

TERMS OF REFERENCE



Senator the Hon Richard Colbeck

Senator for Tasmania

Parliamentary Secretary to the Minister for Finance and Administration

Mr Alan Morris
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
BRADDON ACT 2612

01 MAY 2006

Dear Mr Morris

I am writing to convey to you the attached terms of reference for the Commission's review of Norfolk Island's financial capacity. The terms of reference provide guidance to the Commission to give advice on the financial capacity of Norfolk Island to provide State and local government services comparable to those of comparable mainland communities, having regard to the circumstances of Norfolk Island and assuming that it achieves the Australian average revenue raising effort from its State and local government-equivalent revenue bases and operates at the average level of efficiency.

The terms of reference require the Commission to provide a preliminary report by 30 June 2006 and a final report by 30 September 2006.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Colbeck'.

Richard Colbeck

Norfolk Island Terms of Reference

Pursuant to Section 16C of the Commonwealth Grants Commission Act 1973, I ask the Commission to advise on the financial capacity of Norfolk Island (henceforth, the Island) to provide State and local government services comparable to the services available in comparable communities in the States and Territories (henceforth, the States), having regard to the circumstances of the Island and assuming that the Island makes the Australian average revenue raising effort from its State and local government-equivalent revenue bases and that the Island operates at the average level of efficiency.

In particular, advice is sought on:

- (i) what it might cost to provide State and local government services, including depreciation, on the Island at the average range and levels provided in the States, recognising the size and circumstances of the island, assuming that the Island government operates at the same level of efficiency as State and local governments;
- (ii) the capacity of the Island to raise revenue from a comparable range of taxes and charges levied by State and local governments and at the average levels of these taxes and charges;
- (iii) the amount of financial assistance needed from the Australian Government to allow the Island to meet the cost of providing the services mentioned above (including the actual cost of servicing its existing loan agreements) having regard to the Island's capacity to raise revenue also mentioned above; and
- (iv) how much local government funding the Australian Government might provide to Norfolk Island on a basis consistent with local government funding arrangements applying in the rest of Australia.

The Commission is to provide a preliminary report by end June 2006 and a final by the end of September 2006.