



Submission No. 20
Norfolk Island Economy
Date: 24/04/14

Mr Luke Simpkins

Chair JSCNCET

Thank you for the opportunity to provide a point of view to the New inquiry- Economic Development on Norfolk Island.

I have been a resident of Norfolk Island for some seven years and am currently a member of the Legislative Assembly, I have a background in commercial and industrial construction as well as Local Government. Over the time on Norfolk, I like many others have thought long and hard about future proofing the Island's economy.

In my view there are no quick fixes nor are there any combination of microeconomic measures that will bridge the Islands current fiscal state to a point of long term sustainability. This is not to say that the reform agenda is not needed and in fact should be addressed with more haste than seems to be shown at present.

Having said that I would like to put forward the following proposal to you as ambitious but achievable and I would welcome the opportunity to discuss it further with your committee while on Island if the time permits. I have a couple of fellow Island residents with interest in this proposal who would be available to attend with me if it is possible.

Norfolk's location is one of the most desirable in the South Pacific in terms of cruise ship schedules. Cruise liners don't like to spend more than 2 days at sea at a time and when departing Australia or New Zealand we provide that opportunity. P&O have in recent years have attempted to schedule regular cruises stops at Norfolk however the vagaries of the sea state has proved that it was damaging to their reputation as well as the brand integrity of Norfolk. Having said that 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 Island economy.

Research conducted by us indicated that there are in excess of 50 ships that could be targeted for stops at Norfolk. When one considers cultural abrasion and cultural erosion in a small isolated community that may well be the upper bound of visits desired and would make the investment in landing facilities justified.

An allied benefit for Norfolk of this facility would come in the ability to shift from break bulk freight to containers. 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 under tremendous pressure. Calm water available whenever a ship arrives as well as the ability to unload and reload containers would bring competition and no doubt cost savings to us.

The proposal we are promoting is for the Commonwealth to fund the construction of a harbour at the Cascade landing place. The benefit of the Commonwealth constructing the facility is that rather than having a Cruise company or freight company controlling access to the Island it would remain in public hands and allow the Island to benefit from the competitive forces of business. Also as I will attempt to explain there is more than just return on investment involved in this proposal.

Currently Norfolk is involved in the reform process, progress is painfully slow but we now have an indication from the Commonwealth that we will be partaking in the taxation and welfare systems. Given the number of reports commissioned over the last few years the tax take from Norfolk will most likely be negative for the foreseeable future. There would not appear to be many options available to address this in the short term and as discussed earlier there does not appear to be

microeconomic measures that will deal with the problem in a meaningful way. The Island has extensive experience in tourism with major investment in tourism product for visitors, be they fly in and stay or the day visitors from the ships. Bear in mind every cruise visitor is a potential return visitor or at the very least an ambassador for the Island. Feedback from exit surveys by both the Island as well as the Cruise companies showed very high levels of approval of the product available. Given this history and reputation it is a simple matter of build it and they will come.

Having said all that you may still wonder why you would spend a fortune on just a few people,

Currently Great Britain is spending considerable sums of money in both Pitcairn Island as well as St Helena Island. Pitcairn Island is receiving a wharf and access road valued at some 26million pounds. This for a population of less than 60 persons. St Helena is gaining an Airport and improvements to their wharfing in excess of 150 million pounds sterling no doubt in the effort to future proof them. Although the investment in a harbour for Norfolk would be costly it appears that it would stack up when all the costs of doing nothing are considered.

In the matter of doing nothing it is established already as noted above that the Grants Commission enquiry into taxation on Norfolk would result in a negative cash flow. Couple this with the cost to supply welfare relief to many on the Island would be an ongoing drain on the Australian budget. Further to this the cost to repair the damage caused to the social fabric of a community in despair seen so often in communities with low income levels, low employment levels and limited confidence in the future delivering any improvement.

I don't believe this is a project that would require large initial funding, there is a property adjacent to the site that could be acquired to provide all the rock and fill required. The project could be constructed by day labour with expert supervision and hiring in of specialised tasks such as drilling and blasting. The project could be funded over a period of 5 or 6 years and with the benefit that once the outer wall were passing the half way mark there would be an improvement in the sea state which would allow cruise ships to make visits to us. The matter of building a wharf could be left until the through put of the port could justify it. Primary requirement of the project is to provide sheltered water to hold a ship (mooring dolphins could be provided in the short term) Calm water will allow the safe transfer of passengers as well as the unload reload of containers.

Economic development on the island without a prime motivator will be slow and most likely incremental with growth in the population only following after the slack that exists at the moment is taken up. However with the development of the harbour there would be an increase in activity straight away with the stimulation of the construction work as well as the confidence this activity will create in the community. Many business opportunities have already presented themselves with the cruise ship activity to date but the uncertainty of continuity prohibits most small operators from investing. There are many local people who have relocated from the island and is currently approaching record levels, some may be soldiers of fortune but most are economic refugees and most would return home as soon as conditions allowed.

In terms of the longevity of the cruise industry there appears to be new press releases daily speaking of plans for new ships to enter service, given that some of these vessels are in excess of 1 billion dollars it would appear that the cruise industry is set to continue for the foreseeable future. In 2009 I presented to the Government a brief on the design of a third landing facility and attached to that report was a number of reports on cruise ship activity in South Australia, Tasmania & New Zealand. These reports detailed benefits to communities similar to that experienced in Norfolk when ships have been successful in landing for the day.

This is not an exhaustive study of the feasibility of the construction or operation of a port/harbour facility for Norfolk Island but merely a business opportunity too good to pass up. Thank you for taking the time to read this document and as stated previously I look forward to appearing before you when on Island if the opportunity is available.

Regards,

David Porter

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Norfolk Island.