

The Norfolk Island economy

I fear that for many years we have failed to properly address the financial and economic crisis building in our midst and to put in place measures to ensure that we can protect and sustain the heritage of this magnificent island and our way of life. The time has come for us to recognise the critical issues and to deal with them.¹

- 2.1 The Norfolk Island economy has been often defined as ‘fragile’ or ‘vulnerable’.² The principal reason for this has been the economy’s dependence on volatile exports and, markets. Throughout much of the twentieth century, for example, the economy of Norfolk Island was dependent on the export of a variety of different primary products, including bananas, passionfruit pulp, whale products, lemon based products, fish, oranges and, guava jelly.³
- 2.2 Tourism would eventually replace the Island’s economic reliance on primary products, and, from the 1980s until recent times, would bring prosperity to Norfolk Island. Not surprisingly, significant investment was poured into the tourism sector; an investment that was never

1 The Hon. G. Gardner, Chief Minister, *Norfolk Island Legislative Assembly Hansard*, 20 April 2005, p. 173.

2 See, for example, Commonwealth Grants Commission, 1997, *Report on Norfolk Island*; Mr J. Kelly (Submission No. 9); and Mr L. Johnson (Submission No. 12).

3 M.L. Treadgold, 1998, *Bounteous bestowal: The economic history of Norfolk Island*, Pacific Research Monographs 18, National Centre for Development Studies, Australian National University; M. Hoare, 1983, *The Winds of Change: Norfolk Island 1950-1982*, Institute of Pacific Studies of the University of the South Pacific, Fiji; Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 30.

premised on a sound assessment of the viability of the tourism industry or, the finite nature of the market.

- 2.3 The various economic feasibility studies carried out since self-government essentially concluded, that, Norfolk Island was 'economically viable'.⁴ As one study remarked:

Our recommendations are based on the belief that the economic capacity of Norfolk Island is, in broad terms, sufficient for it to be economically and financially self-supporting, with appropriate standards of government services, including social services.⁵

- 2.4 However, the main assumption underpinning this conclusion was that the level of tourism would remain sustainable. Even then, it was clear that a nexus existed between government revenue and tourism.⁶ In the absence of any other identifiable, dependable and consistent source of revenue, confidence in the viability of the Norfolk Island economy remains dependent upon the assumption of a viable and dynamic tourist sector.
- 2.5 In the Committee's view, the strategy underlining the Norfolk Island Government's approach to economic management has been flawed. In the assessment of how much revenue was required to meet expenditure, very little, if any, allowance has been made for adequate levels of service delivery and infrastructure. The Norfolk Island Government has continued to find comfort in the conclusion that its economy was 'viable' and 'sound', on the assumption that tourism would 'see the Island through'. This chapter provides a synopsis of the

4 See, for example, R.G. Gates, 1979, *Norfolk Island Economic Feasibility Study*, University of New England; C.J. Aislabie, B.A. Twohill, W.J. Sheehan, *Public expenditure problems of a dependent micro economy – Norfolk Island, 1976/77 to 1982/83*, Department of Economics, University of Newcastle; C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment; C. Nobbs, 1983, *Which future for Norfolk Island?*; Norfolk Island Government, 1990, *Report of the Revenue Review Working Group*; C. Nobbs, 1992, *Financial Institutions and Taxes on Norfolk Island: A report to the Administration of Norfolk Island*; Commonwealth Grants Commission, 1997, *Report on Norfolk Island*; Access Economics, 1997, *Norfolk Island: Recent Economic Performance, Present Situation and Future Economic Viability. Is there a case for change?*; M.L. Treadgold, 1998, "The size of the Norfolk Island economy", *Pacific Economic Bulletin* 13(2):82-91.

5 C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment, p. 2.

6 The other consistent finding amongst these studies was the paucity of economic and financial data gathered on the Island. "Anyone conducting research into the economy of Norfolk Island soon discovers the paucity of useful data." Aislabie, *et al.*, p. 18.

current state of the Norfolk Island economy. The Committee notes that there is:

- a) a significant question mark over the size of the economy (and, indeed, that this may have been overestimated in previous assessments); and
- b) serious concern over the extent to which Norfolk Island has the required revenue resources to cover the cost of increasing expenditure costs, most notably attributed to depreciating infrastructure, an ageing population and, the current account.

2.6 From this assessment, it is clear to the Committee that today, the Norfolk Island economy's reliance on its primary source of revenue places it in a precarious position, especially given the current downturn in the number of tourists travelling to Norfolk.

The nature of the economy

2.7 As this chapter should illustrate, capturing the exact nature of the Norfolk Island economy has proved a difficult task for many years. As such, the following discussion is more a review of economic studies conducted over the past twenty years, rather than an economic study *per se*.

Guesstimating Gross Product

2.8 Although a number of attempts have been made, estimating the size of the Norfolk Island economy (or "gross product"⁷) has continuously proved difficult. In 1997, the Commonwealth Grants Commission (CGC) noted that while public sector data was of "good quality", only "scant information" was available on the level of private sector activity on the Island because:

... the Norfolk Island Government does not apply taxes to business sector inputs or outputs (there is no company tax or sales tax) – though accommodation, petroleum and liquor sectors are exceptions. Thus, most businesses do not provide information on their financial activities to the Norfolk Island Government.⁸

7 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 32.

8 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 32.

- 2.9 This notwithstanding, the resultant estimate of the Norfolk Island economy for the year 1995-96 was \$80 million, assuming a private sector contribution of \$57 million. In making this estimate, the Grants Commission did acknowledge that its estimate of the private sector's contribution may have been understated, and, that indeed, others had estimated the private sector contribution to be \$70 million, producing an overall estimate of the economy at \$90 million.⁹
- 2.10 Assessing the CGC's estimate, Professor Malcolm Treadgold, of the University of New England, remarked that, if correct, the Norfolk Island GDP was 70 per cent higher than that of the rest of Australia.¹⁰ This led Treadgold to conclude that the CGC had "exaggerated the size of the Norfolk Island economy", and suggested an alternative estimate as much as a third lower, of \$53.4 million. This revised estimate, if accurate, has serious implications:

The alternative estimate of GDP also suggests that the Commission has drawn an excessively optimistic picture of the revenue-raising potential of the Norfolk Island government. As a consequence, there must be considerable reservations about the Commission's conclusion that the Norfolk Island government has the financial capacity to achieve Australian standards in the provision of services, meet associated infrastructure costs, and assume additional powers.¹¹

- 2.11 It would appear that none of Treadgold's reservations have yet been given due consideration in the context of financial sustainability. Today, it remains difficult to say what, exactly, is the amount of Norfolk Island's GDP. In evidence to the Committee, Treasury officials reported that:

The figure provided to us by [the then Administrator] Mr Messner in 2003 was that he thought – and I am not sure of the basis on which he thought it – the total island economy

9 Two assumptions underpinned this estimate: first, that average wages for each employee in the private sector were 90 per cent of the public sector figure; and secondly, that gross profit for each employee in the private sector was 80 per cent of the figure for the profitable GBEs. A further caveat of this \$80 million estimate was the unpredictability of the "non-official or barter and cash economy that has existed on Norfolk since 1856". Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, pp. 32-33.

10 M.L. Treadgold, 1998, "The size of the Norfolk Island economy", *Pacific Economic Bulletin*, 13(2):82-91.

11 M.L. Treadgold, 1998, "The size of the Norfolk Island economy", *Pacific Economic Bulletin*, p. 90.

was around \$100 million ... We do not know, and we have no way of testing that figure.¹²

Inflation

2.12 The Norfolk Island Government maintains an indicator of its fiscal health with its Retail Price Index (RPI), which is similar to the Consumer Price Index (CPI) used in other States and Territories. The Norfolk Island Administration describes the RPI as follows:

The Retail Price Index measures the average price movement in a basket of goods which has been determined by a household expenditure survey to represent the purchases of a Norfolk Island household. The Index number is calculated every three months ... and is:

- used to increase benefits paid under the *Employment Act 1988* (NI);
- used to increase the Administration fee units; and
- a general guide to inflation in Norfolk Island.¹³

2.13 During the 2003-04 financial year, the RPI increased by 11.2 per cent whilst the CPI increased by 3.5 per cent. More recently, for the period ended 31 March 2005, the RPI increased 9.2 per cent while the CPI increased 2.4 per cent for the same period.

2.14 In his submission, Mr Mitchell Dickens, General Manager of a local business on Norfolk Island, referred to the significant inflationary pressures faced by the Island, "given its isolation and total dependence on petroleum products for freight and electricity generation".¹⁴

2.15 This serves to illustrate the greater volatility and susceptibility of the economy of this isolated island, as well as the capacity of such a small community to dictate fiscal policy and restraint against more robust external economic forces.

12 Mr P. Colmer (Treasury), *Transcript of Evidence*, 4 August 2005, p. 12.

13 Norfolk Island Administration, *Annual Report 2003-04*, p. 28.

14 Mr M. Dickens (Submission No. 13), p. 1.

Labour force participation

2.16 Labour force participation statistics as outlined in Tables 2.1 and 2.2 reflect that Norfolk Island has “negligible unemployment”.¹⁵ This can be largely attributed to the local immigration regime, which, in most circumstances, will only grant Temporary Entry Permits for employment purposes and requires that itinerant workers leave the Island when they cease employment.¹⁶ Indeed, in 2001, 87 per cent of the itinerant population, compared with 77.5 per cent of the permanent population, were reported to be in full-time employment. The figures do not differ dramatically from those of the previous census.

Table 2.1 Permanent population, 15 years and over: work characteristics

<i>Whether person had a full-time job or business last week</i>	2001		1996	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Yes	981	77.5	877	74.6
No	240	19.0	283	24.1
Not Stated	44	3.5	15	1.3
Totals	1,265	100.0	1,175	100.0

Source Norfolk Island Administration, Census of Population and Housing, 7 August 2001, p 11.

Table 2.2 Itinerant population, 15 years and over: work characteristics

<i>Whether person had a full-time job or business last week</i>	2001		1996	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Yes	314	87.0	203	86.0
No	40	11.1	29	12.3
Not Stated	7	1.9	4	1.7
Totals	361	100.0	236	100.0

Source Norfolk Island Administration, Census of Population and Housing, 7 August 2001, p 18.

15 Human Rights and Equal Opportunity Commission, 1999, *Territorial Limits: Norfolk Island's Immigration Act and Human Rights*, p. 10.

16 A full list of conditions governing the provision of Temporary Entry Permits is outlined in Section 17 of the *Immigration Act 1980* (NI).

- 2.17 The government is a significant employer on Norfolk Island. The Administration's 2003-04 Annual Report indicates that a total of 204 people worked for the Norfolk Island public service.¹⁷

Table 2.3 Composition of Norfolk Island public service (as at 30 June 2004)

Positions	Number
Fulltime employees	136
Contract employees	14
Part-time employees	23
Vacant positions	11
Positions in a recruitment process	20
Total	204

Source *Norfolk Island Administration, Annual Report 2003-04, p 17.*

- 2.18 A previous Chief Executive Officer of the Administration, Ms Robyn Menghetti, submitted that in addition to these positions, the government also employed a range of other individuals including the staff of the Norfolk Island Hospital Enterprise, the staff of the Norfolk Island Central School and, the staff of the Norfolk Island Government Tourist Bureau. Moreover, a number of contract staff, including cleaners and bobcat operators and other equipment hirers were also employed by the Administration.¹⁸
- 2.19 In general, wages and salaries are below those in the rest of the country. In 2000, a report prepared for the Norfolk Island Government found that:
- the mean average income on Norfolk Island was \$20,800 (net) per worker;
 - census details indicate that 41.7 per cent earned less than \$20,000 per annum; and
 - only 15 per cent earned over \$31,000 per annum.¹⁹

17 Not included in these figures are those public servants paid by the Commonwealth Government, such as the Australian Federal Police, and the staff of the Administrator's Office.

18 Ms R. Menghetti (Submission No. 25), Attachment A, pp. 1-2.

19 B. Paddick, 2000, *Review of Immigration System of Norfolk Island Volume 1 – Preliminary Study*, paragraph 2.61.

- 2.20 A number of millionaires also live on Norfolk Island. In 1997, the CGC Report noted that “between 40 and 80 very wealthy people live on the Island”.²⁰ It is likely that this figure has increased since 1997.
- 2.21 Average income from all sources for all Australians (excluding Norfolk Islanders) in 2000-01 was \$25,900 (gross) per person aged over 15.²¹ The difference in salaries and wages is generally attributed to the absence of personal income tax on Norfolk Island. It should be noted, however, that the cost of living is higher on Norfolk Island, the tax burden for lower income earners is higher and, the standard of service provision is lower, than in other States and Territories.
- 2.22 Table 2.4 provides data on the qualifications of the ordinarily resident population (both permanent and itinerant) on Norfolk Island. The 2001 Census found that 46.2 per cent of the population had some form of qualification, be it professional, technical, trade or otherwise. In evidence to the Committee, the previous Chief Executive Officer of the Norfolk Island Administration, Mr Luke Johnson noted that of the 200 staff in the Administration, no more than 15 had tertiary qualifications.²²

20 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 25.

21 ABS, *Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data* (Catalogue No. 6524.0.55.001); ABS, 2001 Census.

22 Mr L. Johnson, *Transcript of Evidence*, 4 August 2005, p. 51.

Table 2.4 Ordinarily resident population, 15 years and over: professional, technical, trade or other qualification

<i>Field of Qualifications (Highest Level Obtained)</i>	Census, 7 August 2001			
	<i>Males</i>	<i>Females</i>	<i>Total</i>	<i>% of Total</i>
Management, Administration and Related Fields				
Accounting and Auditing	12	14	26	1.6
Secretarial, Typing and Shorthand	-	51	51	3.1
Legal	8	2	10	0.6
Management and Administration n.e.i.*	16	22	38	2.3
Natural and Applied Sciences	15	9	24	1.5
Engineering and Technology	18	3	21	1.3
Architecture and Building				
Building and Construction	25	-	25	1.5
Carpentry and Joinery	41	-	41	2.5
Plumbing and Gasfitting	22	-	22	1.4
Architecture and Building n.e.i.*	12	1	13	0.8
Social Sciences, Humanities, Religion and Theology	6	5	11	0.7
Education	20	42	62	3.8
Medicine and Health	13	67	80	4.9
Artistic, Literary and Performing Arts	9	19	28	1.7
Agriculture and Forestry	6	6	12	0.7
Manufacturing and Construction excluding building				
Electrical and Electronic	32	-	32	2.0
Metal	6	-	6	0.4
Vehicle	55	-	55	3.4
Other Manufacturing and Construction n.e.i.*	7	-	7	0.4
Services				
Transport and Communications	13	10	23	1.4
Food and Related Services	28	13	41	2.5
Other Services n.e.i.*	10	28	38	2.3
Fields n.e.i.*	2	4	6	0.4
Fields not stated or inadequately described	58	21	79	4.9
Total Persons with Qualifications	434	317	751	46.2
Persons without Qualifications	294	412	706	43.4
Persons still at school	19	33	52	3.2
Not stated whether Qualified	55	62	117	7.2
Total	802	824	1,626	100.0

Source *Norfolk Island Administration, Census of Population and Housing, 7 August 2001, p 25.*

Note ** Not elsewhere included* (or classified)*

Private sector activity

- 2.23 Despite the difficulty in obtaining private sector data, Census data demonstrates a steady increase in the proportion of the resident working population, with jobs directly related to tourism, from 49.7 per cent in 1986 to 53 per cent in 1996 and 54.3 per cent in 2001.²³ Similarly, the 1997 CGC report indicated that the percentage of persons directly involved in tourism was 60 per cent, with an additional 24 per cent involved indirectly.²⁴
- 2.24 It is clear then that the main driver of private sector activity on Norfolk Island is tourism. In 1997, the CGC tried to estimate the “financial size of the tourist sector”, noting that this was difficult to define with any precision.²⁵ Based on certain assumptions, the CGC estimated that:
- ... in 1995-96, the Norfolk Island Government would have raised from tourists through [departure taxes, landing fee charges and the Accommodation Levy] about \$2 million of the \$7.6 million [earned overall in] indirect taxes less subsidies.²⁶
- 2.25 On the conjecture that every tourist spent \$100 a day, the CGC estimated that tourists’ contribution to the local economy (through their engagement in local activities) amounted, in 1995-96, to at least \$23 million.²⁷ According to the CGC, this meant that tourists, who comprised about 26 per cent of the population, contributed roughly 40 per cent of the Island’s revenue.²⁸
- 2.26 More recent estimates calculate tourism’s contribution to the Norfolk Island economy at 90 per cent.²⁹

23 Norfolk Island Administration, *Census of Population and Housing*, 6 August 1991 (p. 32) and 7 August 2001 (p. 30).

24 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 34.

25 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 35.

26 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 35.

27 The Commonwealth Grants Commission noted that this was a more conservative estimate than that calculated by Access Economics, who estimated the tourist sector contribution to be \$41.4 million. Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 36.

28 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 149.

29 F. Robson, *Queer as Norfolk*, Good Weekend Magazine, Sydney Morning Herald, 6 August 2005, p. 1.

- 2.27 In 2003, the Australian Treasury found that the commercial sector of the Norfolk Island economy was made up of 349 businesses operating in three broad categories:

Table 2.5 Commercial business sectors

Sector	Number
Accommodation providers	84
Tour providers	96
Retailers	169
Total	349

Source *Department of the Treasury, 2003, Discussion Paper: Taxation Options for Norfolk Island, p. 4.*

- 2.28 Treasury noted that “most of the 349 businesses exist principally because of the tourism trade”.³⁰ However the emergence of tourist packages, including airfares, accommodation and island tours, has resulted in fewer dollars being spent in retail outlets.³¹ This has, not surprisingly, resulted in a period of uncertainty for the private sector, with a number of businesses on Norfolk Island now for sale:

Until the last few years, commerce on Norfolk has seen good returns on investment ... However, many businesses today show significant shortfalls, (many quote being 50% down on the previous year’s revenues), which can be attributed to a significant downturn in tourist numbers.³²

- 2.29 Related to this is the concern on-Island that the Norfolk Island Government’s “regressive” policies towards immigration restrict private sector development. The Chamber of Commerce noted that despite the “many properties and businesses that have been for sale for between 3 to 6 years ... the pool of ‘eligible’ buyers is restricted. The Chamber feels that these markets have been static since 2002.”³³
- 2.30 The Committee will return to the serious challenges confronting the Norfolk Island economy, arising from its reliance on tourism, later in this chapter.

30 Australian Treasury, 2003, *Discussion Paper: Taxation Options for Norfolk Island*, pp. 4-5.

31 Australian Treasury, 2003, *Discussion Paper: Taxation Options for Norfolk Island*, pp. 4-5.

32 Norfolk Action Group (Submission No. 24), p. 1.

33 Norfolk Island Chamber of Commerce (Submission No. 14), p. 13.

Existing sources of revenue

- 2.31 There has been considerable debate over the question of the capacity of the Norfolk Island Government to raise sufficient resources from the revenue base already at its disposal. The CGC concluded that not only did Norfolk Island have that capacity, but that, in fact, the Norfolk Island Government had the capacity to increase revenue by as much as 60 per cent.³⁴

Taxes, duties and levies

- 2.32 Reflecting the Norfolk Islanders' desire for self-governance, Islanders do not pay any Federal taxes, including goods and services (GST), income, or company tax. There are, however, a range of local (indirect) taxes and imposts levied by the Norfolk Island Government which are used to fund services and infrastructure.³⁵ Among these is the flat \$250 Healthcare Levy, payable every six months by each adult resident, with an exemption for those who can afford private health insurance.
- 2.33 The CGC found that the taxation system on Norfolk Island was regressive, generally did not tax wealth or income and, fell disproportionately on tourists.³⁶ Moreover, where Norfolk Island imposed taxes, they were at a rate more than double the equivalent taxes in the rest of Australia.³⁷ Further to this, the Commonwealth Treasury noted that:

The taxes levied are generally flat, across the board, meaning that lower income earners pay a higher proportion of their income on taxation than higher income earners. In 1995-96, Norfolk Island raised only 4 per cent of its tax revenue from income and wealth, compared to 54 per cent in mainland Australia.³⁸

34 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 164. See also C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment, p. 46.

35 Department of Transport and Regional Services, *Norfolk Island: General Information*, <http://www.dotars.gov.au/terr/norfolk/general.aspx>.

36 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. xiv.

37 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. xiv.

38 Australian Treasury, 2003, *Discussion Paper: Taxation Options for Norfolk Island*, p. 7.

Table 2.6 Norfolk Island Administration source of revenue, 2003-04 and 2002-03

	<i>Year ended</i> 30 June 2004	<i>Year ended</i> 30 June 2003
	\$	\$
Revenue Fund	9,597,089	8,410,214
Liquor Supply Service (GP)	1,731,064	1,675,389
Postal Service	712,885	810,013
Electricity Service	3,110,073	2,867,746
Norfolk Telecom	3,792,978	4,265,975
Lighterage Service	445,809	500,427
Norfolk Island Airport	1,970,428	1,679,523
Water Assurance Fund	439,166	472,095
KAVHA Fund	572,272	635,303
Bicentennial Integrated Museums	191,188	209,442
Workers Compensation Scheme Fund	307,950	318,149
Healthcare Fund	789,719	771,380
Cascade Cliff Sale of Rock	322,543	491,654
Offshore Financial Centre	52	246
Gaming Enterprise	151,634	144,225
Total	24,134,850	23,251,781

Source Norfolk Island Administration, Annual Report 2003-04, p. 49.

2.34 Mr Luke Johnson, former CEO of the Norfolk Island Administration, was also critical of the Island's taxation regime:

An examination of the Norfolk Island financial statements clearly indicates that the Island is not 'tax-free'. The system is simply different to the Australian taxation system and the main difference is that it is far less equitable and does not raise enough revenue to sustain the Island.³⁹

Government Business Enterprises

2.35 The Norfolk Island Government Business Enterprises, operating as monopolies, provide more than 50 per cent of the revenue generating capability of the Government. Without the dividends that these enterprises pay the Revenue Fund, the costs of the limited government services and administration that are currently provided, could not be

³⁹ Mr L. Johnson (Submission No. 12), p. 7.

met. The Commonwealth Treasury noted that these enterprises “appear to be a substitute for taxation revenue.”⁴⁰

- 2.36 The Committee received a number of submissions suggesting that the Norfolk Island Government examine the potential to privatise the Government Business Enterprises.⁴¹ Of all the Government Business Enterprises, the Commonwealth Treasury supported the idea of privatising the Liquor Bond. Treasury argued that:

Prima facie, a monopoly for liquor would seem unnecessary if adequate revenue is available from other sources.

Withdrawing from the market would allow Government to consider appropriate taxation of alcohol taking into account any taxation and/or social policy issues without the distortions that might arise from the need for dividends.

Further, [the Norfolk Island] Government may benefit through the transfer of the costs of the Liquor Bond (for example, wages, rents, capital, etc) to private businesses.

Allowing competition in the liquor market would generally be expected to benefit consumers through either lower prices or product innovation (for example, broadening the range of products available).⁴²

Existing loans

- 2.37 Section 49 of the *Norfolk Island Act 1979* states that:

The Minister for Finance may, on behalf of the Commonwealth, out of money appropriated by the Parliament for the purpose, lend money to the Administration or to a Territory authority on such terms and conditions as the Minister for Finance, in writing, determines.

- 2.38 Two loans are currently contracted between the Norfolk Island Government and the Commonwealth. Both of the Norfolk Island Government’s current loans are interest free.
- 2.39 In 1998, the Norfolk Island Government was granted an interest free loan for the Cascade Cliff Safety project (designed to stabilise a dangerous cliff face overlooking a road and jetty at Cascade Bay to

40 Australian Treasury, 2003, *Discussion Paper: Taxation Options for Norfolk Island*, p. 8.

41 See, for example, Mr R. Robinson (Submission No. 5) p. 1; Mr M. Hehir (Submission No. 23), p. 16; and Norfolk Action Group (Submission No. 24), pp. 8-9.

42 Australian Treasury, 2003, *Discussion Paper: Taxation Options for Norfolk Island*, p. 8.

ensure public safety). This loan is controlled and managed by an independent board.

- 2.40 As at 30 June 2004, the amount outstanding on this loan was \$2,152,589. The loan is repayable from royalties paid for crushed rock sales on the Island.⁴³
- 2.41 On 28 July 2003, the Norfolk Island Government entered into an agreement with the Commonwealth for a \$5.8 million loan to resurface the runways at the Norfolk Island airport. In addition to the repayment of the interest free loan, the Norfolk Island Government has also agreed to establish a trust fund into which they will deposit \$7.9 million by 30 June 2015 for the next refurbishment of the runways.
- 2.42 On 27 June 2005 the agreement was varied to increase the \$5.8 million loan to \$12 million and the trust fund balance to be achieved was increased to \$17.5 million with the date being extended to 30 June 2020. The money held in the trust fund is to be used exclusively for Norfolk Island airport runway refurbishment to commence in the 2020-21 financial year. Included in this agreement are the anticipated interest earnings of the trust account of \$3,024,293 over the duration of the agreement. To date, no money appears to have been allocated to the trust fund.⁴⁴
- 2.43 The Committee expresses serious concern that these funds allocated two years ago have not yet seen the project advanced at all. This being the case, the Committee calls for an audit of any funds expended thus far under this project.

Commonwealth funding

- 2.44 The website of the Department of Transport and Regional Services states:

Notwithstanding the long-standing agreement that Norfolk Island should be exempt from federal taxation and be largely financially self-sufficient, Norfolk Island does receive assistance and funding from the Federal Government.⁴⁵

43 It is expected that substantial crushed rock will be required for the resurfacing of the Norfolk Island airport runways.

44 Norfolk Island Administration, *Annual Report 2003-04*, p. 49.

45 DOTARS, *Federal assistance provided to Norfolk Island*, http://www.dotars.gov.au/terr/norfolk/fed_assistance.aspx.

- 2.45 In fact, Norfolk Island receives funding:
- by federal agencies operating on Norfolk Island;
 - under national grant programs; and
 - as part of the Federal Government's responsibilities to the Australian community.⁴⁶
- 2.46 In the past year alone, the Commonwealth Government has provided:
- an additional \$7 million on the initial \$5.8 million interest free loan for the resurfacing of the Norfolk Island Airport;
 - an additional (but as yet unspecified) amount to supplement the \$2.6 million grant for the refurbishment of the Kingston Pier, plus an additional \$50,000 towards the cost of employing a project engineer;⁴⁷
 - a National Heritage Trust grant of \$650,000 to assist with implementation of a green waste management system including the purchase of a 'tub grinder' for the project, and a further \$240,000 to protect Norfolk Island's remnant rainforests and Norfolk Island Pines; and
 - funding for technical assistance:
 - ⇒ following the liquidation of Norfolk Jet Express (NJE), an expert aviation consultant (Centre for Asia Pacific Aviation) was sent to assist with airline planning and service delivery;
 - ⇒ an Australian Government Advisory Group, consisting of officials from the Australian Treasury, the Australian Taxation Office and the Australian Bureau of Statistics was sent to Norfolk to assist the Norfolk Island Government in its investigation of the Norfolk Sustainability Levy (NSL), at a total cost of \$7,644.⁴⁸
- 2.47 Despite the continued proliferation of such grants and loans, the Department of Transport and Regional Services was reluctant to admit any reliance on the Commonwealth Government:

46 DOTARS, *Federal assistance provided to Norfolk Island*, http://www.dotars.gov.au/terr/norfolk/fed_assistance.aspx.

47 The Hon. J. Lloyd MP, Minister for Local Government, Territories and Roads, *Norfolk Island Pier Refurbishment Funding Secured*, Media Release, 15 September 2005.

48 Department of Transport and Regional Services (Submission No. 19), p. 1.

I am not sure that I would say [the Norfolk Island Government] are reliant very heavily [on assistance from the Commonwealth]. But I certainly think that the airport situation highlights that the redevelopment of a critical piece of infrastructure for the island, in terms of its remoteness and access to Australia and also for its tourism industry, was not able to be financed by the government from its current revenue.⁴⁹

Levels of expenditure

2.48 Historically, the core focus of financial management on Norfolk Island has been to maintain a 'balanced budget'.⁵⁰ In achieving this objective, recurrent expenditure has often been capped by projected revenue and there has been little focus on future capital needs or the establishment of reserves.

2.49 A number of submissions expressed concern with this strategy.⁵¹ Mr Luke Johnson, for example, noted that, the Assembly's reliance on expenditure cuts and organisational restructuring to balance its budgets "only serves to mask the real problem and delay the identification and implementation of a meaningful solution."⁵²

2.50 In 2002, the Norfolk Island Government initiated a wide-ranging review of government expenditure. The report concluded:

Despite the identification of some savings, a clear finding of the *Focus 2002* [review] has been that **the capacity to make further substantial expenditure reductions is extremely limited**. Much of the savings identified were also 'lost' to other under funded areas that require additional revenue for the current financial year.⁵³

2.51 Table 2.7 summarises the Norfolk Island Administration's recurrent and capital expenditure for the 2003-04 and 2002-03 financial years.

49 Mr R. Magor (Department of Transport and Regional Services), *Transcript of Evidence*, 4 August 2005, p. 7.

50 C. Nobbs, 1983, *Which future for Norfolk Island?*, p. 11.

51 Mr L. Johnson (Submission No. 12), p. 10; Mr M. Zande (Submission No. 21), p. 2; Mr M. Hehir (Submission No. 23), p. 2; and Norfolk Action Group (Submission No. 24), pp. 2-3.

52 Mr L. Johnson (Submission No. 12), p. 10.

53 Norfolk Island Government, *Focus 2002 – Sustainable Norfolk Island*, Executive Summary, p. 2. Emphasis in original.

Table 2.7 Norfolk Island Administration expenditure, 2003-04 and 2002-03

	<i>Year ended</i> 30 June 2004	<i>Year ended</i> 30 June 2003
	\$	\$
Revenue Fund	11,288,967	10,729,459
Liquor Supply Service	280,881	284,865
Postal Services	652,911	616,660
Electricity Service	2,123,390	2,093,825
Norfolk Telecom	2,034,382	1,939,090
Lighterage Service	344,932	396,196
Norfolk Island Airport	1,009,872	734,505
Water Assurance Fund	405,755	117,164
KAVHA Fund	793,703	818,029
Bicentennial Integrated Museums	232,413	258,805
Workers Compensation Scheme Fund	244,566	255,031
Healthcare Fund	636,714	632,531
Cascade Cliff Sale of Rock	260,313	524,555
Gaming Enterprise	18,652	28,771
Offshore Finance Centre	3,055	11,417
Total	20,330,506	19,440,903

Source *Norfolk Island Administration, Annual Report 2003-04, p. 49.*

Service provision

- 2.52 The Norfolk Island Government is responsible for delivering a range of Commonwealth, State and Local Government type services. The most comprehensive review of service provision on Norfolk Island is the CGC Report of 1997. The report concluded that certain services on Norfolk Island were provided at levels that exceeded standards found in the rest of Australia,⁵⁴ whilst other services were not provided at comparable standards.⁵⁵ A number of remaining services were found to be delivered at comparable standards.⁵⁶

54 Namely, police services and the National Park, both of which are provided in association with the Commonwealth. Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 140.

55 Pre-school education and child care, vocational education and training, health insurance, social security, welfare services, housing assistance, water supply, employment conditions, waste disposal, culture, environment protection, land administration and planning, sundry regulatory and administrative services and fire services. Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 140.

56 School education, hospital, public health and community health services, road services, sewerage services, postal services, telecommunications, broadcasting, recreation and sport, promotion of tourism, quarantine services, immigration, corrective services, court services, emergency management, the Kingston Arthur Vale Historical Area (KAVHA)

- 2.53 In response to the CGC Report, the Norfolk Island Government disagreed with this assessment and questioned the validity of the classifications. For example, the Norfolk Island Government argued that welfare services, culture and environment protection provided on Norfolk Island were comparable to those services provided in the rest of the country.⁵⁷
- 2.54 With regard to the services classified as being “below mainland standard”, the Norfolk Island Government stated that, as there are services which the Island community is not interested in establishing at standards equivalent to those in other States and Territories, it has no mandate to enforce an increased standard in these service areas.⁵⁸
- 2.55 Certain submissions echoed this sentiment. Mr Bill Sanders, for example, stated:
- Persons who come to live in a remote and isolated location with an extremely small population, cannot expect to have the same standard of services as on the mainland.⁵⁹
- 2.56 Similarly, the Norfolk Action Group stated:
- ... This does not mean that the Norfolk Community desires all of the services, nor services to the same levels, as that enjoyed by other Australians. Indeed, our aspirations as a community may well be less in some areas, and the majority of us do not feel ‘second class’ (as some would have us believe) as a consequence.⁶⁰
- 2.57 These arguments notwithstanding, the Norfolk Island Government has acknowledged that the Island’s ageing population will necessarily require additional funds to be allocated to social security and, health and aged care services.⁶¹ It was also submitted that there are insufficient funds to maintain quality education on Norfolk Island.⁶²

and, customs services. Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 140.

57 Hon. Ivens Buffett (Submission No. 4), Attachment B, *Commonwealth Grants Commission Report 1997: 7 years on. Project plan for review of main findings*, p. 3.

58 Hon. Ivens Buffett (Submission No. 4), Attachment B, *Commonwealth Grants Commission Report 1997: 7 years on. Project plan for review of main findings*, p. 3

59 Mr B. Sanders (Submission No. 1), p. 1.

60 Norfolk Action Group (Submission No. 24), p. 2.

61 Norfolk Island Government, *Public sector reform and major changes to revenue system*, Media Release, 21 April 2005, p. 1.

62 Ms H. Pedel (Submission No. 16).

Social security

- 2.58 The Norfolk Island Government currently operates its own social security system under local legislation, namely the *Social Services Act 1980* (NI). Age, invalid, widowed persons', handicapped children's, supplementary children's and special benefits are available on Norfolk Island as part of this welfare regime. Benefits are payable at levels around 80 per cent of those paid to recipients of similar benefits in other States and Territories.
- 2.59 Underlying the social security arrangements on Norfolk Island is the philosophy that a 'close-knit' community can look after its own without the need for government intervention. The Norfolk Action Group stated:
- Norfolk remains, especially in times of hardship, a leading example of what can be achieved by a generous community – from philanthropists who give hugely of their wealth to establish scholarships, the dental clinic and many other services; to those who give of themselves so the school students have trips away and equipment; to those many amongst us who share our surpluses; to families who look after their own in times of illness and hardship; and to those who lay to rest with dignity those who die here. While we do not know what this community input contributes to the GDP, it is significant.⁶³
- 2.60 Even if this community spirit and generosity are taken into account, pensions available on the Island are well below standards found in other States and Territories. This is particularly problematic considering that the cost of living on Norfolk Island is substantially higher than in other parts of Australia.
- 2.61 Concern has also been expressed in relation to the absence of unemployment benefits on Norfolk Island. The Norfolk Island Government has argued that such benefits are unnecessary, although, in reality, the Island's "negligible unemployment" is principally attributable to the fact that unemployed persons leave the Island to, either find work or, receive benefits paid in other States and Territories.

63 Norfolk Action Group (Submission No. 24), pp. 1-2.

Health services

- 2.62 Medicare benefits were withdrawn from Norfolk Island on 1 January 1989 as a result of the transfer of powers for public health matters, including the hospital and environmental health, to the Norfolk Island Government.⁶⁴
- 2.63 In place of Medicare, the Norfolk Island Government operates its own Healthcare scheme, membership of which is compulsory for all residents over the age of 18. Members of the scheme are liable to a healthcare levy of \$250 every six months. Under the scheme, families and individuals must also pay the first \$2500 incurred for medical expenses.
- 2.64 Nearly all health services are provided through the Norfolk Island Hospital Enterprise, but the hospital depends on a diminishing fee base and subsidy from the Norfolk Island Government. Without adequate funding or planning for replacement of the health infrastructure, including much needed aged care facilities, the gap between the level of service which patients expect and, that which can be provided, is increasing.

Education

- 2.65 The Norfolk Island Government provides free infant, primary and secondary schooling. All resources and teacher salaries are paid for by the Norfolk Island Government. There are currently two Memorandums of Understanding, one between the Norfolk Island Government and the Commonwealth about the provision of education, and one between the Norfolk Island Government and the New South Wales Department of Education about staffing the Island's school.⁶⁵
- 2.66 While there is general satisfaction with the quality of education currently provided on Norfolk Island, there appear to be a number of difficulties associated with the costs of providing such quality education. For example, Ms Helen Pedel submitted that:

The quality of education on Norfolk is under threat once again by the current Minister for Education [the Hon. John

64 At this time, a Memorandum of Understanding between the Federal Government and the Norfolk Island Government was proposed for reciprocal arrangements but the Commonwealth considered it inappropriate in light of the inapplicability of the *Health Insurance Act 1973 (Cth)* on Norfolk Island.

65 Ms H. Pedel (Submission No. 16), p. 3.

Brown] who is on record with his negative attitude to the cost of the service provided, salaries, and Years 11 and 12. The financial difficulties the Island is facing once again focus negatively on the cost of education.⁶⁶

2.67 Specifically, Ms Pedel submitted, that, the Norfolk Island Government is attempting to reduce the cost of education on Norfolk Island by reducing teachers' salaries which are set by the NSW Department of Education and are, therefore, comparable to wages in that State. This makes teachers' salaries higher than other Administration-funded salaries and means that the:

... Norfolk Island Government has little control [over a significant proportion of] current expenditure. This adds to the difficulties of the budgeting process and would continue, when at the same time, an attempt is being made to index other public sector payments and salaries to Norfolk Island price fluctuations. To the degree that New South Wales salaries rise more quickly than Norfolk Island prices, this would also represent some importation of inflation.⁶⁷

2.68 In addition to salaries, Ms Pedel submitted that the Norfolk Island Government was considering the withdrawal of the education package provided by the NSW Department of Education. Not only does the cost of this package cover the supply of teachers, but it also includes:

... the curriculum package and guarantee, external examinations - HSC, SC BST, ELLA, SNAP and Computing, Distance Education facilities, specialist consultant access, system monitoring, policies, etc.⁶⁸

2.69 Ms Pedel suggested that these financial problems for education could be relieved by the Commonwealth Government taking ongoing responsibility for the cost of teachers' salaries. The Norfolk Island Government would retain responsibility for funding the operational costs of the school, but, an element of joint responsibility with the Commonwealth Government would allow the maintenance of an education system comparable with that in NSW.⁶⁹

66 Ms H. Pedel (Submission No. 16), p. 1.

67 C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment, pp. 123-124.

68 Ms H. Pedel (Submission No. 16), p. 3.

69 Ms H. Pedel (Submission No. 16), p. 3.

Infrastructure

- 2.70 A number of submissions noted that public infrastructure on Norfolk Island has been allowed to depreciate without any upgrade.⁷⁰ Infrastructure projects on Norfolk Island are severely restricted by the remoteness of the Territory and the need for raw materials and heavy equipment to be imported. This places a price premium on all such proposed works. It is further apparent that the limited human and financial resources of the Island are not able to provide sufficient capital funding to maintain existing infrastructure or provide for future capital investment.
- 2.71 Areas highlighted by the CGC as being deficient included a harbour facility, the airport and, electricity generation and supply. Other areas, including school and hospital infrastructure, road building and maintenance equipment, street lighting and, fire services equipment, were considered adequate although the CGC noted that they were in danger of degradation in the short term.⁷¹ The Norfolk Island Government disputed the validity of the CGC's finding, noting that:
- ...there has been considerable work completed and scheduled for the school, new generators have been purchased and installed, Burnt Pine has been upgraded including street lights, new airport terminal constructed, new fire engines purchased for the community service.⁷²
- 2.72 Various submissions disagreed with the Norfolk Island Government's position.⁷³ According to these submissions, urgent attention is required, particularly with respect to public health infrastructure, including an upgraded aged care facility, roads, education infrastructure, power generation, water management and, a deep water harbour facility. It is also evident that the Burnt Pine area still requires further upgrading, including street lighting, pavements and footpaths.

70 See, for example, Mr L. Johnson (Submission No. 12), Ms H. Pedel (Submission No. 16), Mr M. Hehir (Submission No. 23), Norfolk Action Group (Submission No. 24), and Mr C. Blackwell (Submission No. 28).

71 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, p. 141.

72 Hon. Ivens Buffett (Submission No. 4), Attachment B, *Commonwealth Grants Commission Report 1997: 7 years on. Project plan for review of main findings*, p. 5.

73 Mr L. Johnson (Submission No. 12), p. 9, Ms H. Pedel (Submission No. 16); Mr M. Hehir (Submission No. 23), p. 6; Norfolk Action Group (Submission No. 24), p. 2; and Mr C. Blackwell (Submission No. 28), p. 2.

Public health infrastructure

- 2.73 New buildings and, plant and equipment are required, including a better-equipped ambulance.⁷⁴ Ongoing and increasing operating and maintenance costs also need to be funded. In evidence to a previous committee inquiry, the Acting Director of the Norfolk Island Hospital Enterprise, Mr David McGowan, noted that:

The recent independent inquiry into the Hospital Enterprise put a figure on the complete replacement of the hospital at \$15 million. That is to develop a multipurpose centre, the same as is in place in many rural areas of Australia.⁷⁵

Roads

- 2.74 To date, assessments on the conditions of the roads on Norfolk Island have not been made available to the Commonwealth. Uninformed estimates are, that, reseal and repair of the Island's roads will cost in the vicinity of \$6 million, although, it appears no funds have been set aside for any such project. Professor O'Collins noted:

...although some roads have been upgraded, general road maintenance has deteriorated, particularly with regard to side roads accessing historical or scenic spots around the Island.⁷⁶

- 2.75 Moreover, general comments elicited from 'Letters to the Editor' columns and the Assembly's Hansards, indicate that the roads have been neglected, some of which are now beyond repair and, expensive remedial action is required.⁷⁷

74 See, for example, Prof. M. O'Collins (Submission No. 15), pp. 2, 4:

The ambulance service is also inadequate. It is resourced totally by volunteers and the service operates with only one vehicle capable of carrying only a single stretcher patient. This means that the service cannot respond adequately to serious incidents where there are multiple injuries. There are reports that in the case of road accidents with multiple victims, ambulance officers must choose who to transport first or transport injured people in private vehicles.

75 Mr David McGowan (Norfolk Island Hospital Enterprise), *Transcript of Evidence*, 18 February 2003, p. 29.

76 Prof. M. O'Collins (Submission No. 15), p. 2.

77 Letters, Hansard.

Education infrastructure

- 2.76 New school buildings are required and existing buildings require upgrading. In her submission to the inquiry, Ms Helen Pedel noted that:

[t]he school is in need of significant funds to maintain technology requirements for our students and there is of course, very little money available for such an important area ... We do not have access to technology roll-outs as other NSW schools have.⁷⁸

Power generators

- 2.77 Since the CGC Report, second-hand diesel powered generators have been bought and installed on the Island. Despite the fact that these generators will need to be replaced in the medium term, it is clear from the Administration's annual reports that insufficient funds are being put aside for this project.
- 2.78 There is also a need to replace or upgrade the Island's energy reticulation system (that is, its power lines). Given the Island's reliance on fuel for energy generation, a federal grant was awarded in 2002 from the Australian Greenhouse Office under the Commonwealth Government's National Renewable Energy Demonstration Program to conduct a feasibility study on Norfolk Island's use of renewable energy (such as solar-wind-tidal generated power).
- 2.79 While the study generated useful findings and solutions, the Norfolk Island Government has not made any progress in implementing them.

Waste management

- 2.80 Previously, waste produced on Norfolk Island was disposed of by dumping it directly into the ocean over a cliff at Headstone Point into the ocean. Not surprisingly, the CGC Report concluded that waste disposal measures were very much below the standard expected in other Australian States and Territories. The Committee's review of the Annual Reports of the Department of Transport and Regional Services and the Department of the Environment and Heritage recommended:

78 Ms Helen Pedel (Submission No. 16), p.1.

That the Federal Government assist the Norfolk Island Government in upgrading existing sewage services and, where necessary, developing new sewage disposal facilities that protect the health of the community, visitors, the environment and adjacent coastal areas of Norfolk Island.⁷⁹

2.81 This recommendation led to the finalisation of a new Waste Management Centre on Norfolk Island and discussions with the Commonwealth Government about possible further contributions to honour international benchmarking on the environment. The new Waste Management Centre was facilitated with a \$250,000 grant from the Commonwealth's Coast and Clean Seas component of the Natural Heritage Trust.⁸⁰

2.82 Island residents have welcomed this development, although there is still some room for improvement. As Professor O'Collins states:

While it is encouraging to see some improvement in waste disposal methods, further sustained action is required.⁸¹

Harbour facilities

2.83 The Norfolk Island Government has not identified the construction of a deep water harbour as a priority issue (lighterage being identified as part of their cultural heritage),⁸² despite numerous reports that have been commissioned on this subject⁸³ and, the high added cost of the manual handling of all freight and the vagaries of weather that can

79 Recommendation 12, *Norfolk Island: Review of the Annual Reports of the Department of Transport and Regional Services and the Department of the Environment and Heritage*, p. 51.

80 The Norfolk Island Focus 2002 Report recommended that the Waste Centre be funded \$300,000 per annum from the Water Assurance Scheme, as it is unlikely that this facility could be self-funding from any revenue earned from recycled material.

81 Professor M. O'Collins (Submission No. 15), p. 2.

82 Hon. Ivens Buffett (Submission No. 4), Attachment B, *Commonwealth Grants Commission Report 1997: 7 years on. Project plan for review of main findings*, p. 5.

83 Department of External Territories, 1929/1939, *Report on Improvement of Landing and Shipping Facilities*, Ref: D241/4/1; Wilton & Bell, Dobbie & Partners (Consulting Engineers), 1970, *Report on Development of Harbour Facilities on Norfolk Island*; M. Silva, 1977, *Report - Part 1 - Marine Structures*; W. Service (Townsville Port Authority), 1991, *Report on Harbour Facilities for Norfolk Island*; W. Bremmer, N. Perkins, N. Lopex, 1993, *Report on A Preliminary Investigation for the Provision of Harbour Facilities for Norfolk Island* (in conjunction with PPK Consultants Pty Ltd); Norfolk Island Administration, 1993, *Lighterage Review: Discussion Paper*; Karlene Christian and Jack Marges, 1995, *Environmental Impact Assessment on the Maritime Environment in relation to the proposed construction of a stern loading vessel berthing facility in Ball Bay, Norfolk Island*; J. P. Marges, 2005, *Survey of marine flora and fauna in the vicinity of Kingston Pier and as assessment of any impact the refurbishment of the pier may have on the fauna, flora and environment*. Survey conducted at request of the Norfolk Island Administration.

delay or prevent the off-loading of freight, all of which necessarily comes by sea.⁸⁴

- 2.84 At least one of the Island's two shallow port jetties at Kingston and Cascade Bay, require stabilisation and repair. The Kingston Pier is listed on the Register of the National Estate and it is now estimated that the cost of repairs will exceed \$5 million. In 2004, the Commonwealth Government originally pledged funding of \$2.6 million for the pier's refurbishment. Detailed engineering analysis carried out in 2005 by the project manager, Patterson Britton and Partners, revealed more comprehensive work would be required to save the pier. On this basis, the Minister for Territories, the Hon. Jim Lloyd, MP announced further funding for the pier in September 2005.
- 2.85 A Norfolk Island Harbour Board has been recently established on the Island.⁸⁵ One of the aims of the Board is to make permanent, the temporary jetty at Ball Bay. The Harbour Board has argued that this would save the community money and, provide an alternative lighterage jetty.
- 2.86 In addition, a deep water harbour capable of taking cruise ships and containers would have a significant economic impact on the Norfolk Island community. Such a harbour would deal with the mainstream trade to and from the Island and, would increase the potential for the Island to be a base for aquatic adventure tours and sports.⁸⁶

Airport

- 2.87 The airport has a new terminal facility but the resurfacing of the runways has become a priority as the landing surfaces become less serviceable for air traffic through normal wear and tear. The airport is an essential service to Norfolk Island, being the sole tourism entry point in the absence of a harbour facility.
- 2.88 As noted previously, the Commonwealth and Norfolk Island Governments negotiated a \$12 million loan to the Island for this project. One of the conditions of the loan is that the Norfolk Island Government establishes a Norfolk Island Runway Trust Fund into which a total of \$17.5 million is to be accumulated by 2020, when the next runway resurfacing is expected to fall due.

84 Ms R Menghetti (Submission No. 25), p. 3.

85 Correspondence, Norfolk Island Harbour Board.

86 Norfolk Action Group (Submission No. 24).

- 2.89 The depreciating state of Norfolk Island's infrastructure is not a new phenomenon. Capital expenditure has been highlighted as a serious deficiency in the Administration for some time. Aislabie *et al.*, for example, noted in 1983 that:

Capital expenditure presents far more serious problems, some of which have been inherited as a result of decisions made (or not made) in the past. The most serious seems to be the complete lack of any capital expenditure planning. This means that the present Government and Administration have little or no experience in the co-ordination of public and private sectors.

Some forward planning of capital expenditure priorities is absolutely essential. At present, there seems to be no systematic evaluation of proposed capital expenditures and no attempt made (e.g. by way of cost-benefit analysis) to rank proposals in order of priority.⁸⁷

- 2.90 Having successfully negotiated funds from the Department of Transport and Regional Services to coordinate an Asset Management Plan, Mr Luke Johnson noted that "the financial magnitude of the revenue short-fall will become apparent with the development of a detailed costing of asset renewal requirements."⁸⁸ Mr Peter Maywald, Secretary to the Norfolk Island Government, advised that drafts completed by the consultants had been distributed to all functional areas (such as the hospital, the power station and the works depot), seeking responses and, specific costed implementation strategies.⁸⁹

The 2004-05 budget deficit

- 2.91 The Norfolk Island Government's measure of a sound and viable economy is to produce a balanced budget.⁹⁰ Generally, the Norfolk Island Government has operated at an average annual budget surplus of over \$880,000 against an annual average expenditure of \$19.2 million.

87 C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment; see also Mr L. Johnson (Submission No. 12), p. 10.

88 Mr L. Johnson (Submission No. 12), p. 9.

89 Mr P. Maywald, personal communication, 31 October 2005.

90 See, for example, C. Nobbs, 1983, *Which future for Norfolk island?*, p. 11.

2.92 In reviewing the 2004-05 Budget, the Finance Minister of the 11th Norfolk Island Legislative Assembly, the Hon. Ron Nobbs, stated that two major factors accounted for the reduction in anticipated income and the resultant budget deficit:

- 1) Norfolk Telecom annual dividend to the Revenue Fund was normally around \$1.2m and the original 2004-05 Budget contained that figure. However, the dividend paid by Telecom required by the last Government in the 2003-04 financial year was \$1.85m – an increase of \$650,000 on normal. This left Telecom cash strapped and thus a conscious decision was taken to rectify the problem with no dividend to be paid by Telecom this financial year (2004-05), cutting revenue by \$1.2m.
- 2) The expected revenue from land title and miscellaneous fees has been reduced from \$600,000 to \$250,000 based on sales to date.⁹¹

2.93 The prospect of a budget deficit and a downturn in tourism activity prompted a major statement from the Assembly highlighting the systemic problems with the fiscal situation on the Island, including:

- coping with the ramifications of an ageing population and subsequent provision of future health, welfare, aged care and pension services;
- replacement of depreciated public infrastructure such as roads, buildings and communication networks and, of badly depleted equipment assets;
- reduction in the numbers of tourists coming to Norfolk Island and, in the amounts of money they spend while on the Island; and
- deficits in the Revenue Fund budget, which are expected to amount to \$2.2 million.⁹²

91 Norfolk Island Government, *Finance Minister's statement on the Budget*, Media Release, 10 February 2005.

92 Norfolk Island Government, *Public Sector Reform and Major Changes to Revenue System*, Media Release, 21 April 2005.

Table 2.8 Balance Sheet

	Year ended 30 June 2001 (\$)	Year ended 30 June 2002 (\$)	Year ended 30 June 2003 (\$)	Year ended 30 June 2004 (\$)
ACCUMULATED FUNDS	32,957,470	32,331,747	34,051,863	35,526,436
Current Assets				
Cash at Bank	7,752,715	9,174,430	10,183,173	10,938,068
Sundry Debtors	3,845,613	3,358,494	3,249,549	3,380,621
Inventory	2,532,063	2,319,095	2,159,365	2,077,421
Fixed Assets				
Buildings Plant & Equipment	24,984,480	23,181,450	23,432,090	24,149,837
TOTAL ASSETS	39,114,871	38,033,469	39,024,177	40,545,947
Current Liabilities				
Creditors & Employee Entitlements	5,079,459	4,715,269	3,859,953	4,331,357
Long Term Liabilities				
Trust Fund & Employee Entitlements	1,077,942	986,453	1,112,361	1,188,154
NET ASSETS	32,957,470	32,331,747	34,051,863	35,526,436
Cascade Cliff Loan*	3,024,609	2,692,478	2,257,782	2,152,589

Source *Norfolk Island Administration, Annual Reports, 2000-01 to 2003-04.*

Note* *Cascade Cliff loan liability is not shown in Norfolk Island's consolidated accounts.*

Reliance on tourism: implications for sustainability

2.94 That Norfolk Island has long been reliant on tourism as its major source of income, is self-evident and well documented in a number of reports.⁹³ The continued sustainability of the Island's economy, owing to this dependence on tourism, however, is now in question. As this section outlines, Norfolk Island faces serious challenges in maintaining a tourist sector large enough, and diverse enough, to cover the shortfall in its budget.

93 See, for example, R.G. Gates, 1979, *Norfolk Island Economic Feasibility Study*, University of New England; C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment; C. Nobbs, 1983, *Which future for Norfolk Island?*; Commonwealth Grants Commission, 1997, *Report on Norfolk Island*; Access Economics, 1997, *Norfolk Island: Recent Economic Performance, Present Situation and Future Economic Viability. Is there a case for change?*; J. Howard and Associates, 1998, *Norfolk Island Administration, Strategic Review*.

2.95 Unfortunately, it has proved somewhat difficult for Norfolk Island to move away from its reliance on tourism, despite repeated warnings. For example, the CGC concluded that:

The potential for increased tourism is in any case not unlimited. There are physical limits to the number of people the Island can sustain – limits imposed by environmental constraints, including its water resources and the difficulties of waste disposal. The Norfolk Island Conservation Society has noted the need for the development of a conservation and population control strategy which would ensure the long term economic sustainability of the Island for residents and the tourist industry. These limits should be expressly reviewed as part of the development of a strategic plan for the Island.⁹⁴

2.96 While opportunities for economic diversification on Norfolk Island have been canvassed for a number of years, the remarkable entrepreneurial spirit on Norfolk Island has seen a range of interesting, but, ultimately unsuccessful, ventures emerge on the Island. For example, Professor Merval Hoare noted:

... an attempt by the Norfolk Island Guava Growers Association to export guavas to Australia was abandoned after delays in the quarantine inspection process in Sydney resulted in overripe fruit that did not reach the market. Frozen pulped guavas sent to New Zealand were also delayed at their destination and were unsaleable.⁹⁵

2.97 Most recently, options were discussed in the Howard Review of the Norfolk Island Administration, presented in April 1998. The Report notes the potential for agriculture and forestry in specialist niche markets that would take advantage of the Island's unique quarantine status.⁹⁶ A major obstacle to this form of development, however, was the lack of a port facility which in turn creates prohibitive transport access costs, both to and from the Island.⁹⁷

94 Commonwealth Grants Commission, 1997, *Report on Norfolk Island*, pp. 41-42.

95 M. Hoare, 1999, *Norfolk Island: A revised and enlarged history 1774-1998*, Central Queensland University Press, p. 180.

96 J. Howard and Associates, 1998, *Norfolk Island Administration: Strategic Review*, p. 3.

97 See also Norfolk Action Group (Submission No. 24), p. 5: "Most, if not all, have experienced intense competition and have suffered from our remoteness and lack of access to affordable transport links"; and Ms R. Menghetti (Submission No. 25), p. 3: "I have observed otherwise viable business projects fall by the way simply because of the

- 2.98 Yet, as noted by the Norfolk Island Chamber of Commerce, the current reliance on tourism has serious implications for the economy:

There is no argument that tourism forms the backbone of the Norfolk Island economy. Ongoing uncertainty and instability of the main access points for visitors, residents and cargo to the island have significantly contributed to the current crisis. Therefore it is imperative that these issues be confronted and suitable long-term solutions be put in place.⁹⁸

- 2.99 The problem, as Mr Luke Johnson argued, is that the tourism market is “volatile, unreliable and susceptible to price variation”.⁹⁹ Access Economics’ report concluded that the existing taxes and charges were biased against tourism, making Norfolk Island a less competitive tourist destination and posing a threat to its prime income base.

Trends in Norfolk Island tourism

Declining tourist numbers

- 2.100 Over the past fifty years, absolute tourist numbers have grown, in most instances, exponentially. In 1951-52, the number of visitors to Norfolk Island was about 1,500; by 1970-71 it had grown to 10,000; in the 1978 calendar year the number was 19,500; and in 1980 it was 24,300. Some variations in this trend were apparent between 1980 and 1982, when tourist numbers decreased to 15,500.
- 2.101 Yet, according to recent statistics from the Norfolk Island Government Tourist Bureau (NIGTB), the sector is suffering from reduced numbers of tourists and, a decrease in the total dollars spent by tourists on the Island. Statistics for 2004-05 indicate a downturn in numbers of 2932 (8.7%) against the previous five year average and, 4575 (11.9%) below the previous year (see Table 2.9).¹⁰⁰

need to rely on imported business imports; the landed cost of which renders the proposed operations unviable”.

98 Norfolk Island Chamber of Commerce, “Position paper on Norfolk Island Sustainability Levy”, *The Norfolk Islander*, 9 July 2005.

99 Mr L. Johnson (Submission No. 12), p. 5.

100 Norfolk Island Tourism is a statutory body under the *Norfolk Island Government Tourist Bureau Act 1980* and is responsible, among other things, for maintaining comprehensive statistics on inbound passenger traffic and accommodation nights.

Table 2.9 Inbound Passenger Statistics, 2000-01 to 2004-05

Year	Tourist Numbers	Bed-nights	Average bed-nights*
2000-01	40,221	299,179	7.44
2001-02	33,596	263,502	7.82
2002-03	37,672	286,429	7.60
2003-04	38,317	287,822	7.51
2004-05	33,742	256,891	7.64

Source Norfolk Island Government Tourist Bureau statistics provided for the Administrator's Report.

Note * Currently, there are 65 registered accommodation properties on Norfolk Island, comprising 590 units containing 1464 beds. See, Submission No. 23, p.9.

Declining numbers of mainland State and Territory tourists to Norfolk Island

2.102 It has been argued that "a very small change in Australian tourist destination trends could have severe effects on a small tourist-dependent economy."¹⁰¹

2.103 Table 2.10 details how Norfolk Island fared among other Oceanic destinations in attracting tourists from other Australian States and Territories between 2003 and July 2005. It is important to note that of the six destinations listed, Norfolk Island was the only destination to experience a fall (of some 24 per cent) in arrivals from other States and Territories between 2003 and 2004. By comparison, arrivals from New Zealand have increased from 17 per cent in 2003, to 26 per cent in 2004.¹⁰²

101 C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment, p. 56.

102 Norfolk Island Government Tourist Bureau, *Norfolk Island Tourism Arrivals*.

Table 2.10 Short term movement, Resident Departures – Main Destination (Oceania and Antarctica)

	2003	2004	2005					
			Feb	Mar	Apr	May	Jun	Jul
<i>Main destination</i>	'000	'000	'000	'000	'000	'000	'000	'000
Fiji	145.2	175.4	11.0	15.3	15.6	14.1	17.1	19.0
New Caledonia	15.3	15.5	0.6	1.0	1.6	1.3	1.4	1.6
New Zealand	662.8	815.8	69.4	82.9	69.6	51.6	56.0	61.1
Norfolk Island	33.4	25.5	1.9	2.0	2.3	1.3	1.3	1.2
Papua New Guinea	34.6	36.2	2.9	3.3	4.0	3.3	3.3	4.0
Vanuatu	27.2	34.6	1.8	2.9	2.9	2.7	3.2	3.8
Total*	959.7	1151.1	90.3	110.3	99.2	78.2	86.5	95.6
Norfolk as a % of all travel to Oceania and Antarctica	3.4	2.2	2.1	1.8	2.3	1.6	1.5	1.3

Source Australian Bureau of Statistics, *Overseas Arrivals and Departures, Cat. 3401.0, July 2005, p. 17.*

Note * Includes other countries from Oceania and Antarctica not included in the table.

Declining revenue from tourism

- 2.104 In the early 1980s and 1990s, a significant proportion of the Norfolk Island Government's budget derived from the supply of accommodation, food, tours and 'duty-free' shopping for tourists. In addition, tourists were taxed through customs duty on imports, a departure tax when leaving the Island, revenue from the liquor bond and, hire-car registration fees.¹⁰³
- 2.105 In its report of March 1997, Access Economics highlighted the decline in tourist export earnings as a main issue of concern.¹⁰⁴ During the period covered by this report, the number of visitors was increasing, but, they were staying for shorter periods and spending less. The Norfolk Action Group estimated that "10,000 fewer visitors to Norfolk means a reduction of \$1,000,000 in government fees and charges." Moreover, the Group stated that:

103 C.J. Aislabie, W.J. Sheehan and B.A. Twohill, 1983, *An Economic Feasibility Study of Norfolk Island*, Paper prepared for the Department of Home Affairs and Environment, p. 14.

104 Access Economics, 1997, *Norfolk Island: Economic Performance, Present Situation, and Future Economic Viability. Is There A Case For Change?*, pp. E4-E5.

In a recent series of focus groups with visitors held by the NIGTB [Norfolk Island Government Tourist Bureau], visitors were asked about their spending habits while shopping on Norfolk Island. 90% of visitors said they spent less than \$1,000 during their stay.¹⁰⁵

- 2.106 Access Economics estimated that to increase tourist earnings by 3 per cent would require an 8 per cent increase in tourist numbers.¹⁰⁶

Debate over restrictions on tourist intake

- 2.107 There are differences of opinion regarding the extent to which restrictions on the number of tourists to Norfolk Island should apply. The 1976 Report of the Royal Commission into matters relating to Norfolk Island (known as the 'Nimmo Report') attempted to weigh up the benefits of tourism as the Island's only viable economy against any potential ecological and social drawbacks:

Evidence points to an upper limit of 20,000 tourists per annum as being desirable if Norfolk's ecological balances, way of life and uncrowded rural atmosphere are to be preserved. There are clear limits to the growth of Norfolk Island's economy.¹⁰⁷

- 2.108 Similarly, a Norfolk Island resident and economist, Mr Christopher Nobbs, stated that it is:

...necessary to maintain the destinational uniqueness of the Island through environmental conservation and management, and the limitation of tourist numbers. If expansion of earnings is required, it should be through increased productivity of existing tourism resources e.g. by increasing off-season tourism, holiday home leasing, or increasing earnings retention.¹⁰⁸

- 2.109 Conversely, Mr Michael Hehir submitted that "every effort be made to increase tourism to the Island to 50,000 persons per year". Indeed, he argued that the capacity exists on the Island to accommodate 60,660 tourists per year, "subject to seasonal fluctuations." He also noted the need for "special tourism packages [which] could

105 Norfolk Action Group (Submission No. 24), p. 4.

106 Access Economics, 1997, *Norfolk Island: Economic Performance, Present Situation, and Future Economic Viability. Is There A Case For Change?*, p. E2.

107 J. Nimmo, 1976, *Report of the Royal Commission into matters relating to Norfolk Island*, p. 118.

108 C. Nobbs, 1983, *Which Future for Norfolk Island?*, p. 22.

encourage more tourism during the winter months as the Island climate is still quite mild.”¹⁰⁹

- 2.110 To some extent, the debate is restricted by limitations in the accessibility of Norfolk Island for tourists. As the Norfolk Action Group submitted, at present:

...the standard schedule of aerservices to Norfolk Island can only achieve close to the 40,000 mark, if every seat is sold, which is highly unlikely.¹¹⁰

Collapse of Norfolk Jet Express

- 2.111 In its 1999 report, *Territorial Limits*, the Human Rights and Equal Opportunity Commission attributed the fragility of the Norfolk Island tourist economy to its vulnerability to external factors. The report stated that:

...in 1989, for example, the economy was affected severely by the airline pilots strike. Concerns also arose when Ansett Airlines withdrew its services on 1 July 1997.¹¹¹

- 2.112 In the same vein, the tourist economy experienced another setback in June 2005, when Norfolk Jet Express Pty Ltd went into voluntary liquidation, owing the Norfolk Island Administration \$569,075 in unpaid landing fees and services.¹¹² Since November 2003, Norfolk Jet had been the sole air service operator between the Island and the Eastern States.

- 2.113 After urgent discussions, on 7 June 2005, the Chief Minister of Norfolk Island, the Hon. Geoff Gardner, issued a media release assuring the public that regular scheduled Norfolk Jet commitments would be met by an interim, alternate charter arrangement with Alliance Airlines up until 17 June 2005. It was further announced that from 18 June 2005 Qantas would operate the flights using Air Nauru Boeing 737 aircraft chartered by the Norfolk Island Government.¹¹³

- 2.114 The Committee understands that the Norfolk Island Government underwrote a liability for prepaid Norfolk Jet Express tickets that
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109 Mr M. Hehir (Submission No. 23), p. 9.

110 Norfolk Action Group (Submission No. 24), p. 3.

111 Human Rights and Equal Opportunity Commission, 1999, *Territorial Limits: Norfolk Island's Immigration Act and Human Rights*, p. 10. See also Access Economics, 1997, *Norfolk Island: Economic Performance, Present Situation, and Future Economic Viability. Is There A Case For Change?*, pp. 15-16.

112 Hon G. Gardner, Chief Minister, "Norfolk Jet Express", Media Release, 2 June 2005.

113 Hon G. Gardner, Chief Minister, "Norfolk Jet Express", Media Release, 2 June 2005.

were honoured by Alliance Airlines and Air Nauru. The Committee, at the time of approval of this report, is concerned as to what source of existing revenue may have supported this recompense. The Committee is further concerned about any ongoing subsidisation of the airlines at the expense of other needed expenditure.

2.115 The Norfolk Island Chamber of Commerce has submitted that:

Efficient and effective access to the Island is critical to improve tourist numbers (thus preserving our major industry) and to stimulate and encourage business investment which in turn bolsters our economy... Business confidence will only come from the urgent restoration of viable airlines from the Sydney and Brisbane gateways.¹¹⁴

2.116 In an attempt to alleviate community concern, Norfolk Island Tourism Chairman, Jackie Pye recently stated:

We know we can get numbers up to sustainable and viable levels if one of the big carriers comes back onto the run, and we're confident that a workable deal can be reached to get our tourism industry humming again.¹¹⁵

New tourism strategy

2.117 The Committee notes the recent appointment of a new General Manager of Norfolk Island Tourism, Mr Steve McInnes. Mr McInnes has been asked to prepare a five-year plan to broaden marketing efforts in other parts of Australia and in New Zealand. He has identified his role as being:

... to grow and expand the appeal of the island, help cultivate the product mix, build yield and maximise tourism opportunities for both the island and the travel industry in New Zealand and Australia.¹¹⁶

2.118 The new tourism strategy of Norfolk Island seeks to attract a younger generation of tourists and change the focus of the traditional tourist market towards 'eco-tourism' and 'heritage-tourism'. Importantly, the Commonwealth and Norfolk Island governments have been working together to develop this strategy further. The Hon. Stephanie

114 Norfolk Island Chamber of Commerce (Submission No. 14), pp. 2, 13.

115 Travelbiz, *Norfolk Island eyes bigger aircraft with airstrip upgrade*, 29 June 2005, <http://www.travelweek.com.au/articles/c5/0c0316c5.asp>.

116 Etravelboard, *New Tourism Chief spearheads new era for Norfolk Island*, 23 June 2005, <http://www.etravelblackboard.com/index.asp?id=39246&nav=21>.

(Victoria) Jack, Norfolk Island Minister for the Environment, in a joint media release with the Hon. Greg Hunt MP, Parliamentary Secretary to the Minister for the Environment and Heritage said:

Tourism is Norfolk's major source of revenue and is currently reliant on the package tour market. The Norfolk Island Government can see great dividends for the economy in looking at new low impact environmental experiences for independent travellers.¹¹⁷

- 2.119 The initiatives announced in the joint media release include a Commonwealth Government commitment of \$1 million per annum to maintain and restore the Island's unique flora and fauna and, to maintain quality visitor infrastructure.
- 2.120 The Commonwealth Parliamentary Secretary also spoke of the possibility of further funding being available under the Australian Tourism Development Program or the Tourism and Conservation Partnership Program, and encouraged the Norfolk Island Government to apply for this assistance.¹¹⁸
- 2.121 Professor O'Collins, on her recent visit to Norfolk Island, commended the work being undertaken by National Parks in establishing walking and cycling paths and, creating "opportunities to attract more energetic tourists."¹¹⁹ Further, Professor O'Collins remarked that:

Tourism promotion needs to be widened and Norfolk Island marketed more vigorously to promote its environmental, cultural and historical features. This needs to look beyond tightly controlled group tours to more independent tourism, which will attract all ages. In order to improve access to this wider audience, continuing consultation and cooperation between government, special interest groups, and commercial tourist agencies are essential.¹²⁰

117 The Hon. Stephanie (Victoria) Jack, Minister for the Environment (Norfolk Island) and the Hon. Greg Hunt MP, Parliamentary Secretary to the Minister for the Environment and Heritage (Commonwealth), *Norfolk Ecotourism Potential*, Joint Media Release, 9 June 2005.

118 On 14 October 2005, a subsequent joint press release between the Commonwealth Minister for the Environment and Heritage, Senator the Hon. Ian Campbell, the Commonwealth Minister for Agriculture, Fisheries and Forestry, the Hon. Peter McGauran, MP and the Norfolk Island Minister for the Environment, the Hon. Stephanie (Victoria) Jack, announced a further \$240,000 to support Norfolk Island's rainforests and the unique Norfolk Island Pines.

119 Prof M. O'Collins (Submission No. 15), p. 2.

120 Prof M. O'Collins (Submission No. 15), p. 4.

- 2.122 The Committee commends the collaboration between the Commonwealth and Norfolk Island governments on eco-tourism and encourages further cooperation. The Committee is also of the view that further assistance ought to be provided by the Department of the Environment and Heritage to assist the Norfolk Island Government to further develop environmentally-sustainable tourism on Norfolk Island.

Conclusions

- 2.123 This chapter has presented the precarious economic position of Norfolk Island.
- 2.124 In the first instance, the economy is essentially dependent on a volatile market, namely tourism, which, in the last few years, has experienced serious downturns in both the numbers of tourists arriving and, the amount of revenue generated.
- 2.125 There is a significant question mark over the size of the economy, principally because Norfolk Island lacks adequate measures of gross product and inflation.
- 2.126 While the Norfolk Island Government has measured the economy's viability by 'balanced' financial statements, this has effectively been achieved by diverting funds which should have been allocated to depreciating infrastructure and essential services.
- 2.127 In conclusion, it is clear from this discussion that for Norfolk Island to achieve a position of financial sustainability, the tourism industry alone cannot provide sufficient revenue. It is equally clear that as Mr Johnson has submitted, "significant additional revenue needs to be raised to meet the considerable and rapidly growing financial pressures facing the Norfolk Island Government".¹²¹ This is the subject of the next chapter.

121 Mr L. Johnson (Submission No. 12), p. 10.