



PUBLIC STATEMENT

NORFOLK ISLAND'S FUTURE GOVERNANCE

Twenty seven years ago, in May 1978, the then minister with responsibility for Australia's territories visited Norfolk Island to announce the Australian Government's policy for Norfolk Island, involving a form of self-government through Norfolk Island's own elected representatives. This was on the understanding that the revenue necessary to sustain Norfolk Island's own government would be raised internally under its own system of law. Under that policy, subsequently enacted in the *Norfolk Island Act 1979*, Norfolk Island was able to establish its own Legislative Assembly, with power to legislate over a range of Federal, State and local government type responsibilities.

The Island has a rich heritage and magnificent natural environment. However, the Australian Government has been concerned for some time about Norfolk Island's governance arrangements, particularly the financial sustainability of the current model. A common thread in all recent parliamentary and independent reports on Norfolk Island's financial and governance arrangements is that the current self-government arrangements are simply too complex and costly for a community the size of Norfolk Island to sustain. For example, the recent independent financial assessment (the Acumen report) prepared for the Australian Government indicates that the Norfolk Island Government's revenue raising seems to have reached its limit and that it is likely to become insolvent within the next two years.

The Australian Government has a responsibility to establish a sustainable form of government on Norfolk Island which is able to deliver services to the Island of a comparable standard to services delivered to communities elsewhere in Australia. The Australian Government has therefore concluded that the current governance model is unsustainable and that an alternative is needed. The Government's broad disposition is to develop and consult on options for the future governance of Norfolk Island. Two broad categories will be considered - a 'modified self-government model' (with greater powers for involvement by the Australian Government than currently exist) and a 'local government model' (in which the Australian Government might assume responsibility for state-type functions).

The options may include the following key features:

- a Norfolk Island territory government with the ability to legislate on territory and/or local government responsibilities;
- reserve powers for the Australian Government to intervene, in the public interest, to develop and amend Norfolk Island laws to address gaps and deficiencies, and to maintain broadly equivalent rights and protections for Norfolk Island residents compared to those of residents elsewhere in Australia;
- extension of all Commonwealth laws unless there is a specific reason for not doing so in particular cases;
- extension of Australian Government financial assistance to Norfolk Island to provide an equitable level of service delivery compared with Australian communities of a similar size;
- appropriate funding arrangements to be based on advice from the Commonwealth Grants Commission;

- the Norfolk Island community to make an appropriate contribution to meeting the costs of territory and local government responsibilities;
- introduction of appropriate taxation arrangements, in a way that is sensitive to the fact that Norfolk Island's economy has evolved separately from that of the mainland;
- inclusion of Norfolk Island in an appropriate mainland electorate for federal elections and referenda; and
- no change in Norfolk Island's current level of involvement in Commonwealth-sponsored policy and decision-making fora.

While these elements constitute the Australian Government's preferred model, a final decision will be made following the outcome of a series of consultations and investigations. It is possible that some aspects could change. The new arrangements will help to create a more certain future for the Island and its people.

Further work will commence shortly to provide the Australian Government with detailed advice on the likely costs of extending its services to Norfolk Island; the scope for Norfolk Island to generate own-source revenue; and the effects of possible changes on the Norfolk Island community which could inform the development of transitional arrangements. Consultation with the Norfolk Island community and its elected representatives will be an important part of the process.

As the Australian Government needs to know how any change might affect the Island's economy, it has also decided that an economic impact assessment should be undertaken as part of the process.

To ensure that the Norfolk community's elected representatives are involved to the greatest extent possible, I will consult regularly with the Norfolk Island Government so that we can address matters as they arise. I will also meet with community groups and individuals during this phase of the process.

I look forward to the Norfolk Island community's cooperation and participation in this process. Input from the Norfolk Island Government and the community as a whole will assist in the development of a governance model which will suit both the Island's resources and its aspirations.

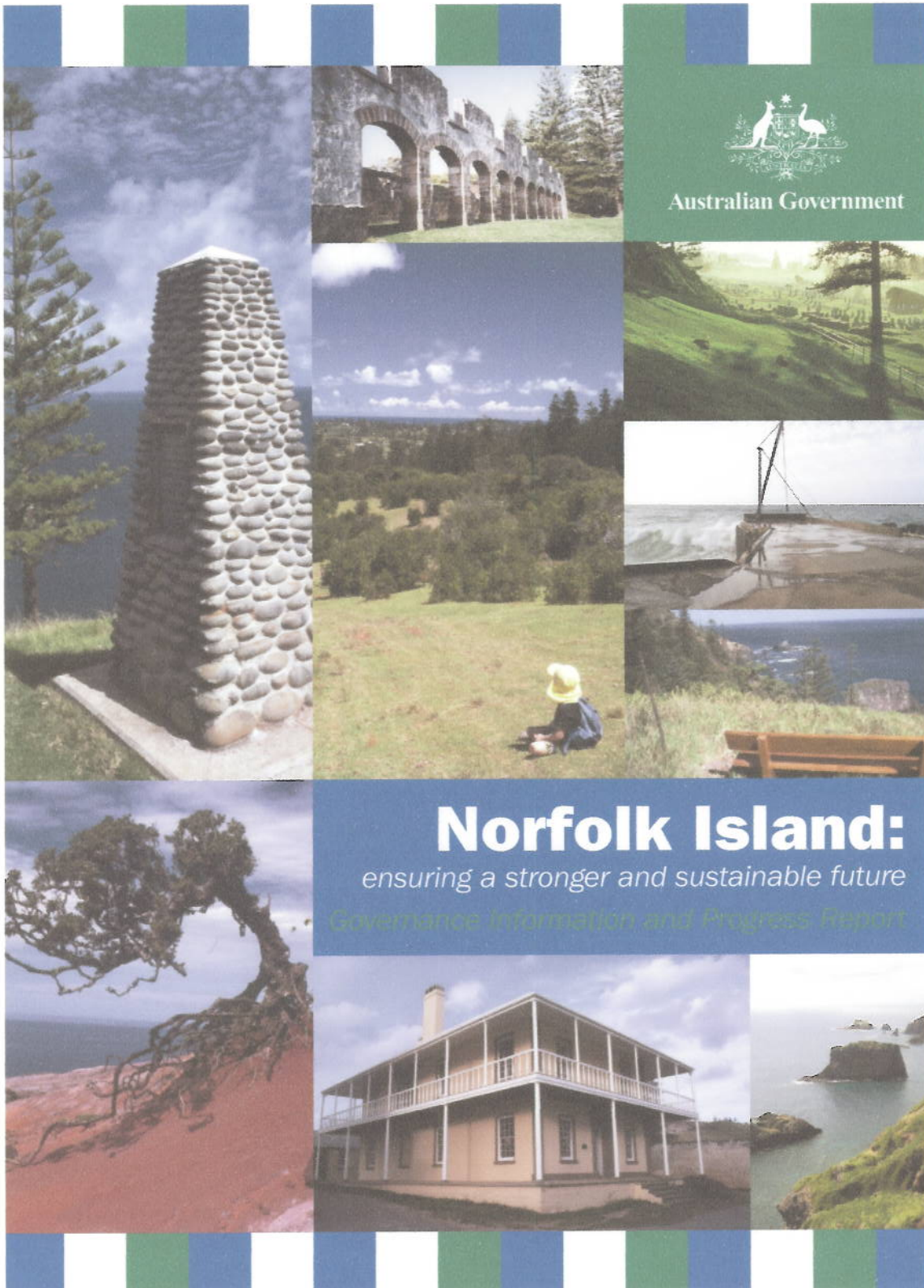
I intend to report back to the Australian Government in late 2006 when the detailed work I have outlined above has been undertaken. Once an Australian Government decision on future governance arrangements for Norfolk Island is made, the Norfolk Island community will continue to be consulted on specific implementation and transitional arrangements.

JIM LLOYD
Minister for Local Government,
Territories and Roads

20 February 2006



Australian Government



Norfolk Island:

ensuring a stronger and sustainable future
Governance Information and Progress Report

Message from the Minister



Since my last visit to Norfolk Island to announce the Australian Government's decision to consider new governance arrangements for the Island, I have received a large number of letters, emails and submissions. I would like to thank Norfolk Islanders for their support and the forthright views put to me since my announcement.

The message I have taken from both the immediate reaction of people to the announcement, and correspondence I have received, is that most people accept the need for change, but many are understandably nervous about what the changes might mean for them personally.

Change can be unsettling. I understand that – but doing nothing is not an option.

I have received a number of questions about the different responsibilities of the three levels of government in mainland Australia, the types of services and likely benefits that Norfolk Islanders may receive, and the impact of some of the proposed governance changes.

In response to those questions I felt there was a need to provide the community with some more information as to how governance operates in other parts of Australia along with an update on what has been happening, and will be happening, in regard to the consideration of the proposed governance models.

In an earlier brochure – **Norfolk Island: ensuring a stronger and sustainable future**, I flagged the Australian Government's intention to develop and consult with the Norfolk Island community on two broad options for the future governance of the Island to ensure future sustainability. The development of the two new governance models to be considered is progressing well.

As I noted in my April 2006 letter to the community, the engagement by your elected representatives with the two models under consideration will ensure proactive, constructive discussion on the detail of the two models. Talk of a third model that offers no change to governance of Norfolk Island is not an option. The financial position of the Norfolk Island Government under the current arrangement has eliminated this "third way" approach for the continued good governance and well being of the community on Norfolk Island.

The Commonwealth Grants Commission (CGC) and the Australian Bureau of Statistics (ABS) are conducting studies which will produce a comprehensive insight into the Norfolk Island Government's financial capacity and the level of business activity. Both agencies have made visits to Norfolk Island and their work is now well advanced. I have included a progress report on these and other pieces of work and I ask that you continue your support for the work of the CGC and ABS over the coming months.

Australian Government departments are working through the issues associated with extending Australian Government laws and programmes to Norfolk Island. All input from the community is provided to the relevant departments and will be taken into account as they provide their advice back to the Australian Government.

I hope you find this booklet useful in answering some of the questions you have raised.

In considering the extension of federal laws and programmes to Norfolk Island, the effect of legislative and financial changes on Norfolk Island will be specifically considered.

I am pleased that Norfolk Islanders are taking this opportunity to input to the development and consultation process and I welcome more comments, questions and feedback from the community.

The Hon Jim Lloyd MP

Minister for Local Government, Territories and Roads

June 2006

Governance Responsibilities in Australia

There are generally three levels of government in Australia – local, state and federal. The state and federal levels of government are established in the Australian Constitution. The term 'local government', on the other hand, covers various forms of city or region-based administration which are not constitutionally based. Local government administration has its basis in state and territory legislation. While there are some areas where responsibilities overlap, generally local, state and federal governments make rules at different levels or on different matters. All three levels of government provide different services in the community and they raise money through taxes and charges.

FEDERAL GOVERNMENT



The Commonwealth Parliament makes federal laws for all Australians. The powers and responsibilities of the Commonwealth Parliament are set out in the Australian Constitution. A state parliament may generally make laws with respect to any state matter. However, those laws will be invalid to the extent they are inconsistent with Commonwealth laws.

The national responsibilities of the Australian Government extend to international and interstate trade and commerce, quarantine, currency, patents, marriage, immigration, defence, telecommunications, and the provision of welfare and other assistance payments. Income tax and the collection of customs duties and excise are in practice a federal responsibility.

STATE GOVERNMENT



In addition to the states, two mainland territories – the Northern Territory and the Australian Capital Territory – have systems of 'self-government' which are similar in many respects to state arrangements. The territory systems are established by, and operate under, Commonwealth laws.

The states, the Australian Capital Territory and the Northern Territory have responsibility for matters such as policing, public schools, roads and traffic, public hospitals (through an agreement with the Australian Government), public housing and business regulation.

The states, the two self-governing mainland territories and the Australian Government also cooperate where a national approach is needed on matters such as policing, health and food safety. In many areas, governments at both levels work together to ensure laws and services are consistent.

The states, the Australian Capital Territory and the Northern Territory raise revenue by charging for services and by collecting taxes such as land tax, payroll tax and stamp duties on transactions such as housing sales.

The states, the Australian Capital Territory and the Northern Territory receive all of the revenue raised every year by the goods and services tax (GST). They also receive a significant proportion of their revenue from the Australian Government through payments to fund such things as hospitals, schools and roads.

LOCAL GOVERNMENT



Local governments operate in the states and the Northern Territory. There is no local government in the Australian Capital Territory, where the Territory government has responsibility for local government matters. Local government also exists in the non-self governing Territories of Christmas Island and Cocos (Keeling) Islands.

Local governments are generally created by state or territory legislation and meet the needs of the local community. Generally, they take care of public property belonging to the local district and make laws and regulations on matters that affect the local area.

The powers and responsibilities of local government vary, but may include sporting grounds, rubbish collection, drains, streets

and footpaths, street signs and traffic control, building permits, libraries, pet control, some child care centres, land-zoning and urban planning.

Some local government bodies operate public business undertakings such as transport systems or gas and electricity reticulation. In some cases, local governments are also responsible for operating airports.

Local governments collect various service and utility charges, and rates from land owners and businesses generally based on the value of land. Local governments also receive annual Indexed Financial Assistance Grants from the Australian Government to assist service delivery and improve local roads. Additional federal programmes like Roads to Recovery provide all individual councils with set formula amounts of money each financial year to spend on local road improvements as determined by local council priorities.

These three levels of government must work together to provide Australians with the services they need. The lists of each level of government's responsibilities are not exhaustive or exclusive; in many cases, there are overlapping responsibilities between the three levels of government.¹

¹ If you would like to learn more, visit the National Library of Australia's webpage (www.nla.gov.au/oz/gov/). It provides links to much of this information about governance in Australia. Information is also summarised at http://www.gm.gov.au/aus_in_focus/government/index.html

Moving Forward

The Australian Government's solution to Norfolk Island's financial and economic difficulties is to resume responsibility for the delivery and funding of a range of government services that it had earlier devolved to the Norfolk Island Government and, in doing so, to reduce the number of services that the Norfolk Island Government is responsible for providing. What precise services and responsibilities should be taken back - and how - is now being considered with input from the Norfolk Island Government and community.

Two broad options of governance for Norfolk Island are open for consideration.

- The first is a 'modified self-government model', with greater powers for involvement by the Australian Government. Under this first model, the Norfolk Island Government's powers and responsibilities would be similar to those in the Australian Capital Territory and the Northern Territory. The Australian Government might retain defined roles: for example, making laws on specified matters in the public interest, or providing some services to the Island that it is better placed to provide.
- The alternative is a 'local government model' in which the Australian Government might also assume responsibility for the delivery of state-level functions on Norfolk Island. Under this model, local government type powers and responsibilities would remain with the Norfolk Island Government.

Whichever option is adopted, Australian Government laws, and the programmes and services provided under those laws, will be extended to Norfolk Island unless a specific Australian Government decision is taken not to do so. This approach is to allow the extension of federal services and benefits, available to other Australians, to the Island community.

Progress and Next Steps

Commonwealth Grants Commission: Financial Review of Norfolk Island

The Chairman of the Commonwealth Grants Commission (CGC) visited Norfolk Island between 8 and 11 March 2006 to hold discussions with Norfolk Island's elected representatives and other groups and individuals from the community.

The CGC has been taking submissions as part of its inquiry and the Commission visited Norfolk Island again between 3 and 6 May 2006.

The basic purpose of the CGC study is to assist the Australian Government to consider the level of funding required to fund and maintain the Island's infrastructure and service delivery.

The CGC is aiming to release its preliminary report by the end of June 2006 and will be holding a public conference on Norfolk Island to discuss this report on 17 and 18 August 2006. A final report is due by the end of September 2006.

The CGC's findings will be further considered after the Australian Government has determined a preferred taxation model.

Further details are available at
www.cgc.gov.au

Australian Bureau of Statistics: Norfolk Island Business Survey

Staff from the Australian Bureau of Statistics (ABS) visited Norfolk Island between 28 March and 1 April 2006 to hold

preliminary discussions on a statistical survey of Norfolk Island businesses.

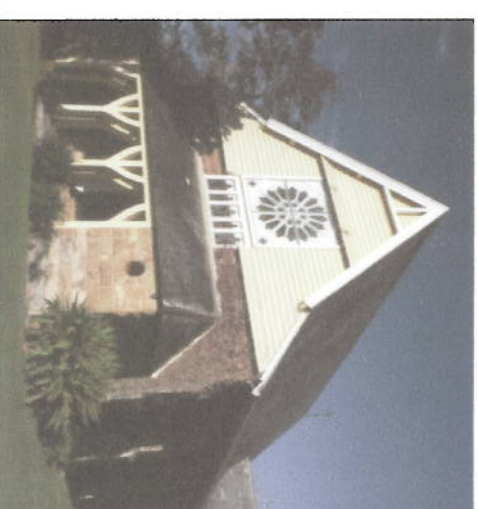
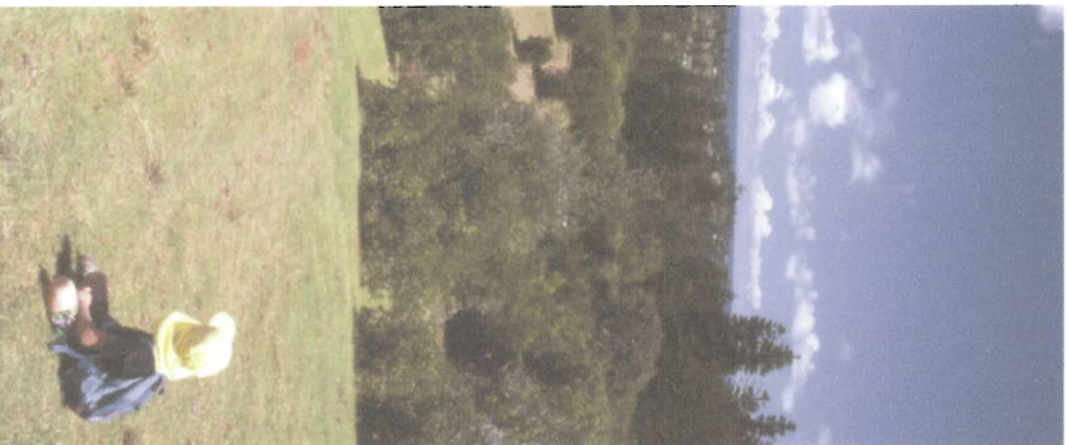
The purpose of the survey is to assess the nature and size of the Norfolk Island business sector. The information will provide a basis for informed decision making and planning for the Island.

ABS staff returned to Norfolk Island from 1-12 May 2006 to work with and assist Norfolk Island businesses to undertake the survey.

Aggregated results from the survey are expected to be published by the ABS in June 2006 and will be available to the Norfolk Island Government and community. Any information relating to individual businesses will remain confidential to the ABS and will not be disclosed.

Economic Impact Assessment

The Department of Transport and Regional Services (DOTARS) is commissioning an economic impact assessment for the Australian Government on the proposed changes, to be completed later in 2006.



The Australian Government recognises that the Norfolk Island economy has developed differently from that of the mainland because of its tax system. The application of particular Australian Government legislation may have a transitional impact on the Norfolk Island economy, including the tourism industry. The purpose of an economic impact assessment will be to identify these impacts and develop options to ease the transition for the Australian Government's consideration.

Australian Government Departments

Australian Government departments have been asked to examine the impact of extending the legislation, programmes and services they administer to Norfolk Island, and identify particular issues which may arise in doing so. This information will combine with input from the Norfolk Island community and the findings of the ABS and the CGC.

The Commonwealth Parliament will not formally consider any changes to extend Australian laws until matters are considered further, late in 2006.

Australian Government Programmes, Services and Law

As part of Norfolk Island's current governance arrangements, most Commonwealth laws do not apply to the Island. Benefits, services and entitlements available to other Australians generally have their basis in Commonwealth law. Many of these benefits and entitlements have therefore not been available to Norfolk Island.

Whichever governance model is implemented, it is anticipated that all Commonwealth laws will be extended to

Norfolk Island in the future, unless there is an explicit Australian Government decision not to in particular cases. It is yet to be determined exactly how Commonwealth laws will be extended and whether special adjustments may need to be made for Norfolk Island. There may be cases where the laws, services and programmes that currently apply to the rest of Australia need to be adjusted or modified to suit the needs and aspirations of Norfolk Islanders. All members of the Norfolk Island community are encouraged to provide input into the types of adjustments they feel are needed to appropriately extend Commonwealth laws to Norfolk.

Some examples² of the benefits and services available under Commonwealth law as it applies on the mainland include:

Benefit	Overview
Health Benefits	Access to Medicare Australia's universal health care system, Medicare, provides eligible Australian residents with affordable, accessible and high quality health care, including free or subsidised treatment by medical practitioners, affordable medicines and access to free public hospital services.
	Medicare Benefits Schedule (MBS) Medicare provides a rebate towards the cost of medical services listed on the MBS. These include general practitioner and medical specialist services, plus others such as pathology services including blood tests, radiology services such as ultrasounds and x-rays, and optometry. Some services are "bulk billed" which means the service provider bills the government directly and the patient does not pay anything. The Australian Government particularly encourages doctors to bulk bill children and patients with income-tested concession cards such as a pensioner concession card. There is also a Medicare Safety Net that protects individuals and families who have unusually high health care costs in a calendar year.

² All payments are subject to an eligibility criteria.

This list of benefits is not exhaustive, but rather is meant as a sample of the types of benefits available on the mainland.



Benefit	Overview
	<p>Pharmaceutical Benefits Scheme (PBS)</p> <p>Through the PBS, the Australian Government subsidises the cost of many prescription medicines, making them more affordable for all Australian residents. Some clients of Centrelink and the Department of Veterans' Affairs are entitled to medicines at a further reduced concessional rate.</p> <p>There is also a PBS Safety Net which protects individuals and families who use a lot of medicine in a calendar year. Once the relevant Safety Net threshold is reached, and a Safety Net card is issued, PBS medicine will be less expensive or free for the rest of the calendar year.</p>
	<p>Public Hospital Services</p> <p>Eligible Australian residents can choose to be treated as public patients free of charge or as private patients. Public patients are treated by doctors and specialists nominated by the hospital. Access to these services is based on clinical need, within clinically appropriate times. For non-emergency services, a referral from a doctor is required. Waiting times can apply, depending on the condition requiring treatment.</p>
	<p>Private Health Insurance Rebates</p> <p>The rebates on private health insurance help people to meet the cost of private health cover. The Australian Government pays 30 per cent of the cost of most private health insurance. For people aged 65 to 69 the rebate is 35 per cent and for people aged 70 and over the rebate is 40 per cent.</p> <p>Private health insurance gives people the freedom to choose their own doctor and decide when they go into hospital.</p>
Employment-related Benefits	<p>Job Search Support</p> <p>Job Search Support is the service provided by Job Network members to help job seekers find work. Job seekers register for Job Search Support services either directly with Job Network members or through Centrelink. Job Network members contact employers to find jobs and then match and refer job seekers to jobs that suit their skills and experience.</p>
	<p>Newstart Allowance</p> <p>Newstart Allowance financially supports people who are unemployed while they are looking for work, or are participating in activities designed to increase their chances of finding work.</p>
	<p>Youth Allowance</p> <p>Youth Allowance provides financial support to young people who are studying, undertaking training or a New Apprenticeship, looking for work, or sick.</p>
	<p>New Apprenticeships</p> <p>New Apprenticeships combine practical work with quality structured training to provide a nationally recognised qualification that leads to skilled employment. New Apprenticeships are also commonly known as apprenticeships and traineeships. In an effort to address national skills needs and encourage people to enter New Apprenticeships, new apprentices can access Youth Allowance, Austudy and ABSTUDY. Employers who hire a new apprentice may also be eligible for incentives.</p>

Benefit	Overview
	<p>Widow Allowance</p> <p>This payment is available to women who were born on or before 1 July 1955, who have no recent workforce experience and who have lost the support of a partner through death, divorce or separation.</p>
Family Benefits	<p>Family Tax Benefit</p> <p>This is an amount payable for each child of the family and is the most common payment to help families with the cost of raising children.</p>
	<p>Parenting Payment</p> <p>This payment provides financial help for people who are primary carers of children. Parenting payment can only be paid to one person who cares for a child.</p>
	<p>Maternity Payment and Maternity Immunisation Allowance</p> <p>Maternity Payment is a one off payment to help with the extra costs of a new baby or adoption of a baby. Maternity Immunisation Allowance is paid for children aged 18 - 24 months who are fully immunised.</p>
Other Social Welfare Benefits	<p>Age Pension</p> <p>Age Pension is an income support payment paid to people who have reached age pension age and who do not have adequate levels of income or assets that can be used to support themselves.</p>
	<p>Supplementary Assistance</p> <p>There are some supplementary allowances paid to Age Pensioners by way of rent assistance, pharmaceutical, remote area and telephone allowances and pensioner concession cards. Utilities Allowance is also paid to Age Pensioners to assist with meeting utilities bills.</p>
	<p>Carer Payment and Allowance</p> <p>The Carer Payment is an income support payment for carers who, because of the demands of their caring role, are unable to undertake full-time work. It is an income and asset tested payment. It is paid to full-time carers or parents of children or adults with a disability, severe medical condition or who are frail aged.</p> <p>The Carer Allowance is for parents or carers of children and adults with a disability, severe medical condition and carers of people who are frail aged. There is no income and asset tests for this allowance. Carer Allowance can be paid in addition to Carer Payment or other Centrelink payments.</p>

Benefit	Overview
	<p>Concession and Health Care Cards</p> <p>Centrelink issues three types of concession and health care cards which provide a range of benefits to cardholders.</p> <ul style="list-style-type: none"> Low income earners and recipients of certain social security benefits may be able to get a Health Care Card to help with the cost of medicines and a limited number of concessions. Social security pensioners may be able to obtain a Pensioner Concession Card to help with the cost of medicines and a range of concessions. People who are of Age Pension age but do not qualify for the Age Pension may be able to get a Commonwealth Seniors Health Card. <p>All three cards entitle the holder to reduced cost medicines under the Pharmaceutical Benefits Scheme. A Health Care Card and Pensioner Concession Card also entitle holders to a range of additional subsidies including health, transport and educational concessions.</p>
	<p>Disability Support Pension</p> <p>The Disability Support Pension is a payment for people whose physical, intellectual or psychiatric impairment prevents them from working, or for people who are permanently blind.</p>



Benefit	Overview
Grants for community projects	<p>The Australian Government provides a diverse range of programmes that provide funding for community organisations to undertake worthwhile projects within the community. Some examples include:</p> <p>Regional Partnerships Programme (Norfolk is already eligible)</p> <p>Through Regional Partnerships, the Australian Government will invest in projects that focus on:</p> <ul style="list-style-type: none"> strengthening growth and opportunities by investing in projects that strengthen and provide greater opportunities for economic and social participation in the community; improving access to services by investing in projects that, in a cost effective and sustainable way, support communities to access services. It will give priority to communities in regional Australia with a population of less than 5,000; supporting planning by investing in projects that assist communities to identify and explore opportunities and to develop strategies for action; and assisting in structural adjustment by investing in projects that assist specifically identified communities and regions adjust to major economic, social or environmental change. <p>Stronger Families and Communities Strategy</p> <p>The Stronger Families and Communities Strategy is an Australian Government initiative giving families, their children and communities the opportunity to build a better future. Funding of \$490 million has been allocated for 2004-2009.</p> <p>Natural Heritage Trust (Norfolk is already eligible)</p> <p>The Natural Heritage Trust (NHT) was established by the Australian Government in 1997 to help restore and conserve Australia's environment and natural resources. Since then, thousands of community groups and organisations have received funding for environmental and natural resource management projects.</p> <p>The NHT provides funding for environmental activities at a:</p> <ul style="list-style-type: none"> community level (through the Australian Government Envirofund); regional level; and national/state level.

The **Australian Government Regional Information Service** helps people living anywhere in Australia to find information about a comprehensive range of Australian Government programmes and services.

For more information on Australian Government programmes and services:

- Log on to www.regionalaustralia.gov.au where you can link directly to the detailed information you're after.
- Order your free copy of the Australian Government Regional Information Directory, which contains a full listing of Australian Government programmes and services, by emailing agris@dotars.gov.au

How can I continue to have my say?

Email your concerns, questions or comments to the Australian Government Department of Transport and Regional Services at norfolk@dotars.gov.au

OR

Post your comments to:

Norfolk Island & Northern Territory Section

Territories Branch

GPO Box 594

CANBERRA ACT 2601

OR

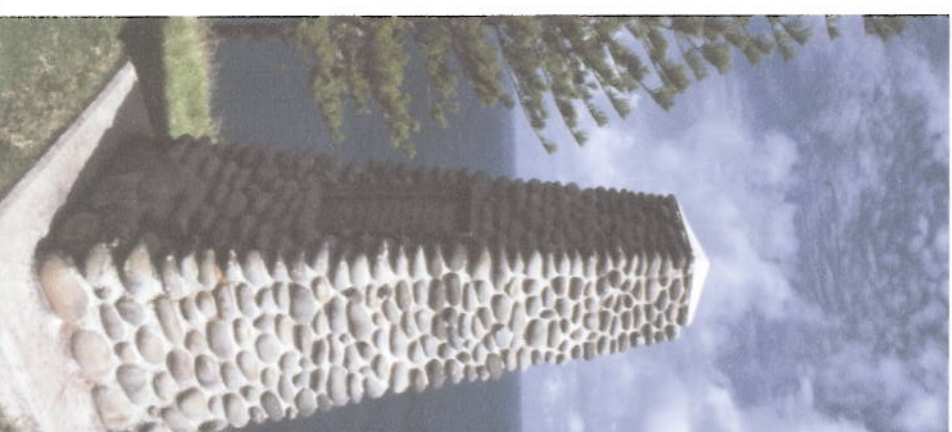
Engage with the various departmental officers who will be on Norfolk Island gathering information to help inform decisions regarding the future of Norfolk Island. Details of upcoming visits are posted on the Department of Transport and Regional Services website.



Where can I find more information?

www.dotars.gov.au/terr/norfolk or email: norfolk@dotars.gov.au

Regular messages from Minister Lloyd will also be sent to the *Norfolk Islander* and the *Norfolk Window to the World*.





Message from the Minister



The Australian Government has made a significant decision which marks a positive turning point for the future of Norfolk Island and the wellbeing of its people.

This is the first step in reforming the financial and governance arrangements for Norfolk.

Norfolk Island is in an unsustainable financial position. This is indisputable. All the evidence shows us that Norfolk Island cannot continue on its current course and be a strong and vibrant community.

In order to maintain the strength, self-reliance and culture of Norfolk, we must reform the governance structure and the way financial matters are managed.

This is not something the Australian Government intends to do in isolation – I urge you to have your say. This consultation process presents a genuine opportunity for the Norfolk Island community to be involved in building a stronger and more sustainable Norfolk Island into the future.

The Hon Jim Lloyd MP
Minister for Local Government, Territories and Roads

How can I have my say?

Email your concerns, questions or comments to the Australian Government Department of Transport and Regional Services at:

norfolk@dotars.gov.au

OR

Post your comments to:

Norfolk Island & Northern Territory Section
Territories Branch

Department of Transport and Regional Services
GPO Box 594
Canberra ACT 2601

OR

Attend an information and consultation session held by departmental officials on Norfolk Island. Session dates, times and locations are yet to be confirmed, but details will be posted on the Department of Transport and Regional Services website as they become available.

Where can I find more information?

www.dotars.gov.au/terr/norfolk or email:

norfolk@dotars.gov.au



Norfolk Island: *ensuring a stronger and sustainable future*



Norfolk Island:

a strong and proud history

In 1978, the Australian Government announced a policy of self-governance for Norfolk Island, on the understanding that Norfolk Island would have its own elected representatives, its own system of law, and the power to create policies to internally raise the revenue necessary to sustain the Island's government.

These unique arrangements reflected the Australian

Government's appreciation of the special character of Norfolk Island and its history and people.

Australian Government: concerns

The Australian Government has been concerned for some time now about Norfolk Island's governance arrangements, and particularly the financial sustainability of the current model.

Recent parliamentary and independent reports conclude that the current arrangements are simply too complex and costly for a community the size of Norfolk Island to sustain. The Norfolk Island Government's revenue raising seems to have reached its limit, and it is likely to become insolvent within the next two years.

The Commonwealth has a responsibility to establish a sustainable form of government on Norfolk Island which is able to deliver services to the Island of a comparable standard to services delivered to communities elsewhere in Australia.

The Australian Government takes this responsibility very seriously and, in light of this recent evidence, the Government has concluded that the current governance model is unsustainable and that an alternative is needed.

Moving forward to a stronger future for the Island

The Government's intention is to develop and consult with the Norfolk Island community on two broad options for the future governance of the Island to ensure future sustainability:

- 1) a 'modified self-government model' with greater powers for Australian Government involvement; and
- 2) a 'local government model' where the Australian Government could assume responsibility for state-type functions.

Key features of the preferred governance model may include:

- A Norfolk Island territory government which will be able to legislate on territory and/or local government responsibilities.
- All Commonwealth laws being extended to Norfolk Island unless there is a specific reason for not doing so in particular cases.
- Australian Government financial assistance being extended to Norfolk Island to provide an equitable level of service delivery, compared with other Australian communities of a similar size.
- The Norfolk Island community making an appropriate contribution to meeting the costs of territory and local government responsibilities.
- The introduction of appropriate taxation arrangements.
- The inclusion of Norfolk Island in an appropriate mainland electorate for federal elections and referenda.

While these elements constitute the Australian Government's preferred model, a final decision will be made following the outcome of consultations and a number of investigations. It is possible that some aspects of the models could change.

Your questions answered

Why are these reforms happening?

To ensure the future strength and sustainability of the Island and its community.

Can I play a part in the process?

Yes. Your cooperation and participation in this process is essential. Input from the Norfolk Island Government and the community as a whole will assist in the development of a governance model which will suit both the Island's resources and its aspirations.

Who will be undertaking the reform and consultation processes?

The Minister for Local Government, Territories and Roads and officers of the Department of Transport and Regional Services will be undertaking the collection of information, consultation and analysis. Representatives from a number of other Australian Government agencies, including the Commonwealth Grants Commission, will also be visiting Norfolk Island to gather information and data to assist the Australian Government to make final decisions.

Will Norfolk Island's taxation arrangements change?

Taxation arrangements on Norfolk Island are likely to change. However, the appropriate taxation regime for the Island will be developed and introduced in a way that is sensitive to the fact that Norfolk Island's economy has evolved separately from that of the mainland.

What will I receive in return for paying taxes?

Where Commonwealth legislation is extended to Norfolk Island, it is anticipated that the residents of Norfolk Island will enjoy Commonwealth rights, protections and services, as well as share in its obligations.

What will happen next?

We will be undertaking detailed investigations into the likely costs of the changes, the scope for the Island to raise its own revenue and the possible effects of the changes on the Norfolk community.

Consultation with the Norfolk Island community and its elected representatives will be an important part of the entire process.

How long will the process take?

The Minister will report back to the Australian Government in late 2006 when all the information has been collected and analysed.

Will I be updated on the process?

Yes, the Norfolk Island community will continue to be consulted on specific issues throughout 2006.



The Hon Jim Lloyd MP
MINISTER FOR LOCAL GOVERNMENT,
TERRITORIES AND ROADS.



I am pleased to once again update the Norfolk Island community on the progress made on the development of new governance arrangements for Norfolk Island. I continue to receive letters, emails and submissions from the Norfolk Island community and I encourage those who have not yet offered their views to do so.

This newsletter provides further information on the Australian Government's commitment to Norfolk Island and its decision to consider new governance arrangements. It also includes an update of the various reviews and assessments currently underway and provides further information on the two governance models under consideration.

Australian Government commitment

It is clear that Norfolk Island's current governance model is unsustainable and that an alternative is needed. The Australian Government has asked me to investigate two broad options for the future governance of Norfolk Island

- a 'modified self-government model' with greater involvement by the Australian Government than currently exists and in which Norfolk Island authorities would be responsible for the delivery of state and local type services; and
- a 'local government model' in which the Australian Government might assume responsibility for delivering state-type

services to the Norfolk Island community.

As I announced in February, these options may include the following key features:

- a Norfolk Island territory government with the ability to legislate on territory and/or local government responsibilities;
- reserve powers for the Australian Government to intervene, in the public interest, to develop and amend Norfolk Island laws to address gaps and deficiencies, and to maintain broadly equivalent rights and protections for Norfolk Island residents compared to those of residents elsewhere in Australia;
- extension of all federal laws unless there is a specific reason for not doing so in particular cases;
- Australian Government financial assistance to Norfolk Island to contribute to the delivery of government services on Norfolk Island and ensure an equitable level of service based on independent advice from the Commonwealth Grants Commission on the appropriate funding levels and arrangements;
- the Norfolk Island community to continue to contribute towards the costs of territory and local government responsibilities;
- introduction of appropriate taxation arrangements, in a way that is sensitive to Norfolk Island's economy which has evolved separately from that of the mainland;
- inclusion of Norfolk Island in an appropriate mainland electorate to allow voting in federal elections and referenda, and to ensure direct representation of Norfolk Island residents' interests in Federal Parliament; and
- Norfolk Island to maintain its current level of involvement in federal-sponsored policy and decision-making fora.

These have been the focus of my consultations and will be the focus of my advice to my ministerial colleagues.

The Norfolk Island Government has advised me of its view that the local government model is not suitable for Norfolk Island. I will ensure that its views and the views of the Island community are put to the Australian Government before a decision is made at the end of the year on the future governance arrangements for Norfolk Island.

Rationale for Australian Government decision

Some of you have asked why the Australian Government has decided to consider these governance reforms.

The Norfolk Island and Australian Governments have both acknowledged that reform is required as Norfolk Island's current governance arrangements are unsustainable.

The Australian Government's response to Norfolk Island's financial and economic problems is to reduce the burden on Norfolk Island's 2000 residents of having to deliver and pay for all government services and infrastructure themselves. That is, the Australian Government will resume some of the functions and responsibilities devolved to Norfolk Island since 1979, and provide financial assistance to the Island to help with the provision of community services.

The Australian Government's reforms are also aimed at providing Island authorities, residents and businesses with access to federal programmes, grants and services that are provided under federal laws.

There is a need for equity. Norfolk Islanders should have the same broad entitlements, the same sense of security, and the same rights as other Australian residents. Being part of Australia, Norfolk Island should also contribute to and benefit from the prosperous Australian economy.

International events have meant that border control now features prominently on the national agenda. Consistency in treatment

of people, goods and services for immigration, quarantine and customs across Australia is paramount for the long term security of our nation and in ensuring equal access for all Australians, including Norfolk Islanders.

I have often said that Norfolk Islanders are hard working people and through your hard work, you have achieved much of which to be proud. The Island however is a small place with a small permanent population. It is not a criticism to say that there is limited capacity within a smaller population to deliver the full range of services for all Islanders and visitors. There is a need to recognise the constraints that Norfolk faces and to share the load fairly and equitably.

Sustainability and Tourism

Reform is also required to provide certainty for the Norfolk Island's future.

The delivery of government services on Norfolk Island currently depends on tourism to fund and meet most - if not all - of its requirements. When tourism numbers fall, the amount of money available to the Norfolk Island Government to pay for education, hospital, health and other crucial government services also falls.

Norfolk Island is a beautiful place and understandably, a tourism attraction. However, experience has shown that Norfolk Island's high reliance on tourism makes it vulnerable to a volatile and changing tourist market. I understand that the latest economic assessment by the Norfolk Island Government recommends increasing tourism numbers to meet shortfalls in the Norfolk Island Government's finances. However, in light of past experience and recent trends in tourism, the continued sole reliance on this unpredictable industry to deliver Norfolk Island Government services needs to be treated with a great deal of caution.

There is also the issue of whether Norfolk Island's natural resources and current infrastructure can cope with the increase in annual tourism numbers to 45,000 or more as some have suggested.

Extension of federal laws and the programmes that operate under those laws will also provide greater opportunities to diversify the Norfolk Island economy and lessen the community's reliance on tourism, for example through federal grant programmes that support new industries such as agribusiness, food processing and other initiatives in remote and regional Australia.

Governance Models

The Australian Government has committed to exploring two future governance options. For this reason, both of the governance models will continue to be developed, refined and considered.

In considering the scope for change, I am mindful of the 10 point proposal put to me by the Norfolk Island Government at our meeting in Canberra on 21 August. Some of those proposals are not consistent with the Australian Government's position, but I will certainly reflect the views of the Norfolk Island Government to my ministerial colleagues.

The Australian Government has agreed to extend federal laws to Norfolk Island unless there is an explicit Australian Government decision that a particular law not apply. For example, federal customs, immigration and quarantine law will replace current Norfolk Island laws on these matters, and federal customs tariff rates are likely to apply.

Under this scenario, Australian customs duty would apply only to imports, not on goods purchased from within Australia. Australia has a trade agreement with New Zealand which allows most goods and services to be traded between Australia and New Zealand free of duty. Norfolk Islanders could benefit from this, and other trade agreements Australia has negotiated, once necessary amendments to these agreements have been made.

Some of the federal legislation and programmes may need to be introduced in a phased approach. The Australian Government is aware that change will need to be managed sensitively and fairly.

Services provided by the hospital, school, airport, post office, electricity station, roads and lighterage will continue to be delivered for the benefit of Norfolk Islanders. However, it is possible that some may operate under different arrangements than at present.

Many federal programmes work cooperatively with state law. Norfolk Island's law has evolved separately, and some legislative gaps will need to be filled. For instance, extension of Medicare and the Pharmaceutical Benefits Scheme to Norfolk Island is likely require a system for medical professionals - such as doctors and pharmacists - to be registered under state law.

Progress Update

Since I visited Norfolk Island in February this year to announce the consideration of new governance arrangements for the Island, a number of important studies and reviews have taken place. Together with feedback from the Norfolk Island community and discussions with the Norfolk Island Government, the information gathered from these inquiries has already proved useful in gaining a better understanding of Norfolk Island's circumstances, its present difficulties and the concerns of residents.

I am very grateful that the Norfolk Island community has taken the time to provide input to these various activities and I am pleased that such a wealth of information is now available to inform a final decision on the governance arrangements.

Economic Impact Assessment

The Department of Transport and Regional Services (DOTARS) has commissioned an independent Economic Impact Assessment (EIA) to assist the Australian Government to understand the potential economic impacts of the current proposals on the Norfolk Island community.

The EIA examines the effect of extending all federal legislation to Norfolk Island and reforming the Island's governance

arrangements. Where the EIA identifies any potentially negative effects of the current proposals, it has been asked to advise the Australian Government on ways in which these could be alleviated.

The final EIA report will be put to the Australian Government before a decision is made on the current reform proposals. In particular, the report will be considered by the Treasury as it develops its advice to the Australian Government on the taxation framework to apply to Norfolk Island.

Commonwealth Grants Commission Review

The Commonwealth Grants Commission (CGC) commenced its inquiry into the financial capacity of Norfolk Island in early March 2006 and has since presented its preliminary findings and staff report to the Norfolk Island community.

The main aim of the CGC review is to calculate the amount of financial assistance that may be provided to the Island by the Australian Government under the new arrangements to help cover the costs of delivering state and local government type services to the Island community.

The CGC has calculated this amount by:

1. estimating the capacity of the Norfolk Island Government to raise revenue from a comparable range and level of state and/or local government type taxes and charges;
2. estimating the cost of providing a comparable level and range of state and/or local government services; and then
3. calculating the 'gap' in between these two estimates. This 'gap' represents the amount of financial assistance required from the Australian Government to meet the shortfall between Norfolk Island's revenue raising capacity and its revenue needs.

I intend to table the report in Federal Parliament in coming weeks and I am sure that Norfolk Islanders will find the CGC's

final report most informative. For more information on the review, please visit the CGC website at www.cgc.gov.au

Australian Bureau of Statistics Business Survey

The Australian Bureau of Statistics (ABS) conducted a business survey of Norfolk Island from March to May this year, with excellent rates of community participation. The results of the survey were released in June 2006 and are available on the ABS website at www.abs.gov.au

Extension of Federal Legislation to Norfolk Island

All Australian Government agencies are currently developing advice for Government on the extension of their legislation, programmes and services to Norfolk Island. I have asked each agency to identify any potentially significant impacts of extending their legislation to Norfolk Island, and any implementation or transitional issues that may need to be worked through.

As I have mentioned in my previous brochures and media reports, and during visits to Norfolk Island, there may be a case for special implementation arrangements for some federal laws as they are extended to Norfolk Island. The feedback I have received from the Norfolk Island community and the results of the EIA mentioned above will help identify where adjustments may need to be made.

Consultation Session with the Norfolk Island Government – 21 August 2006

I met with Norfolk Island Government Ministers for positive discussions on Norfolk Island's future governance arrangements in Canberra on 21 August 2006. At this meeting, the Norfolk Island Government outlined the recent EconTech report that they have commissioned and presented 10 discussion points on a possible future governance model for Norfolk Island.

I would again like to thank the Norfolk Island Government for its constructive contribution

to this meeting. The cooperative and positive nature of discussions represented a significant breakthrough in the process of ensuring good governance and the wellbeing of the people of Norfolk Island. Since this consultation meeting, the Norfolk Island Government has provided me with a copy of the EconTech report and I have found its analysis very interesting. Officers from DOTARS have considered the findings and I assure the Norfolk Island community that the views and information presented in this report will be taken into account during the policy development and decision making process.

I look forward to the completion of the various reviews underway and to further constructive discussions with the Norfolk Island Government and community.

Impact on Norfolk Island

I have received a number of letters and emails expressing concerns or seeking further information on the potential impact of the governance changes on Norfolk Island.

Some questions have been difficult to answer as the Australian Government has yet to make decisions on the form of any changes, but I appreciate the concerns that some members of the Norfolk Island community have and will ensure they are considered by the Australian Government.

Health services

I understand and appreciate the community concerns about maintaining the current level of health care services on Norfolk Island. The isolation of the Island makes it very important to have as full a range of health care available locally as possible.

I have provided you with advice in the previous newsletter about the range of health services available to mainland Australians.

I anticipate that the extension of federal laws relating to health, welfare, aged care, etc, and the provision of federal funding to Norfolk Island to contribute to the delivery of

health related services and infrastructure, will provide the Norfolk Island community with access to higher quality health care.

Population Control

I recognise Norfolk Island's desire to control population growth to protect the Island's environment and natural resources.

National and international practice is that population control is not achieved through immigration measures. Instead, good practice measures employ planning and zoning policies and regulations to control or direct population densities in development of local areas while protecting environmental and community values or maximising the use of public infrastructure.

I am aware of the sensitivity of this issue to the Norfolk Island community and will ensure the Australian Government is aware of your concerns.

Unemployment

A number of residents have expressed their concerns regarding the possibility of Norfolk becoming a haven for the unemployed from the Australian mainland. I think this is a very remote risk.

The Australian Government provides an allowance (Newstart) for people who are unemployed and looking for work. This allowance is paid on the condition that jobseekers do all they can to maximise their chances of finding paid work. People on unemployment benefits who move to an area with lower employment prospects can have their payment stopped. The employment prospects and payment of the allowance is determined by the Australian Government agency, Centrelink.

As mentioned above, local planning and environmental controls can also act to prevent an influx of new residents.

Social welfare services and other financial assistance

Australian Government social welfare services provide a safety net for all Australians in times of financial and social difficulty.

These services include benefits and financial assistance such as family and community support, education grants, agricultural and regional programmes, disability and carer support, and job search allowances.

I am aware that many Norfolk Islanders have family ties in New Zealand. The social security agreement between Australia and New Zealand has been in place since 2002. Extension of federal legislation to Norfolk Island will ensure consistency between the provision of pensions and other social benefits that the Government might agree to extend, between Australian and New Zealand residents on Norfolk Island and New Zealand and Australian residents elsewhere in Australia.

Australian Government Assistance

It is important to acknowledge the assistance the Australian Government has provided to Norfolk Island to date.

The Australian Government agencies that deliver services on Norfolk Island and contribute to capital works (\$3-4 million per year) provide a major contribution to local employment and business through the use of Norfolk Island employees, contractors and service providers and reliance on locally sourced materials.


The Norfolk Island community is also eligible to apply for funding under various national grant programmes and has been successful in many cases. Assistance provided to Norfolk Island in recent years included over \$4 million under the Regional Solutions Programme, Regional Assistance Programme, regional tourist grants programmes, agriculture and farm innovation programmes, environmental protection programmes, as well as other assistance for communications and health services.

Funding has also enabled essential infrastructure projects and activities such as the Airport runway upgrades (\$10 million grants in 1981 and 1991, plus the recent \$12 million interest free loan), stabilisation of Cascade Cliffs, refurbishment of Kingston Pier, and management of the Kingston and Arthur's Vale Historic Area (KAVHA) to be undertaken.

I was also very pleased to announce in June sesquicentennial gifts totalling \$80,000 to the Norfolk Island Government's school and hospital to, among other things, allow the purchase of educational and medical equipment.

I hope that you have found this newsletter useful in answering some of the questions you have raised.

Yours sincerely,



JIM LLOYD