



## 5. Trend Analysis For Future Major Work

As previously stated Administration has not consistently made provision for financing major capital works through creation of reserves or some other form of sinking fund. Capital and major expenditure in the Revenue Fund has been financed from recurrent funds derived from GBE payments, while GBEs have funded most capital items from within each year's Budget.

Commonwealth grants and loans have also been successfully applied for and have funded major items such as: the Sewerage Scheme, the 1992 Airport Runway Upgrade, three Networking the Nation Grants for Telecom, contribution to the Waste Management Centre building and equipment, and the Cascade Cliff Safety Project. Additionally, negotiations for an interest-free Commonwealth loan for the 2003 runway upgrade are currently being finalised.

As an External Territory under the authority of Australia it is understood that Norfolk Island is eligible to apply for Commonwealth grants and monies and should reasonably expect to be successful with a number of those applications. However it is also understood that the Norfolk Island Government must implement a responsible system of planning to fund major works from its own savings which can then be augmented with successful Commonwealth grant monies.

The Grants Commission Report completed in 1997 identified the average annual expenditure on capital items over the previous 10 years at \$1.4 million. Between 1992 and 2002 the average amount spent on capital infrastructure rose to \$1.6 million per annum (Attachement 12)

It is clear that despite this spending there are a considerable number of items that cannot be attended to as there is insufficient funding available. There are a number of very major items that require funding in the next few years and there will always be unexpected expenses, such as the Airport security needs that we suddenly find ourselves having to provide as a result of increased terrorist activity.

There are considerable risks facing Norfolk Island if capital works continue to be funded from recurrent funds derived from GBE payments. As the Access Economics report says "There are dangers in an economy slowly consuming the capital embodied in Government enterprises – it is a form of dissaving".

Included in the major expenses that Administration needs to plan for over the next 10 years are:

- Jetty Upgrades and maintenance
- Airport run way upgrades
- Airport security and building upgrades
- Establishment of alternative energy sources to diesel
- Expanding the water assurance scheme
- Upgrading the entire computer and data base system
- Roads
- Replacing the Tanalith Plant cylinder
- Vehicle replacements
- Building works
- Waste Management Centre equipment
- Hospital upgrade or replacement
- Electricity reticulation upgrades



In addition to the cost of major capital work other major expenses are anticipated over the next 10 years including:

- Wage costs
- Major Crime Investigation including custody and trial costs
- Increases in the number of Social Security Benefit recipients
- Increased number and cost of Medivacs
- Establishment of on Island Tribunals
- Preservation of historical information including births, deaths and marriages records
- Land valuations and land administration legislation
- Occupational Health & Safety legislation and prevention
- Early Intervention Programs

**Recommendation 15**

**That an assets management system be implemented.**

**Recommendation 16**

**That a sinking fund for major assets replacements be established. That Budgeting for the fund be included in the 2003/2004 Financial Year.**

**Recommendation 17**

**That recommendations on how a legislated sinking fund would work including the annual amount the fund would be increased by and options for funding be prepared by the CMG and reported back to the Minister for Finance.**



## 6. New Revenue

It was decided that revenue would not be considered until all expenditure savings had been identified.

One of the reasons we chose to look at some new revenue options is that considerable time is required to analyse options, make a decision on which option to pursue, consult with the community and then implement the new regime. It can take at least a year to implement some new revenue raising scheme, with others requiring even longer set up times. While it was never envisaged that within the time-frame of Focus 2002 new revenue streams could be decided on and implemented, it was considered that analysis of the alternatives and a presentation of the options could occur.

As reported there are minimal expenditure savings able to be identified for short term implementation and longer term savings require attendance to the issues identified in sections 3 and 4. It is clear that even in the short term revenues need to increase significantly to maintain the current level of service delivery and meet increased cost predictions, including increased numbers of people receiving a Social Services Benefit, maintenance of infrastructure needs, meeting PSA wage claims and Hospital funding needs. It could be conservatively estimated that in the short term an additional \$1.5 million revenue needs to be injected into Administration's annual budget. This figure could possibly be doubled in the long term.

Notwithstanding the decision to delay looking at new revenue options, a number of recommendations have been made concerning increasing charges and instigating user pays options.

### 6.1 Increases to Fees and Charges

AREA	ISSUE	DESCRIPTION
Fire Service	Category 5 Fire Service	<p>This service is currently being used by one airline and will be required by all regular passenger services by May 2003. The one airline that currently uses the service negotiated a price 13 years ago, which returns only 18% of the actual cost of providing the service (each service costs \$480 and \$104 is charged).</p> <p>If the new airlines are signed on at the current rate then substantial subsidy by the Government will occur. A decision on new rates must be made in the near future.</p> <p>It is recommended that subsequent price rises to the Category 5 Fire Service provide one year's notice to Airlines</p>



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AREA	ISSUE	DESCRIPTION
Airport	Landing Charges	<p>Landing Fees were negotiated in 1991 with Air New Zealand at a fixed rate. That arrangement is due to expire in 2003. In addition the Airport Runway Upgrade is likely to be imminently funded by an interest-free loan from the Commonwealth. Savings for future upgrades by the Norfolk Island Government will need to immediately begin. While increase should occur this year, to be fair to the need for lead in times for Airlines to determine ticket pricing no increase will occur until 2004.</p> <p>It is recommended that Airport landing charges be increased by July 2004.</p>
Hospital	Charges	<p>The Norfolk Island Hospital Act 1985, requires that "health services provided by the Enterprise are to be so provided at the true economic cost of the services" (Part 1: 8 (a)) and that "The Board shall review the charges specified for health services not less than once every 2 years or as directed by the executive member" (Part 5: 24. (6)).</p> <p>The last increase in Hospital rates occurred in 1993. Doctors' consultations have remained at the same rate for at least the last 7 years. It is most likely that fees charged are no longer at the true cost of the service, as increases in service delivery costs have steadily risen since these last reviews.</p> <p>The grant provided to the Hospital was initially provided to fund specific items such as equipment and irregular high cost items. Over time grant money has been used to fund operating costs as the Hospital has been unable to fund the same proportion of it's activities from income derived from fees and charges. The grant has in reality become re-current funding. In order to curtail the funds provided by the grant, increases in fees and charges are required.</p> <p>It is recommended that fees and charges at the Norfolk Island Hospital be increased. That a review of the current cost of service delivery be conducted to determine new rates.</p> <p>It is also recommended that to ensure that rates do not jump in high increments on an irregular basis, a system be established to introduce and maintain regular, small incremental increases eg: whenever an increase in RPI occurs. In addition the review conducted by the Board every two years will confirm if rates are at the true economic cost of the service and initiate increases as required.</p>



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AREA	ISSUE	DESCRIPTION
Stock and Noxious Weeds	Fees and Charges	<p>A costing was completed on all stock charges that found that many were well below the cost of delivery. The Pasturage Fee was acknowledged as a fee that could not recover full costs (approximately \$172 per head p.a), as this would most likely result in forcing cattle owners to take cattle off the roads. Cattle on the road and in open areas was considered to be part of "the Norfolk way of life" and should not be forced to change.</p> <p>Attachment 14 lists increased charges for: pasturage fees; to destroy or deliver a bull; tag and drench cattle; driving fee; trailer fee; castration; impounding loose cattle; mustering outside muster time.</p> <p>It is recommended that the suggested increases to stock charges be adopted.</p> <p>Expected additional income: \$5,000</p>
Telecom	Under-Road Borer Hire	<p>This equipment is currently rented out for \$200 and includes two staff working the machine for an unlimited amount of time. The minimum period of use is usually one day. The actual cost to Telecom including staff time is \$385 per day.</p> <p>It is recommended that Telecom hire charges for the use of the be changed to: \$200 for 3 hours minimum charge, \$65 per hour thereafter. This does not include any Bob Cat use which is additional.</p> <p>Expected additional Income: \$3,000 – 5,000</p>
Tanalith	Charges	<p>A review of Tanalith charges identified some charges that required revision (Attachment 20)</p> <p>It is recommended that the revised Tanalith charges be adopted.</p>

**Recommendation 18.**

That a charge be made on local phone calls with the funds to be used solely for major expenditure items.

**Recommendation 19**

That the income raised from the sale of any Norfolk Island Government assets sales be used solely for funding major capital expenditure items.



**Recommendation 20**

That subsequent price rises to the Category 5 Fire Service provide one year's notice to Airlines

**Recommendation 21**

Airport landing charges be increased by July 2004.

**Recommendation 22**

That fees and charges at the Norfolk Island Hospital be increased. That a review of the current cost of service delivery be conducted to determine new rates.

**Recommendation 23**

To ensure that rates do not jump in high increments on an irregular basis, a system be established to introduce and maintain regular, small incremental increases eg: whenever an increase in RPI occurs. In addition the review conducted by the Board every two years will confirm if rates are at the true economic cost of the service and initiate increases as required.

**Recommendation 24**

That the suggested increases to stock charges be adopted.

**Recommendation 25**

That Telecom hire charges for the use of the Under Road Borer be changed to: \$200 for 3 hours minimum charge, \$65 per hour thereafter. This does not include any Bob Cat use which is additional.

**Recommendation 26**

That the revised tanalith charges be adopted.

## 6.2 New Fees and Charges, Including User-Pays

AREA	ISSUE	DESCRIPTION
Telecom	Local Call Charges	It is recommended that a charge be made on local calls.  Expected income: from \$310,800 to \$2.072 million depending on charge rate (from 10 cents per call up to 50 cents as described in Attachment 15)



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AREA	ISSUE	DESCRIPTION
Waste	Disposal Costs	<p>The Waste Group has made a number of recommendations in relation to high cost disposal items and waste generally. These are discussed in Attachment 16 and include a number of new charges that centre around user-pays systems.</p> <p>Recommendations of the Waste Group are reproduced below.</p>
Social Security Benefits	Super-annuation Scheme	<p>Focus 2002 began exploring options for the establishment of an Island Wide Compulsory Superannuation Scheme.</p> <p>The Project Management Team decided that further investigation was needed on an option that uses Australian legislation for the protection and infrastructure offered through the use of accredited schemes. This would be complimented by Norfolk Island legislation that would include Norfolk Island's specific requirements from a participating Superannuation Scheme. (Attachment 17)</p> <p>It is recommended that an Island Wide Compulsory Superannuation Scheme be developed.</p>

**Recommendation 27**

- (a) By July 2003 Waste Management Legislation be introduced that:
- Establishes that the Norfolk Island Government will operate waste disposal systems in an environmentally sustainable and responsible way.
  - Creates a Norfolk Island Waste Corporation (NIWC) as a new Government Corporation, incorporating the current Water Assurance Scheme and solid waste management.
  - Allows NIWC to carry out income generating activities that are relevant to waste disposal and for the income to be retained by NIWC to fund its operations. This includes the export for sale of reusable and recyclable waste materials.
  - Sets targets for NIWC to become self funding and for the reduction of waste generated over a period of time eg: 10 years.
  - Establishes a Waste Officer position with responsibility for all NIWC waste operations.
- (b) Norfolk Island waste Centre be funded for \$300,000 p.a from the Water Assurance Scheme and from a user pays type system. The Water Assurance Scheme will be expanded and contributions from households not part of the Scheme will be sought.
- (c) A Vehicle Bond be introduced of \$400 for every vehicle being brought on to the Island. \$200 of the Bond will be repayable when the vehicle is presented for disposal at NIWC. The Bond is transferable on sale of the car until the final owner presents the car for disposal and collects the refund.



- (d) A one-off period of time be identified for a \$50 payment for existing vehicles to be brought into NIWC for disposal.
- (e) That a decision be made on a Community Composting Facility option (including Windrow) by the 31<sup>st</sup> December 2002.
- (f) That capital items be purchased either from monies accumulated within NIWC or through Commonwealth Government Grants
- (g) Legislation to be introduced that places a levy on the use of plastic shopping bags on Norfolk Island. Levy funds are to be used for the sole purpose of Waste or Environmental Management.
- (h) Purchase an Eco-flex type system to enable reuse of shredded and cut old tyres in various options. Dependent on the success of the Eco-flex type system, policies to be introduced that require Roads and Works to incorporate shredded tyres in footpath construction and other appropriate situations.
- (i) Chem Collect or a similar program be used to dispose of hazardous chemicals. Strict and severe penalties be introduced for the disposal of chemicals in other than approved ways. Strict controls be placed on the import of chemicals and a list of banned chemicals drawn up.

#### Recommendation 28

**That an Island Wide Compulsory Superannuation be developed.**

In addition a review of Administration owned land was conducted to ascertain if the portions were being used appropriately and for the highest and best use. Attachment 18 provides a comprehensive report on this review which was the first step in a process that recommends:

#### Recommendation 29

**That in relation to the Use and Management of Administration Owned Land that:**

- a) A detailed strategic review of all Administration land holdings, including DCA Circle and Crown lands for which Administration is responsible, should be undertaken to ensure that all sites are used to the highest and best or most suitable use;
- b) A strategic approach to the management of all Administration land holdings should be developed. Management of Administration land holdings should be centralised into one section of Administration from which use of the sites can be co-ordinated and planned as part of an overall land management strategy;
- c) A housing policy should be developed to manage those Administration properties that have been developed for housing. Management of housing should also be centralised into one section, preferably managed as part of the overall Administration land holdings.
- d) A policy should be developed to manage private sector proposals for commercial use of government owned lands.