



Commonwealth Grants Commission

INFORMATION PAPER CGC 2001/3

JERVIS BAY TERRITORY INQUIRY

July 2001

JERVIS BAY TERRITORY INQUIRY — INFORMATION PAPER

Introduction

1. Through the Department of Transport and Regional Services, the Commonwealth has commenced preliminary discussions with New South Wales about a greater role for the New South Wales Government in service provision in the Jervis Bay Territory.

2. The Commonwealth Grants Commission has been asked by the Minister of Finance and Administration to report on the appropriate funding — in the form a Specific Purpose Payment (SPP) — which could be paid to New South Wales for the provision of State and local government type services to the Jervis Bay Territory. It is the Commonwealth's objective to investigate, on a 'no commitment' basis, the costs associated with passing to New South Wales, responsibility for the provision of some of the services currently provided in the Jervis Bay Territory.

3. The report is to be completed by July 2002 at the latest.

4. This paper provides:

- (i) background on the Commission;
- (ii) the Commission's proposed approach to the Inquiry;
- (iii) the main tasks and issues for discussion; and
- (iv) details on how to contact the Commission.

The Commonwealth Grants Commission

5. The principal role of the Commonwealth Grants Commission is to advise the Commonwealth Government on the distribution of financial assistance to the States. More recently it have undertaken other inquiries at the request of the Commonwealth Government, for example, on the funding for the Indian Ocean Territories and Norfolk Island.

6. The Members of the Commission are part-time and are chosen for their expertise and impartiality. Members will visit the Territory. They are Mr Alan Morris (Chairman of the Commission since June 1999), Professor Ken Wiltshire, AO (member since 1995), Mr Len Early, PSM (member since 1999) and Mrs Hilda Rolfe (member since 2000).

The Approach to the Inquiry

7. The Department of Transport and Regional Services will provide general information about the Inquiry to the Jervis Bay Territory and current service providers.

8. The Commission proposes:

- (i) to visit and have discussions with the main service providers in the Jervis Bay Territory and other service providers to Jervis Bay residents;
- (ii) to seek submissions from the services providers and other interested parties;
- (iii) to obtain factual information from the Department of Transport and Regional Services on the cost of service provision and revenues raised in the Territory;
- (iv) to issue a discussion paper outlining its draft findings for general consideration and to obtain feedback from service providers and Jervis Bay Territory residents; and
- (v) to hold a conference in the Jervis Bay Territory to seek the views of interested parties on matters raised in that discussion paper, and invite further written submissions.

9. The Report will be finalised in July 2002, and presented to the Minister for Finance and Administration.

10. Commission staff will hold discussions in the Jervis Bay Territory, Sydney and the ACT in August 2001 with existing service providers and other interested parties. Some of the relevant agencies and organisations are likely to be:

- Jervis Bay Territory Administration;
- Wreck Bay Aboriginal Community Council;
- Shoalhaven City Council;
- Jervis Bay Liaison Group;
- Australian Federal Police;
- Environment Australia (concerning Booderee National Park and the Botanic Gardens);
- Aboriginal and Torres Strait Islander Commission;
- Defence Force (HMAS Creswell);
- Booderee Board of Management;

- the New South Wales Treasury and Cabinet Office;
- the New South Wales Local Government Grants Commission;
- the New South Wales Revenue Office;
- the ACT Treasury;
- the ACT Department of Education; and
- the ACT Department of Health.

11. Attachment A provides a proposed timetable of events associated with the Inquiry.

The Task

12. Attachment B sets out the terms of reference for the Inquiry. In them, the Commonwealth Government has asked the Commission:

- (i) to calculate the annual lump sum which would have been paid in 1999-2000 to New South Wales as an SPP to provide State and local government type services to the Jervis Bay Territory at Australian standards (or above if this is the level at which the service is presently being provided);
- (ii) to identify and deduct from (i) any revenue raising capacity which could be recovered by New South Wales by way of taxes, fees and charges on Jervis Bay Territory residents or visitors;
- (iii) to recommend the capital expenditure required for infrastructure and other assets to ensure the condition of assets is at Australian standard levels; and
- (iv) recommend a method for updating the amount of funding required in future years by New South Wales for the funding calculated in (i) and (ii) above.

13. The Commission will look closely at the range and level of services and infrastructure provided in the Jervis Bay Territory and also at what revenue could be raised in that Territory, having regard to the normal range and level of State and local government taxes and the special circumstances existing in the Territory.

Main Issues for Discussion

14. The main issues that the Commission needs to consider are as follows.

- (i) What government services — State and local government type services — are provided or should be provided in the Jervis Bay Territory or to Territory residents?
- (ii) How do the government services provided in the Territory or to Territory residents compare with the services provided elsewhere in Australia?
- (iii) What revenues are raised (a) in the Jervis Bay Territory, and (b) from the Jervis Bay Territory residents?
- (iv) What capacity does the Jervis Bay Territory community have to pay taxes, fees and charges?
- (v) What public infrastructure exists in the Jervis Bay Territory? How does the standard of that infrastructure compare with that in other places in Australia and is it above or below that provided in those other areas? What changes and funding are needed to make it comparable?
- (vi) Are there other issues the Commission needs to consider? For example, does the permanent population of the Territory fluctuate? What causes such fluctuations? How does this affect service provision or revenue raising? What special circumstances of the Jervis Bay Territory affects its costs of service provision and revenue raising?

15. Interested parties will greatly assist the Commission if these issues are addressed in their written submissions. A discussion paper on our preliminary findings will be published in early November 2001.

16. ***Service provision.*** The Commission would like to hear your views on the range and quality of government services provided in the Territory. If you can, please tell us:

- how those services compare with those in other comparable Australian communities;
- what special circumstances there are in Jervis Bay that require different types or levels of services; and
- what effect these circumstances have on the need for government services and the cost of providing them.

It would also help if you could say why you think the other Australian communities you have identified in your discussion are like the Jervis Bay Territory.

17. We know that residents of the Territory use some services in New South Wales — such as secondary education, vocational education and hospital services. Is it possible to estimate the cost of those services? Are arrangements made by the Commonwealth to cover these costs?

18. **Revenue raising capacity.** The Commission will be looking at all State-type and local government taxes and charges raised in Jervis Bay. What taxes and charges are levied in Jervis Bay and at what rates? What are the limitations on the Government's capacity to raise revenue in Jervis Bay? You can also talk about the taxes and charges which cannot be charged in the Territory. Should the Territory pay the same taxes (and at the same rates) as other Australians? What taxes and charges would be paid by Jervis Bay Territory residents to New South Wales? Is it possible to estimate the value of these taxes?

19. **Infrastructure.** Your comments on the infrastructure used to provide services are also important. We have sought information on known Territory assets from the Department of Transport and Regional Services, but we would welcome information about the quality and effectiveness of those assets. Are there other assets that are needed?

20. Attachment C provides a list of the likely range of State and local government type services provided and possible revenues that could be collected in the Jervis Bay Territory. These include municipal services and revenues, costs associated with health, education and community services, and revenues from vehicle registrations, housing rentals and liquor fees.

21. Attachment D contains general background information about the Jervis Bay Territory.

What you should do

22. Interested parties are invited:

- to have discussions with staff and the Commission during their visits to Sydney, Nowra and the Jervis Bay Territory;
- to provide the Commission with a written submission (by the 31st August 2001 for initial submissions);
- to contact the Commission, either by e-mail or phone to highlight issues; and
- to consider and comment on the Commission's discussion paper.

Follow-up submissions to the November Discussion Paper will be required by the end of January 2002.

Contacting the Commission

23. Commission staff are available for discussion of issues associated with the Jervis Bay Territory Inquiry and can be contacted phone or e-mail. Contact Malcolm Pascoe on (02) 6229 8869 or by email malcolm.pascoe@cgc.gov.au, or Richard Moxham on (02) 6229 8853 or email richard.moxham@cgc.gov.au.

24. Initial submissions should be sent to reach us by 31 August 2001. Please send your submission either by e-mail: secretary@cgc.gov.au or by post to:

**The Secretary
Commonwealth Grants Commission
5 Torrens Street
Canberra ACT 2612**

Conference

25. The Commission plans to hold a conference in the Territory in early December 2001 when all the Commissioners will attend. This will be informal and open to the public. The discussion paper on our preliminary findings will provide the basis for discussion.

Final Report

26. The final report will be given to the Minister for Finance and Administration by July 2002. It will be sent as soon as possible to the Jervis Bay Territory Administration, the ACT and the New South Wales governments and to all other parties who made submissions. Usually, the Minister gives approval for Commission reports to be distributed immediately.

Table 1 **TIMETABLE FOR THE JERVIS BAY TERRITORY INQUIRY**

Date	Event
2001	
23 July	Receipt of Terms of Reference
31 July	Release of Information Paper to relevant Government agencies
As soon as possible	Awareness campaign to be conducted by Department of Transport and Regional Services to advise the Jervis Bay Territory community and service providers about the inquiry
As soon as possible	Public release of Commonwealth Grants Commission Information Paper, seeking submissions
8-9 August	Commission staff to visit government agencies in New South Wales and the Jervis Bay Territory
mid August	Department of Transport and Regional Services to provide completed information on service provision and revenue raising, including financial data
31 August	Submissions received from service providers and other interested parties
Mid-November	Discussion Paper issued outlining the Commission's draft findings
3-4 December	Commission conference in the Jervis Bay Territory to cover matters raised in Discussion Paper
2002	
End January	Follow-up submissions received
March/July	Report prepared
End of July	Report presented to the Minister for Finance and Administration



MINISTER FOR FINANCE AND ADMINISTRATION

Attachment B

Mr Alan G. Morris
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
CANBERRA ACT 2601

23 July 2001

Dear Mr Morris

I am writing to provide the Commonwealth Grants Commission with terms of reference to: inquire into the financing of works and services in the Jervis Bay Territory; to recommend an appropriate level of funding for the Territory in 2002-03 (net of revenue); and to recommend a mechanism to update funding requirements on an annual basis. The Government's objective is to investigate, on a 'no commitment' basis, the costs associated with and the options for turning over to New South Wales some of the services currently provided in the Territory.

The terms of reference are as follows:

1. Pursuant to section 16B of the *Commonwealth Grants Commission Act 1973*, I ask the Commission, by July 2002 at the latest, to inquire into and report on the following in respect of the 1999-2000 financial year:
 - (i) the State and local government type services and grants that were provided by the Commonwealth, ACT, NSW and local government authorities to Jervis Bay Territory residents;
 - (ii) the level of expenditure that was required to provide the services reported on in 1(i);
 - (iii) estimates of the State and local government type revenues (including taxes, fees, fines and charges) that were raised in the Jervis Bay Territory and from Jervis Bay Territory residents; and
 - (iv) the infrastructure and other assets that were associated with the provision of State and local government type services, their age profile, state of repair,

and other details which would assist in quantifying the cost of maintaining or replacing these assets.

2. The Commission will make recommendations on:
 - (i) the expenditure that would have been required to provide:
 - (a) State, and
 - (b) local government-type services to Jervis Bay Territory residents at Australian standards (adjusted for the special characteristics of Jervis Bay Territory) in 1999-2000;
 - (ii) the services that were being provided at a level above Australian standard, and those below Australian standard;
 - (iii) the capacity for raising revenues from Jervis Bay Territory residents at Australian standards in 1999-2000;
 - (iv) the funding in 1999-2000 that would have been required by the NSW Government to:
 - bring the provision of the services identified in (ii) as 'below standard' up to Australian standard levels, and
 - maintain the provision of the services identified in (ii) as 'standard' or 'above standard' at these levels;
 - less the revenue that can be raised from Jervis Bay Territory residents at Australian or NSW standards; and
 - (v) the capital expenditure that would be required to ensure that the condition of assets identified in 1(iv) was at Australian standard levels.
3. The Commission will further recommend a mechanism for updating the funding levels recommended in 2(iv) to ensure appropriate levels of funding could be provided in future years, and in particular, make a recommendation on the funding that would be required by the NSW Government to provide services at levels described in 2(iv) for the 2002-03 financial year.

For the purposes of its inquiries, the Commission should assume that any future agreement between the Commonwealth and NSW Governments for service provision to the Jervis Bay Territory would provide for the Commonwealth to fund NSW on an annual basis through specific purpose payments (SPPs).

The Commonwealth Department of Transport and Regional Services has undertaken to provide the information required for this inquiry in a timely manner.

I have provided a copy of this correspondence to the Treasurer, the Minister for Transport and Regional Services, the Minister for Regional Services, Territories and Local Government, the New South Wales Special Minister of State, and the Australian Capital Territory Government.

Yours sincerely

JOHN FAHEY

**JERVIS BAY TERRITORY —PRELIMINARY LIST OF SERVICES, POSSIBLE REVENUE
SOURCES INFRASTRUCTURE AND OTHER ASSETS**

LOCAL GOVERNMENT TYPE REVENUES AND SERVICES

Services

Aerodrome
Public cemeteries
Control of dogs
Residential garbage services, and street and gutter cleaning
Stormwater drainage and flood control

Revenue sources

Municipal equivalent rates — Territories settlement
Municipal equivalent rates — private leaseholders
Municipal equivalent rates — Wreck Bay
Municipal equivalent rates — Naval Base
Garbage and Tip Service fees

STATE GOVERNMENT TYPE REVENUES AND SERVICES

Services

Education — Pre-school, Government School, VET, Transport of Rural School Children
Health — Hospitals, Mental Health, Community Health, Public Health
Law and Order — Police, Administration of Justice, Public Safety and Emergency Services
Housing, First Home Owners Scheme
Welfare — Family and Child, Aged and Disabled, Other
DOTRS Administration costs
Concessions and Other Payments — Electricity and Gas, Water Supply and Sewerage, Freight, Non-urban Passenger Transport, Other Trading enterprises
Culture and Recreation
National Parks and Wildlife Services
Aboriginal Community Services
Superannuation
GST Administration Costs
Other General Public Services
Services to Industry — Primary Industry, Mining Fuel and Energy, Tourism, Manufacturing and Other Industry, Subsidies — Petroleum Products, Subsidies — Alcohol Products
Roads
Debt Charges, Depreciation
Regulatory and Other Services

Revenue sources

Payroll Tax
Land Revenue
Stamp Duty on Conveyances
Financial Transaction Taxes
Stamp Duties on Shares and Marketable Securities
Gambling Taxation
Insurance Taxation
Heavy Vehicle Registration Fees and Taxes
Other Vehicle Registration Fees and Taxes
Stamp Duty on Motor Vehicle Registrations and Transfers
Drivers' Licence Fees
Other Taxes

**JERVIS BAY TERRITORY —PRELIMINARY LIST OF SERVICES, POSSIBLE REVENUE
SOURCES INFRASTRUCTURE AND OTHER ASSETS**

Interest Earnings

Mining Revenue

Contributions by Trading enterprises

Housing and other rental collections

INFRASTRUCTURE (BUILDINGS AND EQUIPMENT) AND OTHER ASSETS

Administration buildings

Health centre

School

Police station and court

Roads

Water supply

Sewerage

Sporting facilities

Aerodrome / air-strip

Cemeteries

Jetties and boat ramps

Other buildings and equipment

Other Assets

JERVIS BAY TERRITORY — BACKGROUND INFORMATION

Geography

The Jervis Bay Territory (JBT) comprises about 7 400 hectares on the southern shores of Jervis Bay approximately 200 km south of Sydney by road. The territory consists of a mainland area of just over 6 500 hectares, about 800 ha of marine waters and Bowen Island (51 hectares). Ninety per cent of the Territory consists of Aboriginal land, including Booderee National Park.

Environment and Heritage

The area is rich in natural and cultural assets, preserved through the declaration of the Booderee National Park and Botanic Gardens, and the entire Territory's listing on the Register of the National Estate.

Aboriginal Culture

The Jervis Bay area is said to be the birthplace of the 13 south coast tribes. Nearby are sites of great spiritual significance to Aboriginal people. The presence of physical evidence such as extensive shell midden sites reflects a previous lifestyle.

Descendants of the traditional landowners live in Wreck Bay today. They were granted land rights over 403 hectares of land in 1986. A further grant of the Commonwealth's Jervis Bay National Park was made to the Wreck Bay Aboriginal Community in December 1995 and the park was renamed Booderee in 1998.

The Park is now under a joint management arrangement based on the model successfully applied to Uluru-Kata Tjuta and Kakadu National Parks in the Northern Territory.

Demographics

While the population of the JBT fluctuates, the 1996 Census reported the population at 762. There are approximately 400 Royal Australian Navy personnel (including families) at HMAS Creswell. In the adjacent Jervis Bay Village there are approximately 70 civilians — mainly government employees, including teachers, police, National Park staff and staff of the Territories Office. The Wreck Bay Aboriginal Community numbers approximately 220, and there are about 20 people residing on the private commercial leases.

Jervis Bay Administration and Service Provision

Located in the Territory, the Jervis Bay Administration has overall responsibility for the provision of a full range of local and state government services. Some of these services are provided directly by Administration, but others are carried out under contract by ACT government agencies and private contractors. The Administration also plays an important role in liaison between the various groups within the Territory.

The range of management services provided on behalf of the Commonwealth by the Jervis Bay Administration and various contracted ACT and local government agencies include:

- Court;
- Dog Control;
- Electricity;
- Education;
- Community Health;
- Welfare;
- Motor Vehicle Registry and Receiver of Public Monies;
- Sewerage; and
- Water.

The Australian Federal Police provides policing services to the Territory, and Parks Australia is responsible for the Booderee National Park and Botanic Gardens in joint management with the Wreck Bay Aboriginal Community.

The role of the Territory within the Shoalhaven region is also becoming increasingly important. The Administration represents the Territory in a number of areas including Jervis Bay Region Environmental Planning Committee, Shoalhaven Emergency Management Committee, Lower Shoalhaven Total Catchment Management Committee and Jervis Bay Marina Taskforce. Other areas of interest include regional tourism, transport and environmental management.

Economic Development

Tourism is the most significant economic activity in the Jervis Bay Territory. Approximately 750 000 tourists visit each year, including day-trippers and campers who enjoy the facilities of the Booderee National Park.

The Territories Office of the Department of Transport and Regional Services has moved to privatise most government services in the Jervis Bay Territory. These services include the management of the housing stock; maintenance and operation of the water treatment plant and water reticulation system; maintenance and operation of the sewerage services;

maintenance of commercial/community buildings; and repair and maintenance of the Jervis Bay Village roads, stormwater drains and pollution traps.

Financial Administration

Since self-government in the ACT, services in relation to the administration of the Jervis Bay Territory have largely been provided by the ACT under Memoranda of Understanding between the Commonwealth and the ACT.

Jervis Bay Territory does not currently participate in the established revenue sharing arrangements between the Commonwealth, the States, the other mainland Territories and local government. Rather, government services are funded administratively through Territories Office appropriations, but are generally based on service standards in the surrounding region.

Governance

The Commonwealth acquired the Territory from the State of New South Wales in 1915 so that the seat of government would have access to the sea. The Jervis Bay Territory Acceptance Act 1915 (the Acceptance Act) and ordinances made by the Governor-General in Council under the Act, for the peace, order and good government of the Territory, are administered by the Commonwealth Minister responsible for Territories. Only three such Ordinances have been made:

- the Administration Ordinance 1990,
- the Leases Ordinance 1992, and
- the Fire Management Ordinance 1997.

The laws in force from time to time in the Australian Capital Territory (ACT) are in force in the Jervis Bay Territory. In 1996 the Wreck Bay Aboriginal Community Council, established by the Aboriginal Land Grant (Jervis Bay Territory) Act 1986, was given a limited by-law making power.

Each court of the Australian Capital Territory has jurisdiction in and in relation to the Territory as if the Territory formed part of the Australian Capital Territory.

The Jervis Bay Territory is in the Commonwealth Electoral Division of Fraser (ACT). Jervis Bay Territory residents are not represented at the local or state government level but have some access to the decision making process through the Jervis Bay Liaison Group (comprising representatives of the commercial leasehold, the Jervis Bay Territory village and the Naval College) and the Wreck Bay Aboriginal Community Council.

Information Source

The above information was obtained from the Department of Transport and Regional Services' web site (accessed May 2001). <http://www.dotrs.gov.au/terr/jervis/admin.htm> and communication with Territories Office.