

1<sup>st</sup> April, 2004

Senator Ross Lightfoot,  
Chairman, Joint Standing Committee,  
Norfolk Governance Inquiry: Part 2  
(sustainability of present governance arrangements)

From: Bruce Griffiths,

Dear Senator,

Thankyou for the invitation to make a further submission to the JSC.  
I have studied your letter and attached notes with interest, particularly the use of the words "appropriate" and "appropriately". According to my dictionaries it means "specially suitable or fit or proper" among other meanings. Minister Ian Campbell in a recent radio interview seems to share this view when he said and I quote "Some people on the island would like to have Medicare for example. The reality is that Medicare costs a lot of money and if you want to have all of the programmes that the Federal Government has in place, ultimately you will be forced into the Australian Tax System. So I would say, fairly confidently that most Norfolk Islanders would say "hang on, I think we are doing a good job with our Social Services, our Infrastructure provisions and our Schooling". I was up at the School yesterday and the results that are being achieved up there on the hill are quite phenomenal. You've got fantastic matriculation rates, fantastic academic achievements by the children over many many years. It is a great credit to the Island that you attract the quality of teachers that you do.

You are doing, very very well without being in the Australian Tax System and if you start saying that we want to have access to all the sort of welfare programmes and support programmes that come out of Canberra, ultimately a government in Canberra will say 'okay, we'll put you in the tax system'"

I support this view that we do not need or wish to belong to the Australian Tax System, that we are quite capable of meeting our obligations ourselves provided we receive some help from the Commonwealth Government in the form of grants or loans for capital works or when we feel we need your assistance. The Commonwealth neglected our needs and it's role as a Colonial power between 1914/1979 and in 1979 handed the Island over to us in a derelict state. What you see now both the good and the bad, is a result of that dereliction, the good that we have done in Health, Education and Welfare and the bad that you have done in the way of capital works neglect.

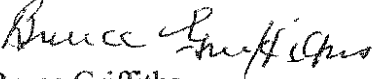
I'm addressing three subjects. 1) Work Ethic 2) Ageing Population 3) Taxation

- 1) The findings of The Commonwealth Grants Commission and I quote from a previous submission of mine with some additions. "On pages 32/33 of the above report, table 4/1 an estimate is made of the size of the Norfolk Island economy in the 1995/96 year. The figure of \$80million is stated as being conservative, and is based on several assumptions. It also does not take into account the cash or barter economy because "(it is) impossible to estimate.....the non-official or barter and cash economy.....". On page 37 in a further quote "it is impossible to estimate how much of Norfolk's retail trade should be attributed to it's low tax status". On page 39 various comparisons are made with the Australian mainland indicating that on Norfolk more people work, they work longer, and they work more profitably. Table 4/6 on page 40 substantiates these conclusions and paras 35/36 state that these work habits are the result of immigration policies. This line of reasoning may have concluded that these work habits "should be attributed to it's low tax status" as it did for the retail trade. I bring these statistics to your attention to illustrate the benefits of small unregulated government and low taxes. If a progressive income tax scale acts as a disincentive to work, it appears from the Norfolk example that the reverse is not only true but is also more than twice as "efficient" as the Mainland. Professor Helen Hughes in the article "Paradise Lost" in the Australian Financial Review 7/05/03 (attached) supports this contention. For a small island community it would seem that the economy is functioning well and that the "hands off" attitude of our varying government policies have paid handsome dividends to Norfolk's peoples. In this light, it would seem that the current inquiry and terms of reference are both misplaced and illadvised". The Grants Commission also estimate that Norfolk has 142% higher Gross Profit per capita in Table 4/6 with 87% of Norfolk people in full-time employment. In Australia full-time employment is 60% (ABS 2003). It would seem incomprehensible to me that you would do anything to destroy this work ethic.
- 2) Ageing Population. I attach the outline of a scheme for compulsory, self-funded, island wide Superannuation Scheme that I submitted as a member of the Focus 2002 group. I emphasize that the figures are notional only and they reflect my amateur understanding of the subject.

It is really a bootstrap idea that would free up capital for the Government of Norfolk Island to spend on capital works, would provide long term stability to the population and would involve the business culture of the Public Service with an injection of private capital.

- 3) Taxation.  
In a submission to the JSC dated 15/07/03, Mr William Sanders, proposed a simple form of income tax and I refer you to pages 36 and 37 of Hansard of that date. In short, he proposed a 10% flat tax on incomes between \$30,000 and \$50,000 per annum. He has since suggested that the bar should be raised to \$60,000. While I am not altogether happy with the idea of paying income tax, this particular idea has considerable merit. It has the benefits of a flat tax and also

some mild progressivity. I personally favour user pays or targeted taxes but in the interest of the Island's overall welfare, I would support Bill Sander's proposal.

  
Bruce Griffiths

## NORFOLK ISLAND SUPERANNUATION SCHEME

1. \$500 per week base Norfolk Income.
2. \$25 per week base Norfolk Super levy at 5% income above.
3. 1000 contributing residents working = \$25,000 per week x 52 = \$1,300,000 p.a.
4. Super fund invests \$1 million which is equal to 10% of notional value of half enterprise.
5. \$300,000 notional depreciation on half enterprise withheld as reserve invested in bank best interest.
6. Guaranteed 10% return to super fund.
7. Enterprise required by law to manage accordingly,.
8. Fund and enterprise professionally managed
9. Choice successive years repeat same or new enterprises on Norfolk.
10. Explanation:
  - Tax free fund equals greater net return
  - Compulsion necessary
  - Membership of fund restricted to residents
  - Payouts in form of weekly pension or surviving spouse 66% NOT lump sum
  - 65 years minimum retirement, age except ill health
  - Notional numbers only for the purpose of explanation
  - At some indeterminate time in the future the fund may be able to finance other income earning assets. It will be 6-7 years before this proposal would equal current welfare costs assuming zero managerial costs.

## SOME INVESTMENT PREMISES FOR SUPER ON NORFOLK ISLAND

1. Control who, where and how  
On Norfolk we could control all three
2. Net return to investor  
On Norfolk we could determine as we saw fit.
3. Unpredictability of markets  
On Norfolk we own the market by being our own market.
4. Aging of Population  
We can limit that to some extent through immigration selection.
5. Problems that would certainly arise would test our resolve
6. The use of super as a tax shelter does not apply
7. Long term asset accumulation for public good.
8. No means test, every contributor treated equally
9. It is a beneficial co-operative form of taxation conforming to "User Pays".
10. The fund is publicly managed by and for the people of Norfolk Island who are the only contributors.

