

**Norfolk Island 2006
Submission**

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**NORFOLK ISLAND RESIDENT
- BONI MAYWALD
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TO: Mr Alan Morris	FROM: Boni Maywald
COMPANY: Commonwealth Grants Commission	DATE: 02/04/06
FAX NUMBER: 0061 2 6229 8821	TOTAL NO. OF PAGES INCLUDING COVER: 11
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RE: Norfolk Island	SENDER'S EMAIL: boni_maywald@yahoo.com.au

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

URGENT:

Please ensure that the complete attached letter (3 pp) and policy paper (7 pp) are passed by hand to Alan Morris for the Grants Commission to consider. I can be contacted via the above email address if there is any difficulty in transmission or any need for clarification of the issues raised.

With thanks,



Boni Maywald

[CLICK HERE AND TYPE RETURN ADDRESS]

To: P.E. WILSON AMBASS, Secretary-General of the United Nations

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

The Hon Geoff Gardner MLA, Chief Minister, Norfolk Island Government

Mr Alan Morris, Commonwealth Grants Commission, Canberra

Mr Derek Gore & Mr Jonno Snell, Joint Editors, *The Norfolk Islander*The Editor, *The Sydney Morning Herald*

Small is Governable:
An Open Letter on the End
of Norfolk Island Self-Government

Dear Sirs,

Interesting, that you're all men. And that I, as a woman with no "voice" or power, except my vote and "pen", feel I can pass on to you some lessons learned about the surviving community here on Norfolk Island. Minister Lloyd, through your department, and Mr Morris, through your commission, you have said that you want feedback, to listen and learn, from those living on Norfolk Island, to inform Australian Government intentions to dismantle Norfolk Island self-government. So here are some personal observations on Norfolk – from the perspective of an outsider, currently living on the island. I preface these lessons learned with facts (correct me if I'm wrong):

Fact 1: Norfolk Island currently pays its own way with locally-raised revenues of approx A\$28m a year.

Fact 2: Norfolk residents currently pay more in Australian Government taxes than Australia gives back to Norfolk Island Government.

Fact 3: On 20.02.06 Australia declared it was revoking Norfolk Island powers over Customs, Immigration and Quarantine that currently provide the island with its major sources of revenue.

Fact 4: The Australian Government proposes to provide Norfolk with a form of Australian tax-based benefits that will cost future Australian taxpayers tens of millions of dollars annually.

Fact 5: I have never lived in a busier community.

For over half a century I have lived and walked byways and goat tracks in many places: small country towns, large metropolitan and capital cities, other islands, both small and large. But the wide range of responsibilities and jobs managed by the small number of people living here on Norfolk, and the large number of community organisations actively maintained by them, has impressed me. Norfolk Island shows no sign of *ennui* or lack of activity that can afflict small or remote communities. Aside from island-based businesses, Norfolk Island also has a tourism industry that services the largest number of visitors compared to the number of residents of any part of Australia. Cynically tired granny newswriters denigrate hardworking efforts of islanders unfairly.

These five simple facts relate directly to the five lessons learned that I offer to you all:

1. There is no "comparable community" to use as a basis for imposing change.
2. Fairness demands that we allow this small island room and time to change.
3. This could be the first real-time documented case of fatal (psychological) impact.
4. Size is no measure of Sustainability.

Small Island States, just like large states, need control over their own economic resources.

1. Mr Morris, you say that the Grants Commission will provide the Australian Government with information about Norfolk Island calculated on needs and costs in other comparable communities. Norfolk Islanders claim **there is no such thing as a comparable community**. No other Australian community or Australian territory self-provides for the same whole-of-government responsibilities and services, from a remote island funding base as Norfolk does. Islanders fear with good reason that comparison with less-well-provided-for mainland communities could only result in a lesser outcome for Norfolk. This island has developed local and adaptable mixes of self-provided community supports and business enterprises, that have worked in varying ways to underpin the community's survival through 150 years of change. This includes more than quarter of a century of developing their own manageable level of self-governing regulation and revenue-raising, suitable for a community where daily costs of living for ordinary families are high because of their remoteness.

For the Australian Government to take away self-governing powers from Norfolk, without consultation, as well as seek to put in place a wide range of rates and taxes, designed for larger rather than smaller governance and populations, is ill-advised. Small businesses and island-based families already have high costs to bear. Adding to this burden by imposing a 'normalisation' policy of applying mainland rates and taxes could see half the businesses and families have to leave this remote island community. A direct cyclone hit would be preferable – at least island families could recover from that. What the island needs is to maintain some comparative advantage (lower wages and taxes balancing high import and utilities costs) not to be compared with theoretical statistical clumpings of "comparable communities". It would also have been good if your Commission had been tasked to do a comprehensive comparative analysis, updating your 1996/97 baseline data (seen by all parties as a sound approach and reasonable analysis) rather than the current limited task you have been given to do on Norfolk.

2. Allow this small island room and time to achieve its own change. Tread gently. My mum would say, don't throw the baby out with the bathwater. Big Brother impacts on small island communities do not always end up with better outcomes for those living on a thin knife-edge of island self-provision. (Australian Treasury surely doesn't want to pay handouts if/when Norfolk Island's current full employment becomes 60% plus unemployment like that on Cocos Island, since Australian Government "assistance" there.) Consult and listen well, by all means suggest alternatives, your views of pros and cons for various options. Then allow those who have managed for themselves to make decisions and take their own actions to shape the future that is, after all, theirs.

3. This could be the first documented case of fatal (psychological) impact where no related physical disease was needed to shake the foundations, deprive a self-identifying indigenous population of its rights and depopulate a Pacific island in favour of new and wealthier migrants able to afford high costs of remote living and high levels of taxation. So many recent high-level reports and government investigations, so much intense (often ill-based) media scrutiny and probing, have focused on this small island for its residents to respond to – with little if any in the way of positive or constructive outcomes. This latest round of investigatory probes by departmental representations could unwittingly (I hope not intentionally) have the disastrous impact of irretrievably splitting and dismantling this small community, that has been built on a balance of personal, public and private enterprise efforts to successfully maintain its current manageable if uniquely small form of self-government. Yes, change is needed (and the island's government is taking measured steps to manage necessary changes) but not at the cost of losing identity and adequate self-provision.

4. Size is no measure of Sustainability. Yes, there may well be different challenges confronting governments of different sizes that seek to provide effective governance for their citizens. But there is no rule of thumb that says you have to be big to be viable. There are, however, governance and accountability mechanisms that all state and business enterprises, large and small, need to implement to maintain sustainable systems. Furthermore, like all worthwhile disciplines, effective governance is best when managed from within, rather than just imposed from outside. So by all legitimate means, larger states can provide assistance for smaller states, such as access to analytical tools or shared use of resources that might normally be beyond the limited capacity of smaller states. Larger states can discuss options with small states, through open and consultative processes. All sides involved in "big brother" mandates should also, if they can possibly help themselves, avoid coming to the discussion table with high-handed or *fait accompli* attitudes. Instead, be open to each other's needs.

5. Allow Small Island States their own economic footing to ensure viable and sustainable governance. United Nations' (UN) research on economic vulnerabilities shows that small island states face considerable forces outside their own control. Smallness, remoteness, geographical dispersion, vulnerability to natural disasters and highly limited internal markets are difficulties faced by small island states in providing for their own future. These are enough barriers without larger states taking away from small island states rights and capacities to develop independence. The Australian Government is taking away Norfolk Island's right to raise customs revenue, which goes directly against practical experience of other island-based economies. Norfolk Island has been denied authority over its 200-Kilometre Exclusive Economic Zone and control of fish and seabed resources.

The island has also been advised in the recent Australian Government-funded Acumen report that it should spend \$86 million on roads. Roads that are 'Crown' land, yet the 'Crown' has felt no need to help maintain them. Island residents are stunned by what appear to be mainland preferences (for having guttered highways and high-speed road networks) driving this report's recommendations. Islanders would no sooner prioritise for such a road replacement program (equivalent to more than three times the island's entire annual budget) than they would want to emulate Big Brother spy networks. It would be interesting to know whether those who guided Acumen reporting also had some secret men's business ready and able to provide what would equate to a mountain range of road gravel to complete such huge road works on such a small island. Resolving longstanding issues of difficult and expensive freight and transport links to Norfolk is much more important for island financial sustainability than fanciful future road programs. A deep sea wharf or motorised barges with containerised freight handling would help bring down costs on what is one of the most expensive sea freight lanes in the world, between Norfolk and Australia. More constructive Australian Government support for negotiations to secure long-term air services to the island would also be good.

Norfolk Island Government is apparently still waiting for the Australian Government to come to the discussion table, to consider the basis (sound or not) of Acumen report recommendations. Australian Government stated intentions to revoke self-governing powers without consultation with Norfolk Island also pre-empts other promised consultations with the government and people of Norfolk. What is clear to those with more than a blow-in familiarity of the island, is that first-grab guesstimates have ill-advisedly been used as a basis for Acumen report modelling. The report also shows ignorance of current government programs on the island, where it claims that education and health programs are currently provided for Norfolk by the Australian Government.

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be good... to promote self-government and sustainability for smaller states.
From my reading of UN documents concerning administration of territories, I would have thought that Australia might consider it important to support rather than dismantle Norfolk Island self-government. Articles 73 and 74 of the UN declaration regarding non-self governing territories could provide a worthy guide for self-development while also encouraging a supportive political relationship between Australia and Norfolk Island. Article 73 speaks of the 'sacred trust' and 'obligation to promote' the 'well-being of inhabitants of territories'. In line with this trust, UN members administering territories seek 'to develop self-government, to take due account of the political aspirations of the peoples, and to assist them in the progressive development of their free political institutions'. Article 74 highlights that UN Members agree that their policy in respect of territories is 'based on the general principle of good neighbourliness'. From any point of viewing, events of the past month here on Norfolk Island have failed to be played out on anything like a 'good neighbour' basis. The *fait accompli* recently presented to Norfolk by the Australian government represents retrogressive action, and an attempt by Australia to take away the island's self-government.

In 2005 the Norfolk language was recognised in law as an official language. Submissions to UNESCO need to be expedited for the language to be included in the atlas of world languages. Consideration could again be given to seek world heritage listing, as well as professional management under UNESCO, of Norfolk Island's historic Kingston area. This unique precinct of colonial Georgian buildings, an impressive remnant of the penal past, has direct relevance to global issues of forced migrations and population resettlement. The UN could also be asked to provide an independent broker to help negotiate and resolve current and longstanding contentions between Norfolk and Australia.

Terms of basic sustainability, the capacity of a small island to support any size population is a finely balanced mechanism that appears not to have been appreciated by those working with assumptions framed around recent border protection experiences. Quarantine issues for small ecosystems require an understanding of the particular needs and conditions specific to the small island, not necessarily similar to or even amicable with conditions that might apply to bigger mainland states. Small island states in the Pacific, like Norfolk, reasonably rely on customs revenue as an accountable and manageable means of sustaining financial viability. If the Australian Government toys with these areas of administration without consultation, as has already been declared unilaterally, then the fine balance of sustainability for Norfolk Island may have been dismantled in this one step. Quite the opposite to Australia's declared intention of better supporting the island's future financial sustainability.

Yours sincerely,
Boni Maywald

Boni Maywald 02/04/06

PS: Who am I? To presume to write to you all on Norfolk Island's imminent loss of self-government, to encourage islanders and mainlanders to respond and jointly develop more positive visions of life *Beyond Bounty*?

I am not ashamed to be an enthusiastic supporter of the Pacific past, present and future. I have an honour degree in Pacific history that focused on how Tonga constructed itself to gain status as a nation in the age of roaming European gunboats. I have a Master of Arts in International Relations, that specialised in Asia Pacific security and non-military resolution of conflict. I am currently completing research that looks at Tongan events in the 1820s, on how Pacific Islander men and women both supported and opposed change in critical crosscultural contacts. I have lived and worked in various parts of the Pacific - Bougainville in Melanesia, Tonga in Polynesia, Fiji with its mix of Melanesian and Polynesian cultures, and currently on Norfolk Island with its unique cultural heritage born from Tahitian and English *Bounty* mutineer experiences on Pitcairn.

I am quietly proud to be a mother of two - a son, who is a financial analyst and lives in Sydney; and a daughter who is a lawyer, currently living in Kenya, who has worked in Southern Sudan on the constitutional development process under the Comprehensive Peace agreement. Prior to this year, our daughter also spent three years living in New York working at the UN as an Adviser for one of the Pacific island states. Our son recently spent two months with us here on Norfolk Island. He witnessed the announcement of Australia's proposed changes, but maintains that his own recent suggestions on microeconomic reforms, that Norfolk could do for itself, would better underpin the island's financial sustainability. (Copy attached)

I am married to the current Secretary to Government here on Norfolk Island. For the duration of my husband's three-year contract with the Norfolk Island Government, we are living on Norfolk, but we have no business or property interests here on the island. Coincidentally, three years ago I came out of the closet and admitted, again unashamedly, that I was a poet. As unfashionable as it may be to be any or all of the above, I am thankful, to have been born in Australia, and to have warm southern hemisphere currents nurture me. Of pecuniary interests or investments I (and my husband) have none, save ownership of our small timber and tin roofed Boab Book Cottage in Queanbeyan, southwest New South Wales, and our (future) superannuation pensions. This completes the declaration of my interests.

Norfolk Island Economic Sustainability: Ten Policies to Increase the Welfare of All Islanders

David Maywald has worked as a financial analyst for six years, and prior to that as an accountant. His fields of expertise are in the telecommunications, transport, utilities, infrastructure and media sectors. He has a Bachelor of Economics from the Australian National University as well as a Bachelor of Commerce, with Honours in finance. He holds the Chartered Financial Analyst qualification. The views expressed are entirely those of the author, and are not attributable to any other persons. He can be contacted at davidmaywald@hotmail.com.

The political debate over the transfer of powers to the Commonwealth unfortunately does not address sustainability on Norfolk Island. In fact, the likely outcome will lead to a less sustainable economy, like the Indian Ocean Territories. Since 1979 the Island economy has come close to providing the surpluses necessary for asset replacement and investment. Many locals recognise that there are changes required to make the Island more efficient. Therefore, a program of microeconomic reform driven by the Norfolk Island Government will do much more to improve the welfare of Islanders than the current reforms being proposed by the Commonwealth.

Almost all of the discussion about NIG finances and the Norfolk Island economy has come out of particular vested interests, or been based on a partial analysis of the impacts on a particular group of people, an organisation or a budget. Rather than working from the detail up to a plan for the Island, a more general analysis should first be undertaken and these general conclusions reflected in the consistent details of such a plan.

On sustainability, there are many possible outcomes for sustainable development of the Island. Choices made now, and in the future, will impact on the population, tourist numbers, productivity and the income of the Island. There's no question of choosing a single static model that will hold into perpetuity. Future choices (made by Government and individuals) should be able to build on frameworks put in place today. There are no "magic bullets" for the Island, and no single decision or person will set Norfolk on a path to economic sustainability. What's required are many changes driven by Government, supporting individuals and businesses to work in their own interests as well as the wider interests of the Island. The Government can help to unleash the creative power of the people, but it cannot immediately overcome the structural disadvantages of the economy.

In terms of how the economy has been functioning to date, I'd also make the following comments. The short-term nature of decisions regarding consumption versus investment may allow the economy to "muddle through" during times of favourable economic circumstances. However, the lack of adequate investment in the right areas of the public and private sectors is now being felt in the economy. Also, the self-interested tendency to push an ever-greater financial burden onto tourists has resulted in Norfolk Island making itself uncompetitive. Tourists are free to choose where they travel, and what they do with their time and money. Islanders have already tried to push too much of the financial burden onto tourists. Acumen Alliance estimates that tourists (who make up around 20% of the population) contribute around 50% of Government income directly, and around another 20% indirectly. The lack of business innovation in the economy is certainly not due to excessive income and company taxes. In this regard the many measures to protect businesses and individuals from the positive forces of competition must be abolished. Furthermore, hidden costs and cross subsidies should also be removed.

The following specific policies would improve the social and economic welfare of Norfolk Islanders:

1. **Decrease the average cost of air tickets**

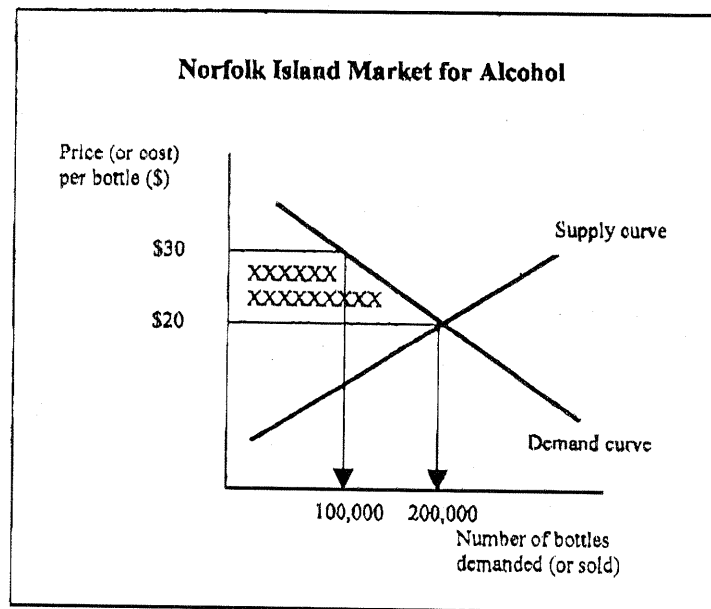
Airfares are a highly visible component of travel expenses, and would probably make up around half of the total cost of the typical tourist trip to Norfolk Island. While domestic Australian travellers (as well as those in Europe, America and many other parts of the world) have significantly benefited from lower fares, travel to Norfolk Island is still comparatively expensive. This is not so much the case on Air New Zealand from Auckland, but in particular on flights from Sydney and Brisbane. In large part this is because of the higher expense of leased aircraft, as well as the high level of commission charged for distribution and handling. All efforts must be made to reduce the cost of air tickets at every stage of the distribution chain. Jetstar or Virgin Blue would make a much more economic alternative to the current airline run by NIG, because they have lower costs of operation and much more experience. Furthermore, the Melbourne market should be reconsidered to increase the base of potential tourists from a more southerly climate. Ticket price disparities between locals and tourists should also be abolished. It costs the same amount to put a local in a seat as it does to put a tourist in a seat. The current disparity adds to the imposts born by travellers to Norfolk Island.

2. **Telecommunications costs must be brought down**

Both the costs born by Norfolk Telecom and the bills paid by its customers must be reduced. One important aspect of telephone/fax/data/internet costs is that they are a direct cost of doing business. Inflated costs hurt business and they hurt employment. The evidence of telecommunications reform in the OECD points to genuine competition being the only force strong enough to bring these costs down. There are obvious difficulties in introducing competition in such a small community. One option is to hold the infrastructure in a fully Government owned vehicle and then allow service providers to compete for customers by differentiating on product and price. Short of that, measures are needed to support genuine competition in voice and data services. The cross subsidy provided by businesses and tourists to locals (in the form of extortionate IDD pricing and free local calls) must be ended so that a correct price signal is sent to all consumers. And crucially the proposed GSM mobile network must be owned by an entity completely separate from Norfolk Telecom. Otherwise most of the benefits of having a new network will be lost.

3. **Bring competition to alcohol provision**

The current situation where GBEs prop up the core recurring expenses of Government is unhealthy. Furthermore, the situation of having a monopoly in alcohol importation hurts the Norfolk Island economy. Consider the market for alcohol in the diagram below with typical demand and supply curves, where the quantity demanded falls as the price increases and the supply curve reflects an increasing marginal cost as the Bond ships more and more bottles to the Island.



For example, instead of selling a typical bottle at the competitive price of \$20, the Bond is directed to sell a typical bottle for \$30. The response from consumers (made up of locals and tourists) is that they only buy 100,000 bottles instead of 200,000. There's also a loss of welfare (or utility) to the community of the parallelogram shaded with the Xs, this is due to consumers deciding to buy fewer bottles and having to pay a higher price for them. In qualitative terms making the liquor market competitive would encourage private businesses to source product at a lower cost, and would introduce new lines that are currently not on the Island (i.e. a lower cost for consumers and businesses, as well as more choice).

4. **Introduce more competition to freight between Norfolk, Australia & NZ**
Whether this is done by facilitating new entrants or regularly tendering out the work, benchmarking the cost of services compared with efficient operations on other routes or developing new means of transport, freight is a vital link between Norfolk and the outside world. Excessive charges for freight are a direct burden on locals and are also inevitably passed on to tourists – thus discouraging the main industry on the Island even more. Further, there should be more use made of airfreight to compete with sea freight, particularly on the flights out of Norfolk. Freight prices should be lower for outward freight in both cases as there is almost always lower capacity utilisation on the outbound direction.

5. **Scrap a range of hidden and inefficient "taxes" in favour of a GST**
A GST with the same requirements as in Australia could be managed for the Island through established ATO structures and expertise. In all collections of government revenue there is some cost of collection, ranging from the cost of salaries to check compliance and administer the system, to bad debtors, complexity and confusion in the general community. Some taxes may even cost more to collect than they generate when you look at all of the financial and qualitative costs involved. Some of the imposts on the economy that may be replaced by a GST are: customs duty, the Financial Institutions Levy, the departure fee and excessive retail prices charged by the Bond and Norfolk Telecom. In particular, visitors leave the Island with a bad taste in their mouth after paying the departure fee. Many visitors are not aware they will have to pay for the right to get off the Island and it's one of their last impressions of Norfolk before heading home to tell their family and friends about their holiday. Some of the benefits of introducing the GST to Norfolk are that: it could be administered by the ATO (where the system is already fully operational and works well) rather than another mini-bureaucracy here on the Island, revenues will grow and contract with the economy, it protects privacy, and is less regressive than many of the taxes and charges currently being collected by NIG. Introducing a GST would also allow the Revenue Fund to align revenues and expenses more closely, and thus reduce the need for NIG to rely on monopoly GBEs to prop up the budget.

6. **Liberalise the movement of resources between Norfolk, Australia & NZ**
Barriers to the movement of people and capital often reduce economic prosperity. One of the justifications for immigration permits appears to be to protect the jobs and businesses of Residents, which is curious considering that many locals already hold down several jobs (and in some cases there is currently a lack of TEPs to fill available roles). In other cases GEPs have restrictive conditions put on their permits in order to protect the business interests of Residents. Also, the process for outside investment in tourist accommodation acts as a disincentive to improve the range and appeal of the accommodation currently on offer. And the 30-day limit for visitors also acts as a disincentive to stay longer on the Island. All of these restrictions are an increased cost of regulation. They are a cost for businesses and a cost for families and individuals in terms of the time, money and effort required to comply. These resources (i.e. the time, money and effort) would be more productively put into use to increase the lifestyle of all Islanders. These restrictions also stop consenting parties from reaching mutually beneficial outcomes. And the enforcement of these restrictions uses up the precious time of those employed in NIG as well as precious public funds. Consolidating customs, immigration and quarantine functions with Australia would make it easier for tourists to visit from Australia and would also significantly increase the chances of securing a low-cost airline to fly between Norfolk-Sydney-Brisbane-Melbourne. Deregulating the markets for land and businesses on the Island would increase the liquidity of these assets, potentially bringing greater exposure and asset values to the Island. Deregulating immigration would also avoid the current inflexibilities and costs that act as a disincentive for productive short to medium term employment.
7. **Distortions between the treatment of locals and tourists should be eliminated**
Examples of how these distortions hurt the economy are as follows. Liquor prices have three tiers: cheaper spirits for tourists, retail prices for locals and premium wholesale prices for businesses (surely one of the few places in the world where bulk wholesale prices are more than retail prices!). Locals pay more for spirits than tourists, partially a cross subsidy so that the Bond can compete with spirit prices in other locations. In this instance the Bond is using price discrimination to force locals to pay more than tourists because locals have few other options to buy spirits. In terms of wholesale liquor, there is an absurd situation where some establishments send their staff to purchase liquor privately rather than ordering through their business, which would have to pay a higher price. In terms of the pricing signal for telephone calls, free local calls are encouraged while IDD calls are heavily "taxed". This conditions consumers to believe that local calls don't cost anything to provide, which is not true. The exorbitant rates on IDD calls are an unfair burden for business, tourists and locals with friends and family who are overseas.

8. **Reduce the size and complexity of Norfolk Island Government**

Regardless of comments made in previous reports regarding Norfolk Island, it's a credit to all those involved that such a small community can manage most of the functions of the three tiers of Government in Australia in such a remote location. However, one of the disadvantages of attempting to do so is that far too many Islanders are tied up in the work of Government rather than in productive areas that would directly increase the size of the economy. This is largely due to the lack of economies of scale in such a small community. There are many areas that could be carved out of NIG: Post and Philatelic, Customs, Immigration, Airport, Lighterage, Broadcasting, IT, Healthcare and Worker's Compensation funds, Liquor Bond, Parks, Electricity... Moving these areas to private sector ownership or management would unleash the profit motive to improve these organisations. Alternatively, closing some of them down would reduce costs to NIG and free up the time of Government and the Administration to add value to the Norfolk Island community. Further there are many conflicts of interest within Government and the Administration, requiring improvements in governance. A new political model must be found to allow the Executive Government to pass the reforms that are required. This may involve a new electoral system, fewer MLAs or the formation of political parties.

9. **Selective privatisation**

Selective privatisation could lead to greater tourist numbers and lower costs of production. For example, the Government could offer a 49% interest in the airport or tender a long-term lease to manage the airport where NIG shares in any earnings upside. Macquarie Airports and the Australian Infrastructure Fund and many other organisations have much superior management expertise in running airports compared to NIG. Outside owners or managers would: assist with marketing Norfolk as a destination, progress development opportunities in the vicinity of the airport, take some of the capital expenditure off the NIG balance sheet, and maximise the value of the asset. One of the main areas that specialist airport operators have pursued is introducing greater (duty free) shopping right into the walkways that passengers transit to and from their planes. This should be pursued at the earliest convenience, since some visitors to the Island are unaware of the Bond at all (as well as other retail outlets), and while waiting two hours before your departure is an ideal time to be selling goods to passengers.

10. **The financial management of the public and private sectors must improve** Informed decisions can only be made when accurate and useful information is available. Current accountability and transparency is low across the economy, because of a lack of measurement and disclosure of data. The adoption of accrual budgeting is essential for Government and the community to understand the importance of longer-term financial planning and asset replacement. Managing a cash budget from year to year will inevitably lead to disaster for either a community or a family. It's also essential to finalise an asset register that estimates the useful lives, replacement costs and timing of public infrastructure so that the NIG budget can be managed to incorporate the lumpiness of asset replacement. Implementation of a GST, preferably with quarterly reporting, would improve measurement of the economy and inform the community of movements in consumption over time. Also, Norfolk Island Annual Reports compare unfavourably to those in Australia. They are fragmented (having been brought together from small sections and written by numerous authors), they lack any financial notes to the accounts, they are filled with details that are simply repeated from year to year, they are backward looking, and they don't meet Generally Accepted Accounting Practices.

The essence of the above case is to argue for increased economic efficiency on Norfolk Island. And to take advantage of low regulation, so that the population can be freed to grow and develop their economy. Unfortunately for all those businesses and individuals who rely on tourism, people can't be forced to choose Norfolk as a destination. There are some things that can be done to shift the demand curve slightly in Norfolk's favour, in spite of operating in an intensely competitive market where the Island has relatively weak competitive advantages. However, it is possible to significantly shift the supply curve by reducing the cost of tourism. This will lead to more tourists and increased social and economic outcomes for all Islanders. Furthermore, the above policies will help to grow the income of the Island over time and put in place the incentives for people to work and innovate in their businesses. This will lead to lower costs and a more attractive offering of retail goods for locals and tourists alike.

