

Joint Standing Committee on the  
National Capital and External Territories

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Committee Secretary  
Joint Standing Committee on the National Capital and External Territories  
Department of House of Representatives  
Parliament House  
CANBERRA ACT 2600  
AUSTRALIA

Dear Sir/Madam,

**Inquiry into Governance on Norfolk Island: Part 2**  
**Financial Sustainability of Current Governance Arrangements**

**Introduction**

I write in a private capacity regarding the above and wish to focus on a few matters of particular concern. Before I do, I will summarise the situation on Norfolk Island at the present time as I see it.

**Current state of affairs**

Norfolk's current state of affairs can only be regarded as desperate and certainly **not sustainable**. The two main **symptoms** of what we see today are a **struggling economy** combined with **ineffective and inefficient government and administration**.

The core problem which creates these symptoms is simply that **the system of government and administration** is inappropriate (for an Island community of the size of Norfolk Island) and has been so, since it was first negotiated in 1979.

Urgent leadership and relief are needed from the Commonwealth. The 1979 arrangements need to be urgently reviewed and re-negotiated in respect to:

- The true "capacity" of the Island and its people and in particular the "appropriate" level of responsibility which can be effectively and efficiently managed locally;
- A greater role by the Commonwealth in the form of support and education for the people who are expected to aspire to positions of responsibility, both politically and administratively;
- Ensure that those with the power to make decisions about the future of the Island, have the necessary respect for the processes of government and the appropriate capabilities to govern the Island;
- The urgent development of a holistic strategic framework which puts in place strategies, policies and procedures for holistic strategic development and ongoing planning;
- A new taxation system which is designed specifically for Norfolk Island's special circumstances but administered by the Commonwealth (primarily to

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ensure confidentiality and compliance) which **is not** a cut and paste from the Australian Taxation system,

Any negotiations need to take account of the control held by the public service which is outlined in the attached paper "Understanding who holds the Power on Norfolk Island". Whether the Committee accepts that such power is exercised overtly, covertly or at all, is irrelevant. However, it must accept the fact that the potential for "control" remains and should not be underestimated. This control base needs to be dismantled if there is ever to be effective government on Norfolk Island.

### **Energy and Importation costs, Water Resource Management and Strategic Policy**

These are the specific matters I wish to put to the Committee which have become matters of concern in my capacity as a Business Consultant operating on the Island. It is these issues which have the potential to cause otherwise viable business ventures not to proceed and whilst they remain out of focus, the Island's flagging economy has little or no hope of being stimulated through economic development.

#### **Energy**

On Friday 30<sup>th</sup> September 2005, the Minister for Finance announced<sup>1</sup> that effective from 1<sup>st</sup> October 2005, electricity charges would increase to 44 cents per kilowatt hour (a rise from 40 cents per kilowatt hour).

This is a flat rate for all operations whether residential, industrial commercial etc. There are no concessions for industry or off peak use yet alone any form of policy which may be aimed at encouraging new business or expanding existing businesses. Urgent attention needs to be directed to:

- Reliance on diesel power generation – alternatives need to be found quickly;
- Restrictions on private power generation need to be lifted to enable people to find their own efficiencies if the NIG is unable or unwilling to find them for the community as a whole;
- Development of objective policy which provides incentives to encourage new or increased business, recognises specific industries and off peak use.

If the current situation continues with world fuel prices, Norfolk Island's electricity costs will exceed 50 cents per kilowatt hour very soon. Norfolk Island's electricity tariffs compare with rates or between 7 to 13 cents per kilowatt hour in Australia and New Zealand.

Whilst higher prices must be accepted for location, **energy costs which are 350% to 650% higher than Australia and New Zealand are unacceptable by anyone's standards.**

The Commonwealth's urgent leadership and assistance is essential to address this inequity.

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<sup>1</sup> Norfolk Island Government Gazette No 46

### **Importation costs**

Similar to the situation with energy costs, urgent attention is required to address our burgeoning importation costs.

Again, in my role as a Business Consultant, I have observed otherwise viable business projects fall by the way simply because of the need to rely on imported business inputs; the landed cost of which renders the proposed operations unviable.

Attached are just three working examples of recent importation calculations. These show the following:

<b>Product</b>	<b>Purchase Price</b>	<b>Landed Cost</b>	<b>% increase on Purchase Price</b>
Fertiliser	\$15,750.00	\$29,644.25	88.22%
Wire	\$2,500.00	\$3,970.60	58.82%
Equipment	\$525,600.00	\$638,396.00	21.46%

Once again, this situation will never provide the necessary incentive to stimulate new enterprises on the Island. Those already in business are finding it increasingly difficult to remain in business yet alone provide competitively priced products for a dwindling tourist market.

The Commonwealth's urgent leadership and assistance is essential to address this inequity.

### **Water Resources**

For some years now, locals have stated that the rainfall on the Island has significantly reduced. Information available through the Bureau of Meteorology does not necessary support this view. However what seems to be evident is that water resources are diminishing and perhaps more quickly than people realise.

Over the last two to three years, there have been various stories of bores drying up, wells up to 18 feet below "normal" levels and creeks running dry (as never before). The fact that several of the larger accommodation houses on the Island are not yet required to provide their own water supply and continue to use local bores must contribute to this phenomenon.

What is clear is that the Norfolk Island Government has not taken responsibility for this issue, or if they have, any information they may have acquired regarding the future capacity of our water resources has not been made public.

In any other part of the world, water is high on the agenda for government strategy and policy. Not on Norfolk Island.

In any consideration of resident and/or tourist population for the Island, there first needs to be a review and accurate assessment of the capacity of our existing and future water resources.

Whilst from an economic point of view, some may suggest “minimum” resident and/or tourist numbers to sustain the Norfolk Island economy; prior to such a determination there needs to be a serious assessment of the Island’s water resources.

### **Strategic Policy**

Although only a few areas for urgent attention have been raised, there are many many others. Again these are merely symptoms of the underlying problem which is a system of government that is simply not working, including the severe lack of any form of strategic planning, “objective” policy or strategic development.

The capacity for this to occur within the current system or government or administration is simply not achievable. What policy may exist is based on bias, prejudice and subjectivity.

Just last week, I sought advice, on behalf of a client, from a senior public servant on the existence of any Norfolk Island Government policies that may provide assistance or concessions to new business ventures, particularly where they create a new industry and employment.

I was advised:

- There was no specific policy. However a submission could be made to the Norfolk Island Legislative Assembly outlining any assistance or concessions sought.
- That the Norfolk Island Legislative Assembly would consider that submission, but that if I wanted the submission to have the greatest hope of success, then my name should be disassociated from it.

I greatly appreciated the frank and honest advice of the public servant who advised me. They were just trying to advise me the way the system really works.

This has reinforced several things:

1. There are no documented policy or guidelines regarding business or economic development, or for that matter, most other issues of government;
2. That the Norfolk Island Legislative Assembly develops policy “on the run” which is subjectively and personality based;
3. That anyone in the community who is perceived to hold a view contrary to that of the Norfolk Island Legislative Assembly or Administration will be treated with discrimination.

A holistic strategic system which is non-discriminatory, objective and equitable must be introduced as a matter of priority so that the proponents of various issues feel they can have their matters dealt with in an open, objective, consistent and transparent manner.

The Commonwealth must demonstrate leadership on these issues as the whole political system on Norfolk Island lacks the integrity and capacity to deal with the various strategic, economic and environmental and social issues which must be faced.

Urgent relief and leadership are required from the Commonwealth to provide Norfolk Island with a sustainable future.

I would be happy to answer any questions the Committee may have.

Yours faithfully,

Robyn Menghetti B.Bus, FAICD

Attachments:

1. Understanding who holds the Power on Norfolk Island
2. Fertiliser importation costs worksheet
3. Wire importation costs worksheet
4. Equipment importation costs worksheet

**Understanding Who holds the Power on Norfolk Island**

- Taking information from the 2000/2001 Annual Report of the Administration, the number of those on the Island who directly rely on the public purse for their livelihood:

**The Administration<sup>1</sup>**

Full Time Officers .....	118
Contracted Officers .....	22
Part time positions.....	17
Vacant positions .....	22
<b>Sub Total.....</b>	<b>179</b>

Casual positions not reported on<sup>2</sup> (approximately)..... 50

**Total Administration .....** 229

**Norfolk Island Hospital**

**Total Hospital Staff<sup>3</sup> .....** 48

**Norfolk Island Central School<sup>4</sup> (excluding NSW contracted teachers)**

Counsellor/Support Teacher .....	1
Information Technology /VE/Librarian .....	1
Part Time Relief Teachers.....	2
Clerical Support.....	4
Maintenance/Groundsman .....	1
<b>Total NICS (excluding NSW contracted teachers) .....</b>	<b>9</b>

**Norfolk Island Government Tourist Bureau**

**Total NIGTB .....** 7

**Administrator's Office (excluding Administrator and Secretary)**

**Total (excluding Administrator and Secretary).....** 2

**Total directly reliant on the "public purse" .....** 295

**If a conservative extrapolation is made to the immediate families of the Administration paid employees, at say one spouse for each employee; and excluding voting children of employees; the number of Administration people reliant (from employment) on the Island would be at least 590.**

<sup>1</sup> Norfolk Island Annual Report 2000/2001

<sup>2</sup> Knowledge of former CEO

<sup>3</sup> Norfolk Island Annual Report 2000/2001

<sup>4</sup> Norfolk Island Annual Report 2000/2001

- This number excludes additional ancillary roles that also “depend” heavily on the public purse and often benefit from the gross inefficiencies of the organisation including:
  - Contract cleaners;
  - Contracted suppliers such as bobcat operators and other equipment hirers.

**Making a conservative estimate of 50 in this category and coupled with the number of directly reliant Administration people as referred to above of 590, the total number of people on the Island reliant on the Administration for their livelihood is conservatively 640.**

- For the purposes of the election of the 10<sup>th</sup> Legislative Assembly (as at 1<sup>st</sup> November 2001) the numbers eligible to vote consisted of<sup>5</sup>:

Residents .....	1057
Temporary Entry Permit Holders.....	10
General Entry Permit Holders .....	64
<b>Total.....</b>	<b>1131</b>

$640/1131*100 = 56.6\%$  - eligible voters

Actual votes counted for 10<sup>th</sup> Legislative Assembly .**9253**  
Actual votes (9253) / Votes per person (9) ..... **1028**  
 $640/1028*100 = 62.3\%$  - actual voters

- It must be stressed that 640 is an extremely conservative figure. The tribal nature of the Norfolk Island culture means that the figure is likely to be much higher than that, if one takes account of voting children, parents and grandparents who “protect their own”.
- Clearly, those reliant on the Administration for their livelihood (largely the Public Service) hold, control and actively exercise their power over the Government of Norfolk Island. On the conservative numbers outlined above, the power base of the Public Service would be close to 70% of the votes on the Island and potentially much higher if one takes account of the extended families of those people as mentioned above.
- Government Ministers, MLA’s and the community clearly understand this situation. MLA’s fearful of losing power will NOT act in contrary to the views of the Public Service. Members of the Public Service openly boast that they “control” the Legislative Assembly.

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<sup>5</sup> Verbal advice of Mitchell Evans, Electoral Officer on 15<sup>th</sup> May 2003







