. 2.

64 Mr Dave Porter, MLA, *Submission 20*, p. 1.

65 Transam Argosy, *Submission 9*, p. 7.

- Greatly improved transshipment arrangements for imports of products from international markets;
 - Significantly improved quarantine protocols to prevent the introduction of unwanted pests;
 - Reduction in packaging requirements and a reduction in packaging going to the Waste Management Centre for disposal;
 - Reduction in damage to cargo, and a resulting reduction in marine insurance premiums;
 - Improved purchasing arrangements for the Norfolk importers by being able to purchase full container loads of a product.⁶⁶
- 4.69 Transam Argosy calls for the following infrastructure supports:
- Kingston jetty- maintenance dredging
 - Cascade jetty-20 m extension
 - Provision of motorised barges
 - Shore crane capable of lifting 30 tonne containers.⁶⁷
- 4.70 Transam recommends the following container handling equipment:
- Barges similar to those used at Christmas Island for unloading containers;
 - Additional equipment such as forklifts to move containers around at the jetty, and swinglift truck/trailer units; and
 - a container packing/unpacking, storage and cleaning depot ... in a central location [possibly provided by the private sector if the Australian or Norfolk Island governments commit to the shore infrastructure improvements and provision of the barges].⁶⁸

Australian accreditation and standards

- 4.71 Carnival Australia indicated that the barges would need to be fully accredited and its operators appropriately trained, to Australian standards:

Staff would be required to travel to Norfolk Island to train the locals or the locals would need to travel to Queensland or to Tasmania to have the training.⁶⁹

- 4.72 Mr Taylor noted that the owner of the vessel, if that were to be the Commonwealth, would have liability and be responsible for insurance.⁷⁰

66 Transam Argosy, *Submission 9*, p. 7.

67 Transam Argosy, *Submission 9*, p. 7.

68 Transam Argosy, *Submission 9*, pp. 8-9.

69 Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

70 Mr Peter Taylor, Vice-President, Corporate Affairs, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 5.

Are the barges the best solution for increasing tourist numbers and containerisation?

4.73 Mr Andrew Wilson, Deputy Secretary, DIRD observed that Carnival Australia has been successful in generating commercial activity in a number of challenging island locations. He stated:

I would be fairly certain that Carnival will have done their homework in regard to what would work on Norfolk Island.⁷¹

4.74 Mr Yates emphasised that tourist industry reform would need to go hand in hand with the barges. An increase in cruise ship passengers per se is not ‘a silver bullet.’ He said:

Cruise ships will help: they will not be the total economic solution.⁷²

4.75 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD acknowledged Carnival’s proposed tourism advantage but said the question for the Norfolk Island Government is ‘whether containerisation can be equally met by barges.’⁷³

Redesigning the project scope to include barges

4.76 The \$13.5 million Cascade upgrade does not include the barges. Mr Wilson said it is possible to see whether there is capacity to redesign the project to enable purchase of the tenders. However, that may not be permissible under the grant guidelines:

There is also the question as to whether or not under the guidelines for the program, purchase of what is operating equipment as opposed to capital equipment would fit within the project guidelines. It is something that we would have to look at.⁷⁴

4.77 DIRD added that requests for a change of scope may be considered by the Minister in certain circumstances, if formally raised by the proponent, i.e. the NIG.⁷⁵

Barges instead of upgrade?

4.78 Carnival Australia asserted that, in their view, the purchase of the vessels is a priority, over the Cascade Pier upgrade:

71 Mr Andrew Wilson, Deputy Secretary, DIRD, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

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

73 Ms Robyn Fleming, Executive Director, Local Government and Territories, DIRD, *Committee Hansard*, Canberra, 6 June 2014, p. 1.

74 Mr Andrew Wilson, Deputy Secretary, DIRD, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

75 DIRD, *Supplementary Submission 30.1*, p. 6.

In terms of the hierarchy of needs, it is these vessels to begin with. The existing pontoon, the existing crane-based on our understanding with discussions with the engineers-would be sufficient. Long-term we see benefit in the upgrade to Cascade jetty but the most pressing demand is for the vessels so we can actually being to put Norfolk back on the itineraries and see the dollars being injected into the community, and perhaps that can go towards longer -term improvements.⁷⁶

- 4.79 TTF went so far as to suggest 'you do not need the pier upgrade to operate these tenders.'⁷⁷
- 4.80 Mr Pope disagreed. He says the upgrades are essential to support the introduction of the barges, referencing Worley Parsons' work.⁷⁸
- 4.81 Mr Batt's advice to the Committee was that neither Cascade nor Kingston Piers could be used by the proposed barges in their current states, and that infrastructure upgrades are in fact needed to support their operation (see paragraph 4.31).⁷⁹

Committee comment – barges as part of a reform package that includes pier upgrades

- 4.82 It was suggested that the barges be provided by the Commonwealth to Norfolk Island, in the context of a reform framework with strings attached, as has been done in the past with other funding.⁸⁰
- 4.83 A 'strings attached' strategy is not a particularly successful one. Witness the current situation where the Commonwealth places conditions on the NIG with its emergency funding agreement and withholds a proportion of the funding when the mutually agreed-to conditions are not met.
- 4.84 The reality is that the Commonwealth will need to decide whether there is a good business case for providing the barges, as a boost to tourism and, particularly, an effective solution for containerisation.
- 4.85 The NIG has neither the resources nor the technical or practical capacity to provide the barges and manage the jetty upgrades itself.

76 Mr Peter Taylor, Vice-President, Corporate Affairs, Carnival Australia, *Committee Hansard*, Canberra, 6 June 2014, p. 7.

77 Mr Trent Zimmerman, Chief Executive and Director, Transport Policy, Tourism and Transport Forum, *Committee Hansard*, Canberra, 6 June 2014, p. 7.

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

79 Mr Simon Batt, Principal Maritime Engineer, Worley Parsons Services Pty Ltd, *Committee Hansard*, Canberra, 18 July 2014, p. 1.

80 Mr Julian Yates, *Committee Hansard*, Canberra, 6 June 2014, p. 14.

- 4.86 DIRD told the Committee it had recently purchased barges – in a similar price range to those proposed for Norfolk Island, in the Indian Ocean Territories⁸¹ – so there is precedent for the Commonwealth to take the lead.
- 4.87 The case for purchasing the barges as a cost-effective solution for increasing the successful offload rate of cruise ship passengers is compelling, as is the capability to containerise freight with the same vessels.
- 4.88 Worley Parsons’ advice is that the pier upgrades are essential to bring them up to standard, and to support the use of the barges.
- 4.89 The upgrades and purchase of barges should go hand-in hand.

Recommendation 4

The Committee recommends that the Commonwealth Government purchase multi-purpose barges for use on Norfolk Island in conjunction with upgrades made to Cascade and Kingston Piers. Barge use must be integrated into the design and functionality of the upgrades.

Air services

- 4.90 The tourist industry on Norfolk Island requires a reliable air service.
... with an ability for global bookings to ensure that Norfolk Island remains an easy destination to visit. In addition, tickets need to be reasonable and affordable.⁸²
- 4.91 Since 2011, the Commonwealth Government has underwritten an air services contract with Air New Zealand, to ensure a regular commercial air service between Norfolk Island and the mainland. This provides certainty to tourism operators and other businesses that rely on tourism, and the economy in general.⁸³

81 Ms Robyn Fleming, Executive Director, Local Government and Territories, Department of Infrastructure and Regional Development, *Committee Hansard*, Canberra, 6 June 2014, p. 2.

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

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

Air New Zealand contract

4.92 The Hon Lisle Snell MLA, Chief Minister, Norfolk Island Legislative Assembly, said the introduction of an underwritten air service has had a very positive impact on the economy:

... the security of an airline system to Norfolk Island is of the utmost importance for tourism to Norfolk Island. It has returned confidence to the industry, and we appreciate very much the Commonwealth assisting us in providing that security of airline service.⁸⁴

4.93 Others agreed wholeheartedly. The Tourism Action Group (TAG) said the service was 'extremely reliable' and had 'resulted in some lower airfares.'⁸⁵ Mr Dick Massicks said there is a 'good air service'.⁸⁶ Mr Buffett, General Manager, Norfolk Island Tourism said the airline services had certainly provided it with stability.⁸⁷ Mr Buffett said:

Since the commencement of the Air New Zealand Australian air services contract in March 2012 Norfolk Island has experienced a period of airline stability in schedules, service consistency and industry policy which has not been present for a number of years.⁸⁸

4.94 Witnesses expressed concerns that the contract might not be extended.⁸⁹

4.95 The contract with Air New Zealand has been extended until 31 July 2016.⁹⁰

4.96 Mr Pope said the extension of the contract benefits Norfolk Island enormously:

It gives security to the tourism industry and also a clear indication to potential competitive carriers than an international airline will be in place for the next two years.⁹¹

84 The Hon Lisle Snell MLA, Chief Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 2.

85 Tourism Action Group, *Submission 19*, p. 2.

86 Mr Dick Massicks, *Submission 17*, p. 3.

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

88 Mr Glen Buffet, Norfolk Island Tourism, *Submission 6*, p. 1.

89 See for example: Mr and Mrs Walker, *Submission 29*, p. 1; and Mr John Brown, *Submission 32*, p. 2.

90 Mr Neil Pope, *Submission 34*, p. 4.

91 Mr Neil Pope, *Submission 34*, p. 4.

Additional airline

- 4.97 Prior to the Air New Zealand service, Norfolk Island was serviced by Norfolk Air, run by the Norfolk Island Government and Norfolk Jet Express, owned and operated by Mr Gregg Prechelt. Both those airlines went bankrupt.
- 4.98 Mr Prechelt has formed a new company called Norfolk Island Airlines with the intention of resuming services to Norfolk Island. The service would be in competition with the Air New Zealand service. Mr Prechelt says he wishes to cater for the overflow (as apparently there is a high seasonal demand for seats on the Air New Zealand service):
- Norfolk Island Airlines is not principally just offering competition into the air service to Norfolk Island ... Its principal interest is providing the capacity that the Air New Zealand arrangement does not provide.⁹²
- 4.99 Mr Buffett said of the extra seats that the new airline might offer:
- The things that extra capacity always hides on Norfolk are the seasonality issues that we have.⁹³
- 4.100 He added that Air New Zealand was responsive, having taken up Norfolk Island Tourism's suggestion of dropping a flight in low season, during July, and shifting that capacity to October, a period of greater need for seats.⁹⁴
- 4.101 Mr Buffett said if the new airline markets to the same customer base as Air New Zealand's that may affect the Air New Zealand service.⁹⁵
- 4.102 Witnesses referred to the terrible impact that failed airlines had on the Norfolk Island community in the past. Local resident, Mr Bruce Walker referred to 'a disastrous hiatus in bookings experienced in 2011/2012 when the [cessation of services] from Norfolk Air was announced.'⁹⁶
- 4.103 As a result of this past experience, some expressed concerns about establishing a new airline to service the island, particularly in view of the risks associated with two airlines trying to be viable at the same time, and not having a reliable service.
- 4.104 Mr Pope emphasised:
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92 Mr Gregg Prechelt, Norfolk Airlines, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 24.

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

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

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

96 Mr Bruce Walker, *Submission 29*, p. 2.

I am fearful of a recently announced re-emergence of an airline service that has previously failed the Norfolk community.⁹⁷

Committee comment

- 4.105 The Committee is pleased that the underwritten Air New Zealand contract works, by-and-large well for the Norfolk Island community and that its extension is guaranteed for the next two years. Certainty beyond that period will be important for continued stability. The Committee shares residents' reservations about establishing a new airline to service the island when the current arrangement with Air New Zealand affords stability.

Roads

- 4.106 The poor state of Norfolk Island's roads is mentioned in chapter two. The roads have been of concern to residents and visitors alike for years:

The roads on Norfolk Island have deteriorated to the point that it is adding huge costs to our people with vehicle maintenance of suspensions, brakes and tyres.⁹⁸

Visitors with disabilities and elderly visitors are put at risk by the footpaths in much of the area from the Airport to the Governor's Lodge and Heritage Hill Hotel.⁹⁹

Road conditions do feature as one of the common visitor complaints and impact negatively on the touring service delivery through shortening bus life, diminishing passenger experience and additional maintenance costs.¹⁰⁰

- 4.107 During its visit to the Island in April 2014, the Committee experienced for itself the poor state of some of the roads. The Committee saw how drivers were forced to deviate, sometimes onto the wrong side of the road, to avoid potholes and overhanging branches. The dangers and risks for drivers and pedestrians are unacceptable at any time of day, but exacerbated at night when visibility is compromised.
- 4.108 DIRD stated that 'the general condition of Norfolk Island's roads is poor and the damage often takes years to repair.'¹⁰¹

97 Mr Neil Pope, *Submission 34*, p. 4.

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

99 Mr John Brown, *Submission 32*, p. 2.

100 Norfolk Island Tourism, *Submission 6*, p. 3.

101 DIRD, *Submission 30*, p. 8.

- 4.109 The NIG responded:
- Roads are subject to inspection and maintenance but major capital upgrades have been beyond the fiscal capacity of the Norfolk Island economy.¹⁰²
- 4.110 The NIG says that the roads are owned by the Commonwealth and that insufficient funding has been provided for their maintenance.¹⁰³
- 4.111 DIRD responded that roads are a Norfolk Island responsibility under Schedule 2 of the Act, and have been since 1979.¹⁰⁴
- 4.112 Mr Yates linked an issue like the state of the roads directly to the failure of self-governance:
- ... I do not see any evidence that they have really been able to cover their capital investment or replacement costs [of roads].¹⁰⁵
- 4.113 Mr Yates said, by contrast, a traditional local government model would serve the community better in respect of servicing the roads, and other vital infrastructure:
- ... would enable the government to focus on those local government things that are important like rates and typically the roads. A lot of local governments also do power and sewerage so they can deliver those types of things fairly effectively.¹⁰⁶
- 4.114 There are various standards and guidelines applicable to road design, building and engineering in different jurisdictions across Australia. Austroads is the association of Australasian road transport and traffic agencies. Its membership includes representation from every state and territory transport authority, as well as the Commonwealth Department of Infrastructure and Regional Development, the Australian Local Government Association, and the New Zealand Transport Agency. Austroads' purpose is to improve Australian and New Zealand transport outcomes by:
- providing expert technical input to national road and transport policy development and their membership;
 - improving the practices and capability of road agencies; and
 - promoting operational consistency by road agencies.¹⁰⁷
- 4.115 Austroads publishes a range of Guides which cover the design, construction, maintenance and operation of the road network in

102 Norfolk Island Government, *Supplementary Submission 21.1*, p. 4.

103 Norfolk Island Government, *Supplementary Submission 21.1*, p. 4.

104 DIRD, *Supplementary submission 30.1*, p. 8.

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

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

107 For more information see the Austroads website, <http://www.austroads.com.au/>.

Australia and New Zealand. These Guides have been broadly adopted by road agencies across Australia.

Committee comment

- 4.116 The Committee recognises that responsibility for roads is one shared across the three tiers of government in Australia, and there are a range of guidance materials and standards to draw upon in relation to road design, building and engineering standards.
- 4.117 The Committee cannot be prescriptive about who undertakes the necessary roadworks, and to what standards, ahead of changes in governance arrangements.
- 4.118 However, the Committee is certain that the roads on Norfolk Island require investment to bring them up to an acceptable standard, particularly to address safety concerns. This may be something that the Commonwealth Government does as part of a reform package, or devolves to a state or new local government type authority, depending on the urgent nature of repairs and upkeep.

Recommendation 5

The Committee recommends that the Commonwealth Government ensure that, as part of the new governance arrangements, the public road infrastructure on Norfolk Island is assessed against current Australia-wide design, building and engineering standards and, where needed, work is undertaken to remedy deficiencies.

Telecommunications

- 4.119 Telecommunications is one of the Government Business Enterprises (GBEs) on Norfolk Island, currently under review by Deloitte.
- 4.120 The Norfolk Island Finance Minister highlighted the importance of good telecommunications, saying it is 'vital infrastructure required in this day and age'.¹⁰⁸
- 4.121 Some of the current telecommunications woes were flagged in chapter two. DIRD summarised:

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

... the current telecommunications network is only equipped to handle 2G services and as such is inadequate for e-commerce and anything other than telephone or texting services.¹⁰⁹

- 4.122 Mr Dick Massicks confirmed in his submission that it was difficult to do business on Norfolk Island with the current level of internet service, which is neither reliable nor fast:

Many internet based businesses and individuals who could work from Norfolk via the internet have tried to establish themselves here with huge problems over the service ... We need satellite or cable access to give us more broadband width and new opportunities to progress.¹¹⁰

- 4.123 Mr Buffet said there is a need to replace the outdated internet to better serve the visitor market and to support 'the digital capabilities required in marketing and distribution.'¹¹¹

- 4.124 The Norfolk Island Finance Minister advised that the NIG has recently signed a 5-year deal with the telecommunications provider O3b to be its new internet carrier replacing Telecom New Zealand, from 1 September 2014. He talked up the benefits, including bringing high-speed bandwidth to Norfolk Island, and said there are minimal risks:

This new carrier will see virtually optic-cable speeds via satellite, with an increased band width, which will place Norfolk Island in a great place to take advantages of business which rely on fast, reliable communications for their business.¹¹²

The only thing that will hold it up is if O3b themselves cannot provide the equipment that we need on island to receive the signal. That is only very minimal ... We believe that it can be achieved and on time. Once it is on island, it will only take a few days to install.¹¹³

For our current telecommunications, we only have a bandwidth of 20 megabytes. It will be increased to 50 megabytes for the first 12 months, with the ability to increase whichever way we go...it just depends how much we can make use of it.¹¹⁴

109 DIRD, *Submission 30*, p. 2.

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

111 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Submission 6*, p. 4.

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

113 The Hon Tim Sheridan, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 10.

114 The Hon Tim Sheridan, Finance Minister, Norfolk Island Legislative Assembly, *Committee Hansard*, Norfolk Island, 29 April 2014, p. 10.

- 4.125 Mr Buffett says this should ‘provide a positive solution to internet requirements.’¹¹⁵

Committee comment

- 4.126 Improved telecommunications is another important infrastructure investment to be made on Norfolk Island.
- 4.127 The Committee is unsure who is paying for the new service given the Norfolk Island Government’s financial situation, and if the project is tracking to schedule.
- 4.128 It remains to be seen whether replacing the Telecom New Zealand service with the new O3 carrier can deliver the desired changes to residents, visitors and business operators.
- 4.129 Whether or not it does – and there is a good chance its implementation will be delayed – there are implications for the Commonwealth if there is a move to a new governance model.

115 Mr Glen Buffett, General Manager, Norfolk Island Tourism, *Submission 6*, p. 4.

