

Quinton Clements  
Inquiry Secretary

1<sup>st</sup> June, 2003

From: Bruce Griffiths

Please find enclosed attachments and inclusions to my second submission.

1. Submission No.2
2. Paradise Lost (AFR 7/05/03)
3. Australian Angle (Australian 10-11.5.03)
4. List of Inquiries
5. Visit Minister Tuckey
6. Referenda
7. Extracts C.G.C. Report 1997

SUBMISSION .....*22*.....

Would you please print and distribute on my behalf.

Thankyou

*Bruce Griffiths*  
Bruce Griffiths



Norfolk Island  
9<sup>th</sup> May, 2003

To: Commonwealth Parliament's Joint Standing Committee on the National  
Capital and External Territories

From: Bruce Griffiths, Resident 1964/2003

Subject: Norfolk Island Governance Inquiry

The Norfolk Island society values and practises consensus politics. The comments of Minister Tuckey as reported in the Norfolk Islander, May 3, 2003 (attached) regarding a different role for the Chief Minister and Assembly are both gratuitous and unhelpful. I acknowledge that our system of government seems to outsiders to be slow and sometimes unresponsive to issues but that is what consensus requires. Sudden unexpected changes result in division, the very thing a small and isolated society of a mixed population with different ethnic and national origins seek to avoid. The slow evolution of ideas to policy changes, the use of referenda to carry changes through, the patient persuasion needed to avoid destructive factionalism is the mark of a civil community. And I am proud to belong to such a community. We are quite capable of making changes in our own way and in our own time. I do not understand what Minister Tuckey seeks to achieve by his seemingly dictatorial attitude, both to us and The Joint Standing Committee. Is this wedge politics, a mischievous method of securing a preferred outcome to the committee's inquiry? We have had to endure and live through these "hardman" dictates before from Canberra usually with a further erosion of our liberty to choose our own freedoms.

However, the one issue I do agree with the Minister is the need to revise our voting system. Prior to 1979 we had a first past the post voting system, a system that is both simple to operate and easy to understand where nine vacancies require nine votes, one to each vacancy. The present system was imposed on us by the Commonwealth in 1982 as a choice between the proven unworkable Hare-Clark and Illinois Cumulative and we chose the latter. This has resulted in emphatic and sometimes unrepresentative cliques exaggerating voting swings and creating instability, an unintended consequence. A return to first past the post or something similar (see Minister Tuckey's comments) would probably increase the length of time between elections beyond the present average of 2.2 years without the unwelcome need for fixed terms. Fixed terms deprive the people of their rights in Citizens Initiated Referenda, a cherished liberty.

Minister Tuckey appears to identify problems in our system being the apparent lack of authority of our Chief Ministers. Such is not the case. Our Chief Ministers assert their authority by being first amongst equals, an essentially egalitarian status in consensus politics. Just because politicians and bureaucrats from Australia do not adequately understand our system does not mean it is wrong. What it really means is that the system is merely a different form of the democratic ideal which somehow seems foreign to

outsiders, so is therefore wrong. This attitude seems xenophobic, parochial or provincial (choose any one) in the extreme.

On a different subject, the resurfacing of the airstrip comments are laughable. Even us untutored peasants on Norfolk Island understand that Australia's national security interests demand a serviceable airstrip on Norfolk. We may be stupid, you did after all con us into agreeing to pay for it, but we are not entirely silly in that we fail to understand the terms "TAMPA" and "BOAT PEOPLE" and the 200 mile economic zone and that you cannot be militarily or economically indifferent to these interests. We also understand that these interests are mutually beneficial.

Minister Tuckey likens his structural proposals in the Assembly make-up to mayoralty local body structures, conveniently overlooking the fact that our government comprises three tiers of government FEDERAL, STATE AND LOCAL. As far as I am aware, this form of government is unique to Norfolk Island within the Australian Constitutional arrangements, and perhaps even in the world for a small island. When the Committee includes us with other territories within or without Australia, it is deliberately being deceptive. There is no "community of interests" with other territories other than the fact of majority of Australian citizenship and constitutional relationships. To argue otherwise is being deliberately obtuse or equally as bad, politically cute. Norfolk is a special place to us and to the outside world and I personally resent his patronizing and paternalistic remarks.

## ECONOMY

Extracts from Commonwealth Grants Commission report, pages 32,33,37,39,40

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.



Bruce Griffiths

*The Norfolk Island Economy Today*

7. Any discussion of Norfolk Island's economic capacity requires some consideration of the present size of its economy. The problem in trying to measure this is the scant information on the level of private sector activity on the Island. For the most part, the Norfolk Island Government does not apply taxes to business sector inputs or output (there is no company tax or sales tax) — though the accommodation, petroleum and liquor sectors are exceptions. Thus, most businesses do not provide information on their financial activities to the Norfolk Island Government. Provided their accounts have been audited, there is no obligation on companies to provide financial information to the companies registrar.

8. Data on public sector activities are available and most of them are of good quality. The Norfolk Island Administration's Budget Statements suggest that the government contributed \$11.5 million to the Norfolk Island economy in 1995-96, \$5.7 million from general government activities and \$5.8 million from government business enterprises (GBEs). It also raised \$7.6 million in indirect taxes and charges. This is shown in Table 4-1. It is estimated that the Commonwealth government contributed about \$3.8 million across a range of portfolios.

9. In the absence of comparable private sector data, we have made an estimate of that sector's level of output, using numbers of employees in each of the two sectors of the Island's economy and assumptions about their relative performance. We estimate that, for 1995-96, the private sector contributed almost \$57 million to the Norfolk Island economy. The assumptions made to arrive at this figure were that:

- average wages for each employee in the private sector were 90 per cent of the public sector figure; and
- gross profit for each employee in the private sector was 80 per cent of the figure for the profitable GBEs<sup>3</sup>.

10. The estimate of the private sector contribution may understate the actual level.<sup>4</sup>

11. Some estimates put the size of the economy<sup>5</sup> at over \$90 million (implying a private sector contribution of \$70 million). For the purposes of this report, we prefer to use a more conservative \$80 million. Table 4-1 shows how we have arrived at this figure.

---

A low percentage was used because, being statutory monopolies, these enterprises should be able to raise above average profits. The figures for the three subsidised enterprises (KAVHA, Bicentennial Integrated Museums and the Healthcare Fund) were not included.

It is however consistent with the Access Economics estimate that the tourist sector contributed \$41.4 million to the Norfolk Island economy in 1995-96 (p21) and the 1996 Norfolk Island Census figure that 53 per cent of the resident working population had a job directly related to tourism. The same productivity in the non-tourist sector would imply a total economy of \$78 million.

That is, Norfolk's gross product (a term used later in this chapter).

2/5

Table 4-1 ESTIMATED SIZE OF THE NORFOLK ISLAND ECONOMY, 1995-96

Sector	Contribution to output	
	\$'000	\$ pc
General Government	5 727	3 232
- wages, salaries and supplements	5 111	2 884
- capital expenditure	616	348
Government Business Enterprises	5 775	3 259
- wages, salaries and supplements	1 741	983
- gross profit	4 033	2 276
Private sector	57 449	32 420
- wages, salaries and supplements (a)	17 486	9 368
- gross profit (b)	39 963	22 553
Commonwealth government	3 804	2 146
Indirect taxes less subsidies	7 593	4 285
Estimated size of the Norfolk Island economy	80 347	45 343

(a) Assuming that wages for each employee in the private sector are, on average, 40 per cent of those in the public sector.

(b) Assuming that the gross profit for each employee in the private sector is 80 per cent of that for the profitable GBEs.

Note. This table is constructed using the income approach to the calculation of gross product.

12. In what follows, Norfolk Island's economic capacity is discussed in terms of broad categories of economic activity. These are:

- (i) externally oriented industry;
- (ii) the Commonwealth's contribution to the Island economy;
- (iii) production for the community; and
- (iv) infusion of capital.

13. One aspect of the economy impossible to estimate is the non-official or barter and cash economy that has existed on Norfolk since 1856. Evidence presented at the July Conference suggested that the cash economy was large and that it had grown since the fourfold increase in the Financial Institutions Levy in 1991. But it has not been possible to estimate its size, and we do not know how far it is captured within our estimate of gross product of \$80 million.

25. For 1995-96, the Commonwealth Government's direct financial contribution to the Island economy, including salary costs, was about \$3.8 million. The derivation of this estimate is given in Chapter 5.

26. The absence of income tax or sales tax on Norfolk has implications for the profitability of the Island's retail sector. It is impossible to estimate how much of Norfolk's retail trade should be attributed to its low tax status, but undoubtedly tourist spending on the Island is influenced by it.

*Production for the Community*

27. The submission by the Norfolk Island Chamber of Commerce estimated that there are over 250 business enterprises on the Island. Table 4-4 provides a breakdown of that figure. While a large proportion of the enterprises provide services for tourists (particularly the accommodation and hire car industries), some also cater for the local community (retail shops, restaurants/cafes, and licensed clubs and sporting bodies).

28. Table 4-3 shows that 18 per cent of the workforce is employed by general government and almost 50 per cent by the industries benefiting most from tourism (wholesale and retail trade; restaurants, hotels, accommodation and clubs; and other recreational personal and other). The remaining industries seem to be largely oriented to those living on the Island. This suggests that there is a strong local (non-government, non-tourist) economy. We estimate the locally oriented economy to be at least 40 per cent of the whole — or, in round figures \$30 to \$35 million.

29. Import replacement industries have developed fairly slowly on the Island. The latest such industries are the hydroponic growing of vegetables and the growing of 'low chill' fruit. The Island imports about \$24 million in goods a year. Table 4-5 shows imports by type for the last five years.

Table 4-4 NUMBER OF BUSINESS ENTERPRISES BY TYPE

Type of establishment	Number	Per cent
Accommodation:		
hotels	4	1.6
guest houses	3	1.2
apartment properties	39	15.2
Retail shops	73	28.4
Service providers/hire car and tour operators	107	41.6
Cottage industries	5	2.0
Licensed clubs/sporting bodies	6	2.3
Restaurants/cafes (excluding hotels)	20	7.8
<b>Total</b>	<b>257</b>	<b>100.0</b>

Source: Submission of the Norfolk Island Chamber of Commerce Inc.

2/2 4/5

Island's economic capacity (for example, the airport runway reconstruction), others to increase the potential for economic development (for example, harbour facilities).

***Comparison with the Australian Mainland***

34. Table 4-6 provides some selected statistics for the Norfolk Island and mainland economies. It shows that Norfolk Island's estimated gross product per capita is 70 per cent above that of mainland Australia. The relatively better performed Norfolk Island economy is consistent with an export oriented economy where income is generated from a wider population base (particularly tourists) than the local community. Compared with mainland Australia, the estimates show that Norfolk has both a higher average per capita profit (142 per cent higher) and higher average per capita wages (5 per cent higher). This is consistent with its:

- higher workforce participation rate (76.5 compared to 63.7 per cent);
- higher proportion of the relevant population in full time employment (87.2 compared to 69.1 per cent);
- negligible unemployment; and
- possibly, longer working hours (many people seem to have more than one job).



**Table 4-6** SELECTED STATISTICS, NORFOLK ISLAND AND THE MAINLAND, 1995-96

Selected statistics	Norfolk Island	Mainland
<b>Economic statistics</b>		
Gross product (\$ per capita)	45 343	26 735
Wages and Salaries (\$ per capita)	13 735	13 131
Gross Profit (\$ per capita)	24 829	10 274
<b>Population statistics</b>		
Percentage aged 65 and above	13.5	11.3
Percentage aged 15 to 65	66.0	66.3
Percentage in the workforce	76.5	63.7
<b>Labour force statistics</b>		
Percentage in full time work	87.2	69.1
Percentage in part time work	12.8	22.5
Percentage unemployed	0.0	8.5

Notes: Norfolk Island economic statistics were estimated. Its population and labour force statistics were compiled from *Norfolk Island Census of Population and Housing, 6 August 1996*. The assumptions used to calculate Norfolk Island's gross product, wages and salaries and gross profit figures are given in the footnotes to Table 4-1.

Sources: Figures for Australia were compiled from *Australian Economic Indicators, May 1996*, ABS Cat No 1350.0, Tables 1.4, 6.1 and 9.2 and Table L-7 from the Commission's *Report on Revenue Grant Relativities, 1997 Update*.

35. One of the objectives of the Norfolk Island Government's Immigration Act is to prevent entry to persons who may not get employment on the Island. The absence of unemployment on the Island is an indication of the Government's success in this area.

36. The Immigration Act is also responsible, at least in part, for the skewed distribution of the Island's workforce. Table 4-7 compares the distribution of the Island's 15 to 64 age group with that of the mainland. It shows that the Island's population and therefore its workforce is skewed towards the older age groups. Some submissions mentioned that people often leave the Island to pursue their education or to seek employment. This is consistent with the population structure shown in Table 4-7.

LIST OF INQUIRIES FROM 1987/2003

- 1987 Report of the Constitutional Commissions Advisory Council on the Distribution of Powers
- March  
1991 Islands in the Sun: The legal Regimes of the External Territories and the Jervis Bay Territory.
- February  
1995 Delivering the Goods: Inquiry into Freight and Passenger Travel to Australia's External Territories
- 1995 Norfolk Island Household Expenditure Survey (conducted on behalf of the Department of the Environment, Sport & Territories by the Australian Bureau of Statistics)
- 1996 Commonwealth Grants Commission Report
- March 1999 Territorial Limits Norfolk Island Immigration Act and Human Rights (Human rights and Equal Opportunity Commission)
- 1999 Islands to Islands: Communications with Australia's External Territories
- July 2001 "In the Pink or In the Red " Inquiry into the Provision of Health Services on Norfolk Island  
(Joint Standing Committee on the National Capital and External Territories)
- August 2002 Inquiry into Norfolk Island Electoral Matters (Joint Standing Committee on the National Capital and External Territories)
- May 2003 Norfolk Island Governance Inquiry



## Visit of Minister Wilson Tuckey

The Hon. Wilson Tuckey, MP, Minister for Regional Services, Territories and Local Government together with his wife Jenny and other members of the Department have been visiting the island on what he described as "a low-key" visit.

During his time with us the Minister has held discussions with the Legislative Assembly, the Chamber of Commerce and residents, visited the Norfolk Island Central School and spoke to the island over Radio 2NI.

On Thursday afternoon he presented a cheque for \$2,000.00 to Nigel Erskine, to help with the cost of the "War and Peace" Exhibition at the Norfolk Island Airport.

We interviewed the Minister on Thursday afternoon and asked him:-

**Are you satisfied with the way that the Legislative Assembly is getting on with the changes to the electoral laws?**

"Well, I don't believe that the Prime Minister will be satisfied.

As you are aware the Chief Minister's first initiative, having had it from me that the only opportunity that I felt of achieving change on the government's current position was possibly an extension from six to 12 months for eligibility [to vote] period. The Chief Minister came into the resolution with a period of 18 months but accepted Australian citizenship.

The Assembly has eventually passed a Bill that cuts the eligibility period back to 12 months, remembering that the Federal Government wants six months.

I will be very surprised if the Prime Minister writes to me and says that he will accept that

legislation on those grounds in particular, and I expect that while he is about it he will say I want you to go ahead with the legislation as originally proposed.

Nevertheless the outcome of all that, and the Select Committee here and that the fact that I have asked the Standing Committee to conduct some further enquiries and to report by mid-August, is that I now think it appropriate that either I, or the Assembly, revisits the fundamental issues of governance.

It is clear to me and I have just expounded this in chapter and verse to the members of the Chamber of Commerce and to the Members of the Legislative Assembly, I believe that there needs to be a very substantial change in how people are elected and these are issues I want debated at the moment and that is why the Standing Committee is going to have a look at it.

My own belief is that the Chief Minister should be elected independently of the other Members of the Assembly and as Chief Minister. This is one job and should be for a fixed term of four years.

My reasoning is that that person should also then be the only Minister and his or her responsibilities are to manage the government - the Administration of Norfolk Island - and he or she should have power to hire or fire.

Then, the other 8 members are elected as an Assembly and, having prepared a Budget, the Chief Minister then has to get it approved by the Assembly. They would still have the rights inherent in for want of an example, the American Congress, to initiate legislation and other things like that.

Their role in administration would be minimal other than if the Chief Minister was blowing the Budget they could say "No". This is very much like local government in Australia where the Mayor is elected separately and has that administrative role and the Councillors meet to endorse or reject his programmes.

There would be two separate ballots, both on the same day. I have raised issues in that regard as to whether you would have a four-year fixed term for everybody, but in fact half of the Assembly came up for election every two years.

That addresses to a degree, the problems of shortening the eligibility period, The letter written in your paper which proposed a very similar scheme in which he referred to the Chief Minister as a "President". I actually wrote to him and said that I hoped he would make a submission to the Enquiries but I recommended that you didn't use the word President.

By coincidence this was a system which I felt was the answer to the fundamental issue which is to give some certainty in office to the elected personnel.

I mean you need a period to implement reform and if you are going to be kicked out office because you have lost the support of one Member you never do anything.

I have had some reasonably strong words, in a friendly way, with one member over the future of this island. He stated that the Assembly has achieved surpluses but as I pointed out this had eroded every capital asset you have on the island.

I asked the question as to whether he believed that Taylor's Road to the South Pacific Hotel where we are staying is up to an acceptable standard? There is not an unpatched segment and OK you go

on doing that until for instance, as has occurred in Australia with a major pharmaceutical manufacturer, some one walks into your hospital and says 'close the doors' - what do you do then?

Those issues are confronting the island and it has to decide from where is it going to raise the revenue.

We are giving the Norfolk Island Government a loan to re-surface the Airstrip which is absolutely vital to the economy of the island but my Finance Minister has said 'never again'! They must create a sinking fund and in fact I'll charge them interest on the money if there's not evidence that as they pay back the interest free loan they are banking an equivalent amount for the purpose of the future financing of that asset.

Clearly the Hospital, ever since 1979, the Health Fund should have been putting away quite large amounts of money. It is there and it is serving a purpose but it is a \$50 million job to replace it and then at what level? The present level? Or are you going to have a multi-purpose \$10 million outfit in an aeroplane?

These are decisions which have to be made and solutions found to all those infrastructure problems will be in the future.

Be it law and order or be it anything else in a small community with the arrangements that exist now, it is virtually impossible to impose some tough decisions. Admittedly in standing for office, the Chief Minister should seek a mandate for his policies, but then again you've got eight people sitting somewhere else and if he doesn't work on his mandate, the other eight can deny them the right to do what they are doing.

If a person says, 'elect me, I'm going to increase the property tax or I'm going to do x,y,z' it is not the entitlement of the Assembly to say 'we are not going to endorse it'. This is a problem we have with the Senate.

The whole issue is one of some separation, but the fundamental issue is that each and every one of them should have some security of tenure, so that they have the courage to stand up and do the things which are necessary for retaining their independence.

I think voting should change to the West Australian Local Government system whereby now, if there are two vacancies you just tick two squares. If there are 10 candidates and two vacancies you just tick 2 squares and the rest get nothing.

That way would simplify the voting arrangements and I cannot understand how this 4 votes to one candidate ever works. In my 40 years of politics, I have not been able to identify a preferential style system that can handle multiple vacancies.

Of a consequence, after trying just about everything for 16 years in Western Australia, we have just gone back to what is virtually a first past the post system.

These are issues which the community has got to debate and, as I have said at every meeting, this is not necessarily what I would impose, but I would find it a waste of time if either of the Committees - the Select Committee or the Standing Committee - did not comment on these issues in terms of their Reports.

As I said before, if you had the Chief Minister elected for 4 years and the Assembly elected in 2

groups of 4 every 2 years, you would then get some continuity and if you are worried too much about the 6 months eligibility and though there may be a vast increase in the roll, you can't get a coupe overnight.

#### Thoughts on Shipping -

While here I have spoken about port facilities, explained about the initiatives that we have taken on Christmas Island to get a dual port facility that handles containers and how some of those principles could be applied to this island.

They have containers there at the moment but there are times when the ship can't get into a berth for days.

While I can't make any promises, I have suggested to the Chamber of Commerce in making that enquiry or coming up with longer term option I would argue for some financial assistance from the Commonwealth.

There has to be an acceptable containerisation facility here. Physically there is not a great deal of difference between Christmas Island and Norfolk Island and in terms of the difficulties associated with the unloading of vessels.

There are a variety of options by which you can address it and it is just a case of finding the best one.

The Minister signalled that his next trip would more than likely be after the new Administrator has settled in and that there would be an obligation for him to make a visit and see how things were going.

Furthermore, as these electoral issues are finalised, I have to come to the island and take medicine in terms of supporting whatever decision the [Federal] government actually takes - but that doesn't worry me.

### Community Arts presents the 7th Mother's Day (Eve) Children's Talent Contest

There is much practicing and rehearsing among Norfolk's children these past few weeks in readiness for next Saturday night. This event is now in its 7th year and over the years has brought talent out of woodwork.

Opportunity is given for children to perform in a fun way, and with some challenge. Helping to develop talent is the objective of the contest which includes, stage presentation, presentation of self, vocal expression, music and dancing ability.

Four categories- singing, dancing, instrumental and Secondary children. There is a total of \$800.00 in Prize money along with special encouragement awards.

The future of the Entertainment Industry in Norfolk can be seen next Saturday night at Rawson Hall commencing at 6.00pm.

Final plans will be discussed at the Monday meeting this Monday, 5th May, 7.30pm at Rawson School, everyone most welcome.

FOR SALE at the SUNDAY MARKETS  
from 8.30 p.m.  
Pairs of Red and Green Sword-tail Fish  
available from the  
SUPPER ROOM - RAWSON HALL



### (A) Citizen-initiated Referenda

1/ 4 Dec 1968 Two questions relating to immigration and electoral laws - see attached summary.

2/ 8 Nov 1972 Are you in favour of a high security animal quarantine station on Norfolk Island?  
YES 384 NO 452 Informal 9

3/ 17 Feb 1983 Do you want an election for a new Legislative Assembly to be called immediately?  
YES 562 NO 306 Informal 3

4/ 21 May 1986 Would television as proposed by the Norfolk Island Government be good for Norfolk Island?  
YES 489 NO 476 Informal 8

5/ 6 July 1988 Is it appropriate that the Government risk industrial dispute by altering the conditions of service of Public Servants?  
YES 462 NO 391 Informal 27

6/ 17 Oct 1996 Should the proposed new terminal for the Norfolk Island Airport be constructed in accordance with existing plans which have been displayed during September and October 1996 by the Norfolk Island Government?  
YES 334 NO 656 Informal 11

7/ 21 Aug 2002 Do you support the installation of a Digital mobile telephone system in N. Island?  
YES 356 NO 607 Inf. 6

### (B) Government-initiated Referenda

1/ 10 July 1979 Should the method of election of members of the Legislative Assembly of Norfolk Island be by the system of Proportional Representation used in the Legislative Assembly election of August 1979 instead of by the system used in the election of members of the ninth Norfolk Island Council?  
YES 339 NO 463 Informal 3

2/ 1 Dec 1982 Are you in favour of a change from proportional representation type of system of voting to a new cumulative system of voting?  
YES 535 NO 302 Informal 6

3/ 14 Feb 1990 Do you support the Healthcare Scheme?  
YES 697 NO 263 Informal 34

4/ 2 Jan 1991 With respect to matters discussed by the Legal Regimes Inquiry, including the question of Federal Representation, should the constitutional position of Norfolk Island be changed?  
YES 162 NO 788 Informal 8

5/ 21 Oct 1991 The Commonwealth proposes to pass a law to make Norfolk Island part of Canberra for Federal electoral purposes. Are you in favour of this proposal?  
YES 178 NO 801 Informal 7

6/ 15 Mar 1995 Are you in favour of a quarantine facility for alpacas being established in Norfolk Island, subject to conditions reflected in the resolution of the Legislative Assembly on 15 March 1995?  
YES 264 NO 764 Informal 6

cont'd (B) Government-initiated Referenda

7/ 14 May 1998 Do you wish the Kingston and Arthur's Vale Historic Area of Norfolk Island to be nominated for World Heritage Listing? -

YES 276 NO 626 Informal 72

8/ 27 Aug 1998 The Australian Government has recently indicated its intention to bring about changes to Norfolk Island's electoral process. Given this situation do you feel that it is appropriate that the Australian Government in Canberra dictates the electoral process on Norfolk Island?

YES 184 NO 719 Informal 14

9/ 12 May 1999 Do you agree with the Australian Federal Government's proposal to alter the Norfolk Island Act so that -

- 1) people who have been ordinarily resident in the island for 6 (six) months will in future be entitled to enrol on the electoral roll for Legislative Assembly elections; and
- 2) Australian citizenship will in future be required as a qualification to be elected to the Assembly, and as a qualification for people who in future apply for enrolment on the electoral roll for Assembly elections.

YES 247 NO 691 Informal 26

(10)  
5<sup>th</sup> April 2000 Do you believe that senior officers and senior employees of the Public Service (i.e. Program Managers, Branch Heads, Section Heads and Managers of Government Business Enterprises) should be eligible, at the same time, to maintain their Public Service employment and to sit as Members of the Legislative Assembly? YES. 235. NO 687. In. 8. = 930.

WEEK-END AUSTRALIAN MAY 10-11, 2003

# Priorities closer to home post-Saddam

AS John Howard basks in the glory of Australian and allied military success in Iraq, distracted only by the incredible mess of the Governor-General, he should also reflect on a few lessons the conflict has for Australian policy.

Hugh White's Australian Strategic Policy Institute yesterday published a systematic consideration of Australian policy interests in Iraq.

In a pointer to what should guide our thinking, it identifies Australian interests as including stability in the Middle East, Australia's commercial interests, our standing with the new government in Baghdad, the global oil supply, the international credibility of the US, the standing of the US-Australian alliance, the effectiveness of NATO, the future of the UN and preventing terrorism.

This is a useful exercise which shows the range of our interests engaged in post-war Iraq.

The ASPI document's strongest thrust is to urge the Howard Government to be vigorous in putting Australian views to Washington. We've earned the right to be heard.

Its one seriously mistaken suggestion is that we should form a de facto political alliance with Britain to push our similar points of view in Washington. This is a misconceived suggestion which would have the effect of encouraging Washington to view us through a London prism, which would be profoundly retrograde. The whole point of our closeness to Washington is that we don't need someone between us and the Americans. We talk to them as intimates, on our own terms and in our own interests.

In a delicately worded section, the ASPI document also points out that Australia's reputation in the wider Muslim world, specifically Indonesia and Malaysia, will be seriously affected by our performance, and that of the coalition, in post-war Iraq.

This makes the important link between the global and the regional. The Howard Government, by its performance on Iraq, has done well on the global stage and should now harvest that political capital for regional purposes, which is where our most pressing national interests lie.

In particular, it might also take the lesson from Iraq, as from Bosnia and Kosovo and Afghanistan, that the world is moving away from the view that national sovereignty is always the supreme virtue in international affairs.

Rather a big debate about the limits and obligations of national sovereignty is under way. Failing



**GREG SHERIDAN**  
**AUSTRALIAN**  
**ANGLE**

states need early help. This is most important in Canberra's consideration of policy towards the South Pacific.

Ever since the South Pacific states gained independence, Canberra has been phobic about making sure it doesn't look neo-colonialist in its relations with them.

But the South Pacific is a slow-burning disaster growing worse by the day. The traditional Australian approach hasn't worked.

No one would suggest military intervention by Australia, but a much more interventionist, proactive, mutual obligation focused approach is necessary. This approach is often favoured by the most progressive local elements.

One of Australia's most distinguished economists, Helen Hughes, in a paper issued this week by the Centre for Independent Studies, lays bare the catastrophe of the contemporary South Pacific.

In the entire South Pacific region over the past 35 years there has been an aid flow of \$100 billion, with Australia the largest aid donor. This aid has failed miserably. On most indicators life has got consistently worse.

The only prosperous territories are French Polynesia, New Caledonia and American Samoa, because these remain effectively colonies of wealthy metropolitan powers.

Sooner or later, Australia is going to need to focus much more heavily on all this. Papua New Guinea is a nation of 5 million today and likely to be 10 million by 2025.

ASPI will soon produce detailed proposals for a much more interventionist Australian strategy in the Solomon Islands, the South Pacific's first fully failed state.

Australia will need to do much more and it should call on its recent coalition partners to help.

# Paradise lost

Australia's closest neighbours are suffering from bad economic policies backed by aid that does more harm than good, a new study by prominent developmental economist Helen Hughes has found. Asia-Pacific editor **Rowan Callick** reports.

**P**apua New Guinea and many other Pacific islands have spiralled into "a culture of arms and violence" since the region became independent, threatening Australia's security by "the passage of drugs, arms and, ultimately, terror and the flight of large numbers of economic refugees".

This has happened despite the region receiving \$100 billion in aid, of which Australia is the second-biggest donor after France, according to a new report by economist Helen Hughes.

Hughes is a professor who was director of economic analysis at the World Bank for 15 years before heading the National Centre for Development Studies at the Australian National University for 10 years.

She wrote the paper, *Aid Has Failed the Pacific*, for the Sydney-based Centre for Independent Studies.

"Australia cannot rely on the International Monetary Fund, World Bank and Asian Development Bank for the conditionality that was supposed to make aid effective," she says.

"These organisations have their own internal agendas that have failed to stimulate growth and have led the Pacific into debt."

Hughes's report comes a month after another CIS paper, *Papua New Guinea on the Brink*, which provoked considerable controversy in PNG. One of its authors, Mike Manning, was summoned to appear before the Privileges Committee of Parliament there.

Hughes says redistribution of wealth has taken place within the region since independence in the 1970s and '80s, from ordinary Pacific islanders to their elites.

"Women have always been, and are, the workers of the Pacific, yet they bear the brunt of emerging deprivation and insecurity in villages and towns."

She says men are unemployed in towns and underemployed in villages, which causes the deep dissatisfaction that "erupts in a culture of arms and violence".

Hughes warns that PNG's population is expected to double to 10 million by 2025. And "unless there is a sharp change of direction in PNG, the prospect not merely of a failed state but of a rogue state (like those of Amin, Mobutu, Bokassa and Mugabe in Africa) cannot be lightly dismissed".

The report says: "Economic theory showed, albeit counter-intuitively, that protection hurts employment. . . and again, counter-intuitively, that the economic rents associated with aid impede the growth of developing countries."

"Aid policies have to counter the negative effects of aid rents if compassion and economics are not to be in conflict."

Hughes points to 10 studies within a "Pacific 2010" series produced by the NCDS a decade ago under her directorship, which outlined the high economic and social costs of population exceeding economic growth. But, she says, "Pacific governments and aid agencies did not re-examine their policies".

She insists that all Pacific states are economically viable but adds: "They would be able to reach high living standards, like those of Australia and other industrial countries, without aid — if they chose economic and political policies appropriate to their size and level of development."

Government in the medium-sized Pacific states should be tailored, she says, to the needs of populations of 100,000 to 500,000 — "the size of a small to medium city in industrial countries" — rather than "their present scale of political and bureaucratic structures and inappropriately elevated international representation" that provide high income for elites while rural populations bear the cost.

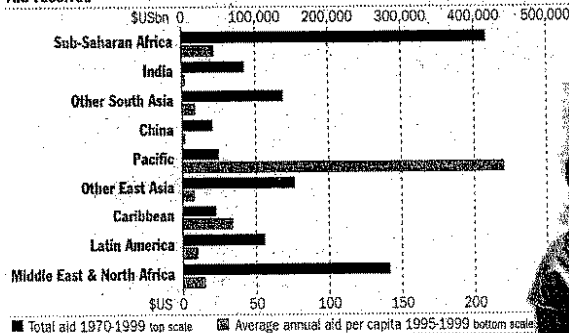
And "corruption is inevitable when politics becomes the principal path to wealth".

Hughes says the answer is a Pacific-wide federation — a solution, she says, which is being blocked by the colonial powers.

"Modern communications make a federation with small government technically practicable. But swollen governments persist because they are funded by aid."

## BAND AID

Aid received



## Comparison of African and Pacific economies

	Population	Per capita income \$US current		Gross national income per capita*
		1972	2000	2000
Botswana	2.0m	240	3300	7170
Mauritius	1.0m	300	3750	8940
Papua New Guinea	5.0m	290	700	2180
Fiji	0.8m	500	1820	4480

\* \$US purchasing power parity

Source: OECD

The path to independence for the smaller islands ("not even the size of a suburb in industrial countries," says Hughes) means giving up power illusions and concentrating on good living standards.

Norfolk Island, for example, has a per capita income almost twice that of Australia, without any aid.

Hughes also criticises the island states' involvement in international bodies. Their main use of United Nations membership, she says, is "to manoeuvre and beg for aid".

"Servicing international obligations leads to travel and stints in New York, but eats up money and scarce manpower," she says.

Yet PNG and the Federated States of Micronesia have among the highest rates in the world of deaths of women in childbirth, "indicating a total absence of health services". Access to primary education — two to three years for girls and not much more for boys — "ranks among the worst in the world".

As a result, in many Pacific villages "people are denied almost all the opportunities that the 21st century offers".

Although starvation is rare, "if growth does not accelerate and the population continues to increase, limits of traditional agriculture will be reached and hunger, as well as other indicators of poverty, will emerge on a broad scale".

Hughes says the Pacific's health indicators are more like those of sub-Saharan Africa than the developing East Asian countries that

### "People are denied almost all the opportunities that the 21st century offers."

had lower-per-head incomes than the Pacific states in the 1970s.

In PNG, she says, the social and economic infrastructure is deteriorating or collapsing. The great arterial Highlands Highway is now "in many places a goat track terrorised by robbers". And the capital, Port Moresby, is isolated from other population centres.

In Fiji, "with its semi-feudal indigenous Fijian society pitting itself against Fijian Indians, the lack of economic progress has made the country susceptible to military coups and uneasy political stand-offs that discourage investment".

Nauru, which in the 1970s enjoyed the second-highest per capita income in the world after Saudi Arabia, has become "the victim of the shadiest financial, legal and academic operators in the world".

By comparison, trust funds have protected the phosphate incomes of neighbouring Kiribati and Tuvalu.

The costs of the change brought by development are only worthwhile, says Hughes, if they are compensated by higher personal security and freedom, better education, health and longevity, and a richer social life.

"The slower the transition and the smaller its rewards, the more are societies likely to cling to idealised traditional ways, despite all their costs. Without evidently rising benefits, the costs of change erupt into violence and crime."

This problem has been compounded because "rosate views of traditional life became dominant and were adopted as realistic and accurate by Pacific leaders. It was a short step to argue that traditional social institutions could be maintained without change and yet deliver the modern education, health, jobs and incomes that Pacific islanders, like people everywhere, want."

Because of the lack of a coherent development culture, she says, "a culture of mendicancy, no less debilitating at the level of the political state than the cargo cult was for individuals, permeates the Pacific".

"Treating aid funds contributed by Australian and other taxpayers as components of national revenues to be spent largely on consumption seems natural to Pacific governments. The notion that Australian taxpayers have the right to oversee how their taxes are spent is regarded as bizarre."

Hughes urges that aid flows be removed from Pacific states' budgets.

She also says that communal land ownership has held back indigenous entrepreneurship in the Pacific, "as it has everywhere in the world".

"Clan loyalty, admirable in traditional societies, is inappropriate for a high-income modern society. It reduces the costs of unemployment and underemployment in stagnating Pacific societies by creating an informal welfare network — but at a very high cost", making it impossible for individuals to save and invest.

The failure to explain the high costs of communal ownership has maintained opposition to land reform, she says. Pacific islanders "have every right" to choose to reject individual property rights. "But there is no reason for Australian taxpayers to underwrite such choices with aid".

Hughes pins substantial blame on the colonial legacy: "Welfare-statist policies and

institutions that characterised post-World War II Britain, France, Australia and New Zealand were imposed on the Pacific in the last days of colonialism in the name of equity. Redistribution was put ahead of production."

Soon, "public enterprises became sources of corruption as well as inefficiency". And informal sectors were restricted by "regulations designed to keep the streets clear in London, Canberra and Wellington".

She says that inappropriate trade policies are a core problem in the region, with UN advisers having supported protection for import substitutions. And the islands have "adopted the creed of the IMF, World Bank and ADB that foreign investment equals development".

But such investment is only positive, she says, if it is invested for competitive production for the domestic market or for exports.

"High tariffs have created 20-year-old 'infants' that cost the balance of payments more than they save," Hughes says.

### "The path to independence for the smaller islands means giving up power illusions."

"Increasing the processing of their raw materials is a Pacific obsession, but processing tends to be highly capital and technology-intensive." And if it is not internationally competitive, it erodes the resource rents earned in the primary stages of mining, timber extraction and fishing.

Hughes blames not only Pacific governments but the spin of "highly remunerated expatriate advisers". She says: "Only the Pacific peoples can take charge of their own futures. Even if it means less polished presentations, they have to start writing their own policy and administrative papers rather than leaving them to expats." She concludes from the living standards of sub-Saharan Africa and the Pacific, whose aid inflows have been by far the largest in the world per capita, that "aid appears to be inversely related to growth".

Hughes praises AusAID as "one of the best of the industrial countries' bilateral aid agencies" but says it is crippled by not being allowed to express a policy view on recipient economies, and by being prevented from insisting on effective programs.

The answer, she says, is not an attempt at recolonisation or more expatriates or cutting aid, but reform of Australia's aid policies.

"The time for a debate is long overdue."

