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The Parliament of the Commonwealth of Australia

# Norfolk Island Financial Sustainability

**The Challenge – Sink or Swim**

Joint Standing Committee on the National Capital and External Territories

November 2005  
Canberra

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## Foreword

Norfolk Island is at the crossroads in relation to decisions that must be made about its future financial sustainability. By isolation, its internal revenue base is necessarily limited, and there is over reliance on its tourism industry which is facing increased competition from other tourist destinations.

At the same time, there are increasing demands on government expenditure to provide adequate government services and ensure key infrastructure is maintained at acceptable levels. These competing pressures are significant and should not be underestimated.

The Committee has examined Norfolk Island's internal revenue-raising options, and has also considered the ability of the Norfolk Island Government to increase expenditure for government services and asset replacement. It is clear that the challenge has become too great for the Norfolk Island Government alone to confront and resolve.

What is needed is a more coherent long-term strategy which acknowledges the gravity of the present fiscal situation and sets out solutions that would give more certainty to Norfolk Island's future financial sustainability.

The pathway to increased prosperity will not be easy and will not be quick. The Committee has recommended that Norfolk Island should come under the income taxation and welfare systems of the Commonwealth. This is currently the case for the Indian Ocean Territories.

The implications of this proposal are much more significant than just the fact that Norfolk Island residents could be subject to personal income tax. Norfolk Island will be able to access the significant expenditure side of the Commonwealth Budget - access of which has been generally denied to date.

The Commonwealth Government will have a greater role in the delivery of services and the upkeep of certain key infrastructure. It is abundantly clear to the Committee that the *status quo* cannot and should not be maintained. The Committee is of the view that all Australian citizens, irrespective of where they choose to reside in the nation, deserve competent government administration and service delivery to a standard no less than can be expected in any similar jurisdictions in other States or Territories.

The Committee has stated its preference for the Commonwealth to resume responsibility for social security, health and aged care services, national census and economic statistics collection, immigration, customs and quarantine. Commonwealth law should be applied to Norfolk Island, most particularly in the areas of corporations law and trade practices. A range of State-type services, in-so-far as they do not already exist, would also fall under the Commonwealth's umbrella, including primary and secondary school education and vocational education and training, legal services and the courts, telecommunications, broadcasting, and environment protection. The Commonwealth would also resume responsibility for the funding and upgrade of Island infrastructure, including the hospital, roads, the school, power generators, a deep water harbour, and the airport.

The Committee makes this recommendation in the interests of fairness, equity and justice for all residents of Norfolk Island, as citizens of the Commonwealth of Australia.

The Committee is of the view that this arrangement would still leave a number of significant matters to be managed and determined by the Norfolk Island Government. The Commonwealth Government will require a local representative body to assist in the provision of appropriate services and to lobby on behalf of the Norfolk Island community. Clearly, the Norfolk Island Government and its Administration are best placed to represent their local community.

The Committee is convinced that the adoption of its recommendations will lead to greater financial sustainability, increased certainty, and a higher standard of living for all those Norfolk Islanders who currently struggle financially.

In conclusion, and on behalf of the Committee, I would like to thank all those who have contributed to this inquiry.

Senator Ross Lightfoot  
Chairman



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# Membership of the Committee

## 41<sup>st</sup> Parliament

Chairman     Senator Ross Lightfoot

Deputy Chair   Senator Trish Crossin

Members	The Hon. Ian Causley MP	Senator John Hogg
	Ms Annette Ellis MP	Senator Barnaby Joyce (from 16 August 2005)
	Mr Paul Neville MP	Senator Kate Lundy (from 10 August 2005)
	Ms Sophie Panopoulos MP	Senator Kerry O'Brien (to 10 August 2005)
	Mr Patrick Secker MP	Senator Nigel Scullion (to 16 August 2005)
	The Hon. Warren Snowdon MP	Senator Natasha Stott Despoja

## 40<sup>th</sup> Parliament

Chair            Senator Ross Lightfoot

Deputy Chair   Senator Trish Crossin

Members	The Hon. Ian Causley MP	Senator John Hogg
	Ms Annette Ellis MP	Senator Kate Lundy
	Mr Michael Johnson MP (to 19 February 2004)	Senator Nigel Scullion
	Mr Paul Neville MP	Senator Natasha Stott Despoja
	The Hon. Warren Snowdon MP	
	Dr Mal Washer MP (from 19 February 2004)	

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### 41<sup>st</sup> Parliament

Committee Secretary	Stephen Boyd (from 19 September 2005) Peter Keele (from 11 July to 16 September 2005) Beverley Forbes (to 8 July 2005)
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Advisor	Alan Kuslap

### 40<sup>th</sup> Parliament

Committee Secretary	Margaret Swieringa
Inquiry Secretary	Quinton Clements
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Advisor	Alan Kuslap



## Terms of reference

That the Joint Standing Committee on the National Capital and External Territories report on measures to improve the operations and organisation of the Territory Ministry and Legislature on Norfolk Island, with particular emphasis on the need for a financially sustainable and accountable system of representative self-government in the Territory.

The inquiry should consider possible alternative measures, such as:

- a) direct elections for the position of Chief Minister; and*
- b) fixed terms of government.*

These matters should be considered in the context of the financial sustainability of self-government arrangements on Norfolk Island, with particular consideration of:

- a) the findings of the Commonwealth Grants Commission documented in its 1997 report on Norfolk Island on the Territory's capacity to administer and fund obligations associated with:
  - current and future government functions and responsibilities;*
  - the Island's current and foreseeable infrastructure requirements;*
  - the provision of government services on Norfolk Island at an appropriate level;**
- b) subsequent government and parliamentary reports relevant to the above; and*
- c) the role of the Commonwealth and its responsibilities for Norfolk Island as part of remote and regional Australia.*



## List of abbreviations

ABS	Australian Bureau of Statistics
BAS	Business Activity Statement
CEO	Chief Executive Officer
CGC	Commonwealth Grants Commission
CPI	Consumer Price Index
DEWR	Department of Employment and Workplace Relations
DOTARS	Department of Transport and Regional Services
EEZ	Exclusive Economic Zone
FACS	Department of Family and Community Services
GST	Goods and Services Tax
ICAC	Independent Commission Against Corruption
IOT	Indian Ocean Territories
JCPAA	Joint Committee on Public Accounts and Audit
KAVHA	Kingston and Arthur's Vale Historic Area
MLA	Member of the Legislative Assembly
MOU	Memorandum of Understanding
NI	Norfolk Island

NIG	Norfolk Island Government
NIGTB	Norfolk Island Government Tourist Bureau
NJE	Norfolk Jet Express
NSL	Norfolk Sustainability Levy
NSWDET	New South Wales Department of Education and Training
RPI	Retail Price Index



# List of recommendations

## 3 Norfolk Island sustainability

### Recommendation 1

The Committee recommends that a new taxation model be developed whereby Norfolk Island is gradually incorporated into the taxation regime of the Commonwealth of Australia. (Paragraph 3.115)

### Recommendation 2

The Committee recommends that, on acceptance of Recommendation 1, the Commonwealth make transitional financial arrangements to ensure the Norfolk Island Government is adequately funded prior to the implementation of the new taxation model. Particular emphasis should be on:

- replacing and/or maintaining depreciating infrastructure, notably the hospital and the school;
- key service provision, specifically health, aged care and social services;
- structural adjustment programs first, to sustain and increase the Island's tourism industry, and second, to diversify the economy to the extent practicable; and
- engaging in wide-ranging consultation and discussions with the Norfolk Island Government and with the Norfolk Island community. (Paragraph 3.116)

