

18th June 2008

Senator the Hon Ian Macdonald,
Chairman,
Senate Select Committee on State Government Financial Management,
Parliament House,
CANBERRA. ACT. 2600

Dear Senator Macdonald,

I am pleased to respond to the Terms of Reference of your committee's current inquiry with a series of comments and observations based on my 35 years of public administration and experience, and I would indicate that I will be available to meet with members of your committee if required for further discussions.

Specifically I would direct attention to the two self-governing territories with which I have had intimate involvement, viz the **Northern Territory** and **Norfolk Island**.

In the Northern Territory I was the Executive Member [for Finance & Community Development] of the Legislative Assembly (1974-1977) which negotiated the financial arrangements for subsequent Self-Government; a Commissioner of the Darwin Reconstruction Commission (1975-1978) following Cyclone Tracy; the sole Member for the NT in the House of Representatives (1980-1983) for the final term of the Fraser Government; and one of two NT Senators (1987-2001, including being a Howard Government Ministerial Parliamentary Secretary for the six years prior to my political retirement in 2001). On the external territory of Norfolk Island I held the Federal Government appointed statutory office of Administrator (2003-2007) under the terms of the *Norfolk Island Act [1979]*.

NORTHERN TERRITORY

For now over 30 years the Northern Territory has matured into a responsible and responsive self-governing territory under successive governments, and the stimulus, growth and achievements of economic and community advancement have been phenomenal.

The initial funding principles adopted for the Northern Territory, and utilization of Commonwealth Grants Commission recommendations, has ensured that early expectations have been far exceeded. [I would refer to **Attachment A – Hansard** of speeches I made in the NT Legislative Assembly on 12/08/1975(pp 361-365), 31/05/1976(pp114-119) & 18/08/1976(pp549-557)]. You will note that total Commonwealth and Northern Territory combined expenditures in 1976 were then in the order of \$400million. The private sector was also then in full swing following Cyclone Tracy further enhancing re-development and construction in urban Darwin. Primary Industries, the Resources sector, and Tourism were all embryonic, but significant.

Twenty years later economic indicators were still most encouraging. [I would refer to **Attachments B (i-vii) – Charts of Commonwealth & NT Govt expenditures** for the 7 financial years 1995-2002 prepared by my then Senate office]. You will note that by 2001/2002 total Commonwealth and Northern Territory combined expenditures were about \$4billion (a ten-fold increase on 1976). Major government commitments to welfare, health, aboriginal priorities, and defence all contributed. The private and resources sectors continued to be most healthy.

In the past five years the North-South rail and other transport & wharf developments, Asian trade opportunities, offshore oil & gas schemes, defence infrastructure, high-rise/housing and tourism projects have dominated the sound confidence reflected in the NT economy.

The (Howard) Federal Government determined a significant program in 2007/2008 for “intervention” to improve conditions and standards for the aboriginal/indigenous communities of the Northern Territory. This continuing expenditure into 2008/2009 and the future is vital to correct what is an historically appalling situation, and to ensure the gap of health, education and living standards between the urban and indigenous communities is removed. An appraisal of the **Northern Territory Government’s 2008/2009 Budget Papers** (nos 1-4 + 3 Overview documents) highlights current year expenditure by that government alone of **almost \$4billion**. I have been unable to access a summary of Federal Government expenditure for the same period, but would conservatively “guess” (based on past relativities) that it would also be in the vicinity of \$4billion. **Total combined government expenditure in the Northern Territory is therefore currently estimated to be about \$8billion** – or put more graphically, approximately \$40,000 for every man/woman/& child, and a doubling of expenditure over the previous 6 years!

Your committee’s Terms of Reference – re fiscal budgetary positions/level of debt/& investment in infrastructure – have all in my opinion been satisfactorily dealt with by the respective Northern Territory Governments given the state of the prevailing economy.

No doubt the pace of anticipated future growth, age-ing of the population, addressing

aboriginal disadvantage, defence requirements, superannuation and employee provisions, and inflationary pressures will impact on future fiscal management. However, I am confident that given the regular assessments by the Commonwealth Grants Commission, and particularly the generous allocation of GST to State/Territory revenues, the Northern Territory will remain in a sound financial position. Whilst there will be natural controversial party-political debate, and constant re-negotiations with the Federal Government, **public administration in the Northern Territory will not require major re-jigging.**

I would commend a continuation of existing government funding policies and commitments to maintain further momentum for the Northern Territory, in partnership with a now viable private sector.

NORFOLK ISLAND

Conversely, Norfolk Island is in urgent need of governance reform, federal financial support, and the associated necessary regularisation of State(Territory) and Commonwealth financial arrangements.

For far too long Norfolk Island has relied for financial survival solely on its attractions to visitors as a 'very special place' and the generosity of philanthropic individuals and past governments. The natural beauty, temperate climate, rich history and heritage, unique community life style, and significant relationship within Australia are captivating and engaging. The family networks and voluntary participation in community affairs remain the life-blood of the community. In essence, Norfolk Island is rather like a quaint English village with difficult and questionable public finances and administration.

The particular Self-Government experiment commenced in 1979 via the *Norfolk Island Act* 1979 (Cth). The governance model established by that Act was and is premised on the Territory Government and community of 2000 people being solely responsible for the delivery of state and local government services and for most federal government services and responsibilities on Norfolk Island. For this reason, the Australian Government devolved a range of legislative and executive powers to Territory Government authorities to allow them to deliver and fund those responsibilities. The expectation was that Norfolk Island would also be self sufficient and raise its own funds from within the Island community to pay for its delivery of government services and programmes on-island, using 'federal' customs, postal and revenue and taxing powers devolved to it by the Australian Government. Norfolk Island was therefore excluded from federal fiscal and taxation arrangements and from the application of many federal laws and the programmes and services provided under such laws.

However, despite the above, the Australian Government has since self-government in 1979 provided a significant amount of financial and non-financial assistance to the Norfolk Island Government and community.

The particular Self-Government experiment has been sorely and constitutionally tested in recent years especially by recessionary economic pressures, inadequate local government and inefficient public administration.

The long term sustainability of the current governance model has and is being questioned.

Over the years there have been many and varied “reviews” carried out on Norfolk Island by the local Norfolk Island Government, the Federal Government and its agencies, and various committees of the Federal Parliament. See **Attachment C – for a list of assessments with financial implications &/or options**. In particular, I would highlight and commend for further consideration the consistent 2006 reports conducted by the Joint Standing Committee on the National Capital & External Territories, the Commonwealth Grants Commission, and the Centre for International Economics. The Norfolk Island Government Reports (of 2006 & 2008) by their consultants, Econtech, reveal concerning and differing baseline funding scenarios, particularly with regard to depreciation and capital works.

The last formal statement of Federal Government Interests in, and Obligations to, Norfolk Island was made by then Minister Hon Wilson Tuckey MP in 2002. This **statement of policy (see Attachment D)** was not amended by the reconsideration of governance matters when reviewed by Minister Hon Jim Lloyd MP & Federal Cabinet in 2006. **Attachment E** contains **details of the financial and governance reform proposals** considered in 2006.

I acknowledge that the island’s small population base (of now less than 1,800 permanent residents) constrains development opportunities and compounds problems caused by the community’s age-ing profile and international globalisation. However, good governance and equity with other Australians (especially in the provision of adequate and comparable health, welfare, education and community support) will only be achieved by aggressive and innovative actions in both public and private sectors. Based on current annual budget allocations of both the Norfolk Island and Federal Governments the per capita combined spend would be lucky to exceed \$10,000 per person (cf Northern Territory = \$40,000pp – see above!).

All of the reports alluded to above have wrestled with the problems, and in many cases posed solutions to the profound issues of financial sustainability (in a community reliant almost exclusively on low-number tourism), the lack of financial data and analysis, equitable citizen support & level of services delivered (particularly for the aged, ill and vulnerable), and asset and infrastructure replacement & depreciation. Most recently these topics, and

others relating to economic impact assessments and taxation etc, were canvassed comprehensively for Federal Cabinet consideration in the Reports prepared for the Department of Transport and Regional Services by the Australian Bureau of Statistics, the Commonwealth Grants Commission and the Centre for International Economics in 2006.

Unfortunately a lack of “political will and capacity” (in Canberra/ the bureaucracy/ & on Norfolk Island) to effect significant changes and take advantage of the relativities available through the Commonwealth/State Financial Arrangements (and utilizing the Commonwealth Grants Commission expertise) thwart solutions to the longstanding and well documented economic problems. Please find at **Attachment F– a list of 16 recommendations** that I provided to Prime Minister Howard/& Minister Lloyd (Local Government, Territories and Roads) and subsequently Prime Minister Rudd/& Minister Debus (Home Affairs) following my retirement as Administrator in 2007.

For the reasons outlined in the above comments and the attachments, I am of the opinion that your committee’s Terms of Reference – re cash-fiscal budgetary positions/level of debt/investment in infrastructure/& the effect of dividends paid by government owned utilities – are most relevant to improving the Norfolk Island economy, and in need of constant review and government action.

My ‘economic and governance’ comments should in no way detract from the special lifestyle of the Norfolk Island community. My wife and I made many incredible friendships, and enjoyed probably the most engaging 4 years of our lives whilst resident there. We sincerely hope that local residents can maintain their unique opportunities in an ever fast changing and complex political world.

As mentioned above, I will be keen to answer any queries of your committee. I consider it most important that the principles of Self-Government be equally applied and available to the Northern Territory and Norfolk Island as to all Australian States.

Yours sincerely,

GRANT TAMBLING

(5 pages)

