

SUBMISSION TO THE COMMONWEALTH GRANTS COMMISSION ON THE REVIEW OF THE FINANCIAL CAPACITY OF NORFOLK ISLAND – ISSUES PAPER CGC 2006/1

Introduction

In making this submission to the Commonwealth Grants Commission we do so in the belief that the Commission, as an independent body will have true regard for Norfolk Island and its people and their desire to continue with its form of limited self-government in co-operation with Australia.

We the undersigned are all Norfolk Island residents by birth and therefore Australian citizens. We have all had the benefit of undertaking education and or employment in Australia and so have had the experience of “levels of service” apart from Norfolk Island. We acknowledge that the Chairman of the Commission during his visit to Norfolk Island does not wish to be embroiled in the political issues announced by the Federal Minister for Territories and Local Government, Hon Jim Lloyd, MP, however, we believe it is inevitable that the issues to be considered by the Commission will overlap with the political issues facing our Island, and in fact that is why the Commission has been asked to review the financial capacity of Norfolk Island.

Terms of Reference

We consider that the draft Terms of Reference contained within the Commission’s Issues Paper CGC 2006/1 does not go far enough. They specifically exclude consideration of revenue and taxes for Commonwealth responsibilities administered by Norfolk Island. We contend that regard should be had to all revenue, charges and fees to determine the level required to achieve financial sustainability for Norfolk Island. A significant amount of revenue is raised through the imposition of Customs duty that is a Commonwealth responsibility in other Australian States and Territories. To remove our right to such revenue would indeed make us unsustainable.

It would appear that the Terms of Reference have been designed to achieve a pre-determined agenda by the Commonwealth Government.

It is important that the Commission and indeed the Commonwealth Government have regard to the special circumstances of Norfolk Island and we note that the Commission’s previous Report in 1997 did have regard to the social and cultural aspects of our community when assessing the administrative and financial capacity of our Island to provide services.

A statement that remains true today prefaces the Commission’s Main Findings in 1997:

“Norfolk Island is unique. In judging the services, infrastructure needs and revenue raising on the Island, account must be taken of the demographic, social and cultural aspects of the community, the local and physical characteristics of the Island and its economic and financial capabilities.”

Comparable Communities/Comparable Services

The Terms of Reference requires the Commission to report on the financial capacity of Norfolk Island to provide State and local government services comparable to those available in comparable communities in the other Australian States and Territories.

We contend that there is no comparable community in any other Australian State and Territory. The *Norfolk Island Act 1979* empowers Norfolk Island to have not only local and State government but also Commonwealth Government responsibilities. No other State or Territory has these responsibilities.

We are concerned that the CGC has been charged with determining what level of service Norfolk Island should provide for its residents. In democratic societies, the people determine the level of service. It is our understanding that although the Commonwealth divides up Commonwealth revenue between the States and Territories the provision of that revenue is not conditional upon them providing a certain standard of service.

We also refer you to the CGC 1997 Report in which the Commission states that:

“In relation to those functions that are provided by State and local governments on the mainland, it is reasonable that the Norfolk Island Government largely decide the range and level of services it provides. It is a self governing Territory and, like the States and other self governing Territories, should have the right to make such decisions. There are, in fact, large differences in the level of services being provided by State Governments.”

We query therefore how you will determine “average level”.

LOCAL AND STATE SERVICES

The draft Terms of Reference requires you to consider the cost of providing state and local government services and the capacity of the Island to raise revenues from those services.

We have attempted to address those activities listed in Attachment A to the Issues Paper CGC 2006/1.

STATE SERVICES

Education

This is a State function. Norfolk Island Central School provides education from Kindergarten to Year 12. The school is funded in the Norfolk Island budget and fundraising activities of the P&C Association and benevolent members of the society supplement those funds or provide resources.

We are of no doubt that you could find a school which has the same number of students which offers the same or similar subjects but the difference between a remote Australian school and the Norfolk Island Central School is significant. If a student wishes to undertake distance education in Norfolk Island the cost of international telecommunications is considerable, the mail service to bring and send assignments is not always reliable due to uncertainty in, and from collapses of air services. Students cannot get on a train or bus to get to a larger town or city to access educational institutions, they have to fly at significantly increased costs.

The CGC 1997 Report found that Education was one of the services provided in Norfolk Island at a level equal to or above those provided on the mainland but it did find that the Vocational Education and Training (VET) offered was below the level of those usually provided on the mainland. Since that Report, we are advised and are aware that the school now provides a number of VET courses including Information Technology, Hospitality, Building Construction, Tourism, which are all funded by Norfolk Island.

Norfolk Island students were able to avail themselves of apprenticeships in Norfolk Island and undertake their theory off Island however, the Commonwealth New Apprenticeships Incentives specifically precluded employers of apprentices and trainees in Norfolk Island from receiving incentives under the Programme. Section 2.1.A.2 of the New Apprenticeships Incentives Programme Guidelines state that to be eligible to attract incentives:

“The New Apprentice must be undertaking employment in a New Apprenticeship in a State or Territory of Australia, excluding Norfolk Island.”

as a result the apprenticeship scheme faltered for some years.

Education is a significant proportion of the Norfolk Island budget but we consider the provision of education to Year 12 to be essential to the future welfare of Norfolk Island. If Norfolk Island does not provide access to education to Year 12 and give our youth every opportunity to either pursue tertiary education or gain employment either in Norfolk Island or elsewhere the impact on our social welfare will be significant.

Pre-school – although we do not have a pre-school in the context of Australian pre-schools, Norfolk Island has a facility which prepares our young children for formal schooling. This has proved to be a very successful transition for children. Although funded by parents, we are aware that the annual Norfolk Island government budget provides a grant to the facility

This is also a schedule 3 item under the *Norfolk Island Act 1979*

Health and community services

It has been said that Norfolk Island's health services are 'third world' despite many visiting specialists saying otherwise.

Despite the age of the hospital buildings we believe that it is better to have the level of care (and service) provided at the Norfolk Island Hospital rather than a flash hospital without staff and services as has occurred in Christmas Island.

We believe that our hospital provides the services desired by this community. We are fortunate to have access to three doctors, a dentist, pathologist, physiotherapist, radiographer and qualified nursing staff on a permanent basis. In addition we have a visiting specialist scheme which enables most procedures to be done in Norfolk Island. There are no long waiting periods or queues to be attended to in outpatients, appointments to general practitioners and specialists unlike the situation in Australian hospitals. All of these services are fully funded by Norfolk Island.

It is said that our 'aged care' is below standard. We ask 'below what standard'? – our aged are housed and cared for at the Norfolk Island Hospital. There is no limitation placed on visitation and stimulation and activities are provided. We are unaware of significant complaints about the facilities provided but are aware of the inadequacies often reported about Australian aged care facilities.

The Norfolk Island Hospital has a baby clinic which provides pre-natal and post-natal care for mothers and babies. There are Units within the Hospital grounds which are provided for persons who are generally self-sufficient but require access to medical care.

A benevolent member of the community provided a fully equipped modern, up-to-date dental clinic which is staffed.

We have access to counselling services through free telephone lines and we are aware that a full time counsellor is to be engaged who will be supported by persons within the community who already provide counselling type services.

Homelessness – we are not aware of any one being homeless. As mentioned above facilities are provided at the hospital and because of a close community and family network there is always support for those in need in whatever form.

There are community groups such as, Lions Club, Rotary Club, Quota, Sunshine Club, St Johns Ambulance, Norfolk Island Hospital Ladies Auxillary and many benevolent individuals which support the hospital and those in need in the community through fundraising, voluntary assistance etc.

Community health professionals publish public awareness campaigns in relation to health issues regularly through the local newspaper.

We note that the CGC 1997 Report found that hospital services were considered to be provided at a level equal to or above those provided on the mainland.

Social Welfare

Apart from those persons who are recipients of Department of Veterans Affairs benefits, Norfolk Island provides social welfare payments all but equivalent to the level provided in Australia although there are some Australian benefits which are not provided here such as the unemployment benefit. Norfolk Island has instead a special benefit.

Unemployment is rare in Norfolk Island. The Immigration legislation is such that unemployment can be controlled by requiring itinerant workers to leave Norfolk Island if they do not have full employment. Residents of Norfolk Island know that there is no financial assistance and from birth our children know that they must find employment even if it means a number of part-time or casual jobs.

The aged pension in Norfolk Island is only means tested not asset tested. We are concerned that if the Commonwealth legislation is extended to Norfolk Island there will be an adverse impact on our long term residents who are traditional landholders who have an affinity with the land and like previous generations maintain the land for future generations. If land rates are introduced to Norfolk Island it is expected that many of our senior citizens will be denied access to the aged pension because their assets, though not income generating, will preclude them. This in turn is likely to impact on our land planning regime.

Norfolk Island's land use and planning has become more stringent to maintain the rural aspects of Norfolk Island but if our senior citizens, or indeed any resident has large landholdings which are not income generating it is likely they will need to seek to subdivide and develop or sell land in order to meet living costs. We consider that this would be detrimental to Norfolk Island's natural resources and environment as it is likely to lead to an increase in our population and resulting in the need for more resources and services.

This is also a schedule 3 item under the *Norfolk Island Act 1979*

Law, order and public safety

Police

We acknowledge that policing is funded by both Norfolk Island and the Commonwealth and is one of the many examples that demonstrate that Norfolk Island and the Commonwealth do co-operate to provide appropriate levels of service.

We note that the CGC 1997 Report found that policing was considered to be provided at a level equal to or above those provided on the mainland. We believe this statement remains the same today as we have a new police station and additional staffing.

Administration of Justice

We consider that this is adequately provided for in Norfolk Island. The costs to Norfolk Island we assume has significantly increased particularly over the past three years due to criminal investigations but this level of expenditure is the exception rather than the norm. The establishment of the Administrative Review Tribunal has also increased the cost of justice but ensures that residents have a right of review at this time limited to planning and land use matters. The Supreme Court is facilitated by Norfolk Island with the on-ground costs and transcription service being met by the island. Other costs such as the cost of the Judge and staff are met by the Commonwealth. The Cost of the Court of Petty Sessions, which includes the visit of the Chief Magistrate from Canberra from time to time, is fully costed by the island. As head of the Administrative Review Tribunal and Coroner his costs are also met by the island when required.

Public Safety

We are unsure what you will consider in terms of public safety. What we can say is that Norfolk Island is considered a safe and welcoming community. From time to time there is petty crime but perpetrators are usually caught. There is a Road Safety Committee which conducts a road safety campaign and makes recommendations in relation to such matters.

Culture and recreation

These are well catered for in Norfolk Island. Culture and traditions are maintained on a personal level within families and as a community through groups such as Community Arts Society, Multi-cultural society, Historical Society, Trans Tasman Country Music Festival, Line Dancing Festival, Ballroom Dancing Festival, Readers and Writers Festival, Opera in the Ruins, Theatre Festival.

Recreational facilities are varied: Golf, squash, tennis, lawn bowls, fishing, kayaking, deep sea diving, horseriding, archery, karate and the gymnasium, gun and pistol shooting and athletics to name but a few. Opportunities are also provided for representatives of these clubs to attend regional games, mini South Pacific Games (which we hosted in 2001), South Pacific Games and the Commonwealth Games as Norfolk Island teams. No funding for representation is provided by the Commonwealth.

The Norfolk Island Government provides funding for sporting grants each year for the promotion of sport.

There is a youth club which is supervised by volunteers and there are 4 churches which also conduct youth activities.

National Parks and wildlife services

The National Park comprises 674 hectares in Norfolk Island as well as Philip Island to the south. The National Park and Botanic Gardens are funded, staffed and maintained by the Commonwealth and we note too, that this was considered to be at a level equal to or above those provided on the mainland.

There are 22 Reserves which are managed and maintained by the Administration of Norfolk Island although they are crown lands. The NIG has adopted Plans of Management for each Reserve. Although there is an argument that more funds are needed for each Reserve it should be said that the Commonwealth did not have any Plans of Management in place prior to commencement of self-government. We believe that like infrastructure there is an argument that the Commonwealth should have ensured that all lands, for which responsibility passed to Norfolk Island, should have been developed to an appropriate standard prior to self government.

The National Park and Reserves together with KAVHA, which is maintained by joint Commonwealth and NIG funding, are valuable in promoting Norfolk Island as a historical, ecological tourist destination.

ECONOMIC ACTIVITIES

Electricity, Gas, Water and Sewerage

The cost of electricity and gas is significant because fuel and gas are imported into Norfolk Island. The cost of electricity generation is affected by increases in fuel prices together with freight costs. Electricity generation and reticulation is NIG owned and operated. Fuel and gas importation and distribution is privately owned and operated. Both are monopolies. We believe that the costs of such services are outweighed by the fact that we do not pay income tax.

We note however that the increasing cost of these services are also being experienced in Australia.

Water

There is no town water. Water is collected by households via underground and above ground tanks. It is a precious resource and the land planning regime requires new households to provide adequate water collection. There are bores and wells however there is a moratorium on any more bores and wells due to concerns for the underground water resources. There are dams from which the community can access water for

gardens, stock etc. There is no cost to access this resource. We have a concern that any loss of immigration will have an adverse impact on this resource.

Sewerage

There is a water and sewerage scheme for which fees are charged. This scheme is not Island wide and the majority of households have septic tanks.

Transport

There are no subsidies provided for transportation except to persons who receive an aged pension. A subsidy is given on motor vehicle registration, electricity and telephone.

Roads

There are approximately 100 kilometres of roads. These are Commonwealth owned but maintained by the NIG. The roads are considered adequate for Norfolk Island's needs although we consider there is an argument that the Commonwealth should have upgraded them prior to self-government and should bear some responsibility in sharing the costs of maintaining them (as it does with KAVHA).

Services to Industry

Tourism is our main industry. The NIG subsidises the Norfolk Island run Tourist Bureau and Information Centre. There is no mining. There is limited manufacturing. Agriculture and Horticulture are synonymous with life in Norfolk Island. Most residents supplement their incomes by growing fruit and vegetables. There is no subsidy from Government.

General public services

Superannuation.

There is no Island wide superannuation scheme. We consider that the minimum wage in Norfolk Island would be insufficient for a superannuation scheme dependant on employee contributions. The Norfolk Island Public Service provides for a provident account that allows lump sum payment on retirement or resignation. We are aware that some persons contribute to superannuation schemes or income protection schemes.

General Public Service, council, accounting

The Public Service provides services across local, state and Commonwealth responsibilities. That is why at the outset we have said that the CGC cannot just consider local and state type revenue and taxes without reference to Commonwealth revenues raised in Norfolk Island.

Revenue is obtained from Norfolk Telecom, Electricity, Airport,(landing fees and departure tax),customs, vehicle registration, absentee landowners levy, land registration fees, planning fees, tanalith and forestry products, tourism accommodation registration levy, fuel levy, lighterage, companies fees, Liquor Bond and postal and philatelic services,

Other services provided are Library, Museums, community hall and sporting ovals, Radio and television broadcasting with 5 channels,

These levels of service are adequate to meet the communitys needs.

LOCAL GOVERNMENT SERVICES

General public services – see above comments

Administration of facilities : we believe that the community facilities provided in Norfolk Island are adequately funded to meet the community needs.

Public works – we believe that the community facilities provided in Norfolk Island are adequately funded to meet the community needs, except the Commonwealth owned roads should be funded by them.

Building permits and controls, planning and development approval, zonings – Norfolk Island has a robust planning regime which has been approved by the Commonwealth, although it has added to our expenditure.

REVENUES – STATE AND LOCAL

State

Payroll tax

There is no payroll tax. We have no income tax. Wealth is not taxed in Norfolk Island. We have indirect taxes. The NIG is considering the introduction of a broadbased consumption tax which would replace a number of fees and levies.

Land revenue

Revenue is received from Crown Leases. In addition funds from the transfer of Crown Lease to freehold have been placed in a Trust to be applied to environmental programmes. In any event there is no island wide valuation for the collection of this tax and the details as to the rate of levy and whether it will be scaled in accordance with zoning criteria are all matters that need to be considered. There is an absentee landowners levy for those persons who are absent from the island for more than one half of the year of levy which is based on the unimproved capital value of the land.

Stamp Duty – conveyances, shares, vehicle transfers

Stamp duty is currently payable on land transfers. Fees and charges are applied to vehicle transfers.

Financial Transaction taxes

We have an FIL on all deposits and transfers for any funds deposited in accounts in Norfolk Island including credit card deposits.

The Legislative Assembly has recently passed a Business Transaction Levy Bill

Gambling taxation

There is a TAB and Online Austote which provides some revenue to the NIG. In addition instant lottery tickets also provide a tax per ticket. There is no other gaming sources and we would discourage the introduction of gaming machines due to the inevitable impact on the social welfare of this community

Insurance taxation

There is no legislation in place for an insurance tax

Vehicle registration fees and taxes

The *Road Traffic Act 1982* provides for the registration and collection of fees and fines in relation to motor vehicles in Norfolk Island. The regulations provide for the rules of the road and the inspection of vehicles and appointment of authorised officers and premises for the purposes of inspecting the vehicles. These fees are reasonable and the funds are credited to a roads fund for the provision of better roads.

Other revenue

Mining revenue

Nil

Industry – timber , tanalith, forestry

There is a tanalith plant which provides for the copper treatment of local timber products. The forestry section of the Administration is fully funded by Norfolk Island and provides

for a limited amount of timber and plantings of native trees and clearing of noxious weeds from the reserves which are owned by the Commonwealth.

Contributions by Trading Enterprises –

There is no company tax and minor requirements for the registration of companies when compared to the tax laws in Australia. There is no business tax for capital gains, goods and services tax, land rates and payroll tax or income tax and there is no requirement for a business tax file number. There is an accommodation levy payable by all tourist accommodation premises on all registered beds.

User charges

There is no user charge for local telephone calls although the technology is currently available.

LOCAL

Rates – as advised previously we do not have rates on land except for Absentee landowner fees. The number of absentee landholders are about 130 persons

Waste disposal fees

Only those persons connected to the water and sewerage scheme are levied. For all other waste disposal there is a levy on the inward sea and air freight to the island for that purpose.

Water/electricity charges

There are no water fees as water is collected by each household and there is no public reticulated system on the island. Electricity on the other hand is available to each household at a cost of 47 cents per unit which is estimated to be more than double for the capital cities in Australia.

Other fees and charges

Licence fees for hairdressers, sale of food, liquor, tourism bed tax, fuel levy, financial institutions levy, waste management levy on all imports, customs duty on imports. The duty varies from 6% on food to 500% on tobacco products

We pay indirect taxes through fees and charges. The fee units are increased in line with the Norfolk Island Retail Price Index. We do not tax wealth and apart from education we have generally a user pays system.

Departure Tax

There is a departure fee of \$30 per person from the island.

Landing Fees, dog registration fees, building permits, inspections and licences

The landing fees and taxes amount to about \$150 per passenger which is in addition to the cost of a return airline ticket. There are fees and charges for many services as well as for the registration of dogs, building permits and inspections. All fees and charges are gazetted.

We believe that Norfolk Island should retain responsibility for the customs service and collect customs duty as it is required to support our infrastructure and control the importation of illegal goods. Immigration should have a measure of control so that persons who are not entitled to residency on the island are not able to reside here indefinitely without a due process of assessment of health, character and suitability as to their contribution to the community. It is also important that our border protection is maintained and that our population is controlled to prevent the situation of the locals being unemployed and an adverse impact on resources

As the items referred to in schedule 3 of the *Norfolk Island Act 1979* are controlled ultimately by the Commonwealth, then we believe that there is a strong argument that they should contribute at least 50% towards the cost of the provision of those services. To date there has been no direct contribution to these Commonwealth functions or responsibilities.

We reiterate that we believe that Norfolk Island can be sustainable and continue to provide the level of services desired by the majority of its residents provided the Commonwealth Government shares responsibility for, if not all, half of the costs of maintaining and administering Commonwealth services and responsibilities currently paid for by Norfolk Island.

Finally, we believe that the comments of Mr Neville, Member for Hinkler in the House of Representatives on the 4th March 2004 (page 25343) when speaking to the Report of the Joint Standing Committee of the National Capital and External Territories “*Quis custodiet ipsos custodes*” are pertinent and in particular the following:

“We have to be careful that we do not put layers of bureaucracy in place for an island of 3,000 people such that we destroy the very character of the place and the people. That would be a cultural tragedy of monumental proportions.”

“We have to be a bit more tolerant and understanding of these people. It will be to Australia’s enduring shame if we load up Norfolk Island with bureaucracy and layers of rules and regulations so much that we make the lives of these 3,000 independent people miserable.”

“So my final comments are that as we look at the governance of the island, which is the next step in this process, we act with care, discretion and concern for the feelings of those people so that they might truly be part of the Commonwealth, but retain a uniqueness that enhances our own status as a nation and would serve as a shining example to other South Pacific countries.”

We would contend that such an approach would also enable Australia to hold Norfolk Island out as a shining example of Australia’s commitment to its International obligations.

Yours faithfully,

M C E Evans

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