



SUBMISSION

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THE GOVERNMENT OF NORFOLK ISLAND

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Senator Ross Lightfoot
 Chairman,
 The Standing Committee on National Capital and External Territories
 Parliament House
 Canberra ACT 2600



Dear Senator,

AUSTRALIAN GOVERNMENT SERVICE PROVISION ON NORFOLK ISLAND: ISSUES OF INTEREST TO THE COMMITTEE

On 19 February I wrote you a holding response to selected issues raised by the Joint Standing Committee as conveyed in your letter to the Chief Minister dated 23 January 2003. I am now in a position to report on those matters.

Q1:

- a) *What is the Commonwealths contribution to the Norfolk Island Administration for this financial year?*
- b) *How is the money allocated and spent on staff, services and grants.*
- c) *Is this amount expected to remain the same, increase or decrease in the next financial year*

Response

The Commonwealth has contributed the following amounts to the Administration during the current financial year.

- a) Contribution to police salaries and administrative costs \$114,500 approx
 - b) Police salaries and administrative costs
 - c) No major change expected
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- a) Contribution the K.A.V.H.A. \$590,532
 - b) Maintenance and restoration of historic buildings
 - c) Expected to decrease to \$498,000
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- a) Grant for networking the Nation \$774,000
 - b) Telecommunications infrastructure improvement as approved by NTN.
 - c) No further grants expected

Q2. Norfolk Island Revenue

- a) *The Commonwealth Grants Commission (CGC) 1997 Report on Norfolk Island stated that "the tax burden falls disproportionately on tourists". Is this still the case?*

There have been no significant changes to the revenue raising regime since the Grants Commission Report so to the extent that that statement was accurate it remains so.

- b) *What strategies does the Norfolk Island government have in place for increasing revenue to improve infrastructure and bring services up to mainland standards?*

The Norfolk Island Government is currently reviewing all its revenue sources with the view of broadening its revenue base so as to improve the equity and robustness of the revenue raising regimes already in place as well as developing new revenue sources.

- c) *Would the Norfolk Island Government consider introducing a taxation system that taxes wealth or income as a means of diversifying and increasing revenue?*

The Norfolk Island Government has considered income and wealth taxes in past years and is again considering them in the current list of options. However it is recognised that the complexity of administering a local income tax is such that it would not be sustainable for such a small population, for similar reasons a tax on wealth has also not been progressed.

- d) *The CGC report estimated that infrastructure improvements would require expenditure of around \$5.5 million for each of the next ten years, and that improvements to services would require an additional annual expenditure of around \$2.5 million. Are these levels of revenue generation reasonable and attainable?*

The amounts mentioned in the CGC Report for infrastructure improvements are not attainable from existing revenue sources. It is also doubtful if a new revenue regime can achieve these targets. However doubt has been expressed as to the reasonableness of the amount quoted by CGC Report in that in some cases they are either excessive or unnecessary.

It is noted that the \$5.5 million is the annualising of ten years predicted capital expenditure in table 8-3 of the CGC Report. This table included \$11 million for a harbour, \$10 million dollars for a replacement hospital, \$3 million for electricity generators, \$4.8 million for road reconstruction and maintenance, \$5 million for school refurbishment, \$5 million for Telecom upgrade of equipment, \$2 million dollars for building refurbishment, \$2.4 million for the Water assurance scheme upgrade, \$7 million dollars for airport upgrade works and \$2.2 million for a new airport terminal.

A substantial number of matters included on Table 8-3 have already been attended to. The electricity generators have been purchased, the school building have been completed, Telecom upgrade has commenced and been funded (principally through NTN), funds are available for upgrading the Water Assurance Scheme, a loan is being negotiated for upgrading the airport runways, the airport terminal has been completed, and commencement has been made on the upgrading of roads.

The need for a harbour has not been established and the hospital buildings are still proving to be adequate for the task.

In summary, the costings attached to some items in Table 8-3 have proven to be excessive as the work has now been completed for considerably less and the need for all items on the list has not been established.

There is however recognition of the need to fund future asset acquisitions and this matter is being addressed by the Administration and the Government in our financial strategies relating to budget preparation and long term planning.

e) Would Norfolk Island like to expand on the revenue initiatives that are mentioned in the Focus 2002 – Sustainable Norfolk island document?

The emphasis of Focus 2002 to date has been to look at expenditure savings by reviewing the range of services we provide and the method and cost of delivery. The issue of revenue initiatives has not been specifically addressed on a one by one basis although there was a clear recognition of the need to raise additional revenue if the Government was to continue with its current programs as well as adequately funding future programs.

f) Has the Norfolk Island Government given further consideration to the CGC's suggestion of having forward estimates to facilitate long term planning of recurrent and capital needs and cash flow?

Yes, the Government has now adopted a policy of taking a long term view of our needs and the Administration is preparing budgets based on short and long term requirements for recurrent and capital expenditure with forecasts for income are similarly based.

Should you require further details I would be pleased to be of assistance.

Yours sincerely



Graeme Donaldson
Minister for Finance