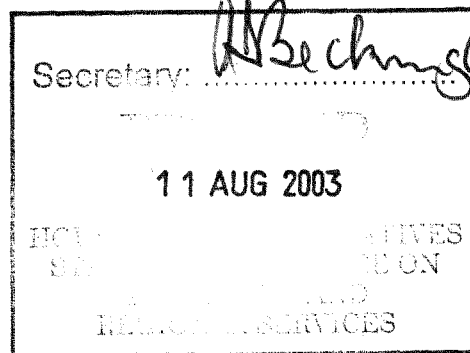




SUBMISSION NO. 187

TELEPHONE 6723 22003  
FACSIMILE 6723 22624  
TELEX NV30003



OLD MILITARY BARRACKS  
NORFOLK ISLAND 2899  
SOUTH PACIFIC

Mr. Paul Neville MP  
Chairman  
Standing Committee on Transport and Regional Services  
Parliament House  
CANBERRA ACT 2600.

Dear Mr. Neville,

I am writing as an independent member of the tenth Legislative Assembly concerning shipping services to Norfolk Island. I am aware that no substantive submission was made by the Norfolk Island Government and this letter demonstrates what I personally believe is a matter that is typical of how the Island's sustainability can be assisted by the Commonwealth.

Norfolk Island is totally dependent on imported goods. Like Christmas Island and the Cocos Islands, Norfolk Island is in a different situation to other remote communities which typically have road and rail access or more frequent and cheaper land, sea and air transport services. Air freight is not an option for most goods.

Freight charges are high as compared to those charged on other routes and are a major factor in the high cost of living on Norfolk Island. Small freight volumes, the lack of competition, fluctuating fuel prices, delays caused by weather, the imbalance between inward and outward freight, Norfolk Island's geographical isolation and its lack of harbour facilities all compound the problem.

Norfolk Island is clearly disadvantaged as opposed to communities elsewhere because of the lack of more regular or cheaper freight services. High freight costs and lack of competition on shipping routes impede Norfolk Island's economic development and attempts to diversify and overcome our dependence on a limited tourism market. The Commonwealth Grants Commission Report on Norfolk Island acknowledged the problems of cost of shipping services to Norfolk Island at page 45:

*Export industries on the Island have to overcome the freight costs of transporting their products to the marketplace. Some industries have been unable to absorb these costs and have collapsed.*

Tasmania faces similar disadvantages to Norfolk Island due to its heavy reliance on shipping. These have been addressed by the Commonwealth Government providing assistance to Tasmania's industry through the Tasmanian Freight Equalisation Scheme and to the general public through the Bass Strait Passenger Vehicle Equalisation Scheme.

The report by the Commonwealth Grants Commission on the Indian Ocean Territories explains that the lack of road access to Tasmania was one justification for the assistance provided under these two Schemes. The Department of Transport and Regional Services Internet site explains that the objectives of the Tasmanian Equalisation Schemes are also to provide an equality of access or a level playing field for Tasmanian manufacturers and businesses, including the tourist industry.

I propose that the Commonwealth Government and the Norfolk Island Government discuss the concept of an equalisation type scheme for Norfolk Island. The Tasmanian model may not fit Norfolk Island so consideration could be given to development of a model that would.

In putting this proposal, it is necessary to comment on a hurdle that has prevented open discussion of these and other similar topics.

This is in fact that residents living on Norfolk Island do not pay Income Tax. For the purpose of exploring the possibility of an equalisation scheme, I propose that this be put to one side for the following reasons:

- The Commonwealth Government has already taken the decision to exempt the payment of Income Tax because of Norfolk Island's unique circumstances, including its economic and social situation.
- Norfolk Island residents do pay Income Tax and other Commonwealth Taxes on income earned or transactions in the States or other Territories.
- The Commonwealth Government provides assistance to residents of other External Territories that far exceed the amount they contribute by way of Commonwealth Taxes. These Territories are also exempt from the Commonwealth Goods and Services Tax.
- The Commonwealth Government has extended financial assistance to Norfolk Island knowing that the Island is exempt from Commonwealth Taxation. At the same time, successive Commonwealth Governments have confirmed their commitment to the continuation of Norfolk Island's internal self-government and financial arrangement.
- The purpose of an equalisation scheme is to ensure equality of access and a level playing field, not cost recovery.
- The similarities with Tasmania's situation as compared to Norfolk Island and also the Commonwealth Government's policy of aligning or benchmarking services provided to Norfolk Island with those provided in the Australian Capital Territory and the Northern Territory and the States (including Tasmania).

The principal basis that I put forward is that announced by the Commonwealth Government in 1976 after its consideration of the recommendations contained in the

Nimmo Royal Commission, *to continue to accept responsibility for maintaining Norfolk Island as a viable community.*

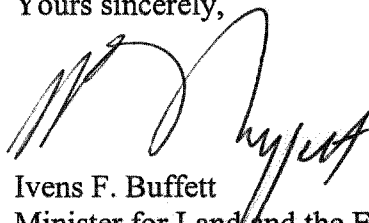
An equalisation scheme currently remains beyond Norfolk Island's ability to fund alone. The Norfolk Island Government is acting to expand its revenue base, including an examination of the recommendations of the Commonwealth Grant Commission's report, in the Focus 2002 initiative intended to secure a sustainable financial base for the Island. The Commonwealth Government's participation in discussions on the option of an equalisation scheme would complement Focus 2002.

Should the matters above be considered worthy of discussion, then it would be open for the Island to also look internally at issues such as the impost of Customs Duty on all goods imported into Norfolk Island, escalating freight costs and the effects these are having on the cost of living and the Island's competitiveness as a Tourist destination.

A Freight Equalisation Scheme for Norfolk Island would also assist the Island in funding its waste management scheme given that 98% of the waste generated is imported.

An open discussion I am convinced would reveal many other areas and opportunities for Norfolk Island.

Yours sincerely,



Ivens F. Buffett  
Minister for Land and the Environment  
15 July, 2003.