

CHAPTER 1

BACKGROUND TO THE INQUIRY

1. On 23 October 1996, the Minister for Administrative Services gave the Commission terms of reference for an inquiry into the economic capacity of, and financial arrangements and government services for, Norfolk Island.

2. The inquiry had been requested by the Minister for Sport, Territories and Local Government following an agreement reached at a meeting on 7 October 1996 between the Commonwealth Government and the then Norfolk Island Government.

THE OBJECTIVES OF THE PARTIES

3. The terms of reference for the inquiry were as follows.

Pursuant to section 16C of the *Commonwealth Grants Commission Act 1973*, I request the Commission to provide independent advice on Norfolk Island's economic capacity, financial and administrative arrangements and government services, including:

- (i) capacity to meet obligations associated with current and future government functions that might be associated with an extension of the degree of self government;
- (ii) the capacity to fund the Island's current and foreseeable infrastructure requirements (including its ability to service loans); and
- (iii) government services available on Norfolk Island, including the contribution of the community towards those services and the capacity of the Island to maintain services at an appropriate level.

4. The letter transmitting these terms of reference to the Commission placed the inquiry in context by noting that:

Norfolk Island essentially has a single industry economy based on tourism. The Norfolk Island Government is actively looking for ways to diversify its

economic base and generate capital finance. Other economic prospects which have been raised with the Norfolk Island government include 'high tec' industries.

It also noted that both the Commonwealth and the Norfolk Island Governments believed that:

there should be an assessment of the Island's financial and economic capacity to deal with industries of this nature and any expanded range of powers and functions under the Act.

5. The Act referred to is the *Norfolk Island Act 1979*, which established a large degree of self government for the Island. It gave the Norfolk Island Government a range of powers comparable to those of the Australian Capital Territory (ACT) and the Northern Territory Governments, plus the responsibility for some functions (including social security benefits, immigration and customs) that are reserved to the Commonwealth in all States¹ and other Territories. Schedule 2 to the Act listed those items over which the Norfolk Assembly and Government were given exclusive legislative and executive authority, and Schedule 3 those over which their authority was subject to veto by the Commonwealth minister. The intention at the time was that the arrangements for self government would be reviewed after five years, but this did not happen.

6. In recent years, the Island Government has indicated to the Commonwealth a wish to increase its range of powers, to include land administration for example, and to broaden its economic base. However, some people on Norfolk Island have expressed concern about their Government's capacity to discharge its existing functions, let alone any new ones.

7. The Commonwealth recognises the need to review the self government arrangements for Norfolk Island, including a review of the *Norfolk Island Act 1979*, and expects this inquiry to provide information that will inform those reviews. For its part, the present Norfolk Island Government, elected in late April 1997, is wary of any review of the Norfolk Island Act. It acknowledges that a review was intended after the first five years of its operation and that the Seventh Assembly and the Commonwealth agreed in October 1996 that it should be reviewed. However, it does not believe that big changes to the Act are necessary. The Commonwealth gave an assurance that any proposals for change arising from the Commission's inquiry or otherwise would be subject to negotiation between the Norfolk Island and Commonwealth Governments before they were implemented.

8. The present Norfolk Island Government expects this inquiry to provide an assessment of the appropriateness of the administrative and financial arrangements and to suggest better ways of providing services and infrastructure. It hopes that:

- the inquiry will lead to the establishment of a database that will better support decision making;

¹ In the rest of this report, the term State(s) includes the ACT and the Northern Territory, unless the context indicates otherwise. The expressions 'mainland' and 'mainland Australia' also have this meaning.

- the Commission's report will be a useful input to the development of a strategic plan for the Island; and
- together with other recent advice commissioned by the Island Government², the report will assist its attempts to diversify the Island's economic base and increase its financial capacity.

9. During the Commission's discussions with the Norfolk Island Government, the Chief Minister noted that, even before the Commission had reported, the inquiry had been of benefit because it had encouraged the new Government to take a more strategic approach to the provision of government services.

HOW THE INQUIRY WAS CARRIED OUT

10. Throughout the inquiry, the Commission placed a high value on consultation and the involvement of numbers of the community and local interest groups.

11. The process commenced with an article in the Norfolk Island press to announce the inquiry and to call for submissions. This was followed by a visit to the Island by the Chairman and Secretary of the Commission in November 1996 for introductory discussions with the then Island Government and other interested people and organisations. In December, two senior Commission staff visited the Island to distribute a discussion paper, to assist parties to make submissions and to begin to collect data. The discussion paper outlined the main issues the Commission thought would arise during the inquiry and the procedures it intended to follow. Submissions were also sought from key Commonwealth Departments and agencies.

12. Initial submissions were due by the end of February 1997. Some parties had difficulty meeting that date but, by the end of April a total of fourteen submissions had been received.

13. In May 1997, the Commission conducted a public conference on Norfolk Island to discuss the submissions. All those who had made submissions were invited to attend and many other Norfolk Island residents also participated. To assist the discussion, the Commission provided an annotated agenda that included issues and background information from the submissions. While most of the conference was conducted in public, some sessions were held *in camera* to allow confidential material to be presented.

14. Since the conference was held only a few days after the election of the Eighth Norfolk Island Legislative Assembly, the new Government and other participants at the conference were invited to present additional written submissions. More than twenty such submissions were received.

² In particular, in January 1997, the then Norfolk Island Government commissioned the consultant economists Access Economics to analyse and report on the Island's economy and economic prospects.

15. After the conference, the Commission undertook workplace discussions, at which it talked with the service providers about the operation of: the works depot; lighterage services; the police station; Norfolk Telecom; the airport; the radio station; the hospital; the school; the childcare facilities at Banyan Park; electricity services; emergency services; the museum; water, sewerage and refuse disposal; and public administration.

16. In June 1997, a draft of the Commission's report, including a preliminary *fiscus*³ but excluding final recommendations, was provided to all parties who had made submissions and to all others who requested it. Following this, a further conference was held on the Island at the beginning of July 1997 to discuss the Commission's preliminary findings. At the conclusion of the conference, the Commission undertook workplace discussions at the Customs Office, the philatelic section of Norfolk Post and the liquor bond store.

17. Again, more than 20 submissions were received following this conference and additional information was provided by many parties. The feedback from the conference and the additional documentation proved to be very useful in completing this report.

18. Details of Commission's activities relating to the inquiry and a list of all people who participated is at Attachment A. Attachment B contains the media releases on the inquiry and Attachment C lists all other inquiry documents, including papers prepared by the Commission and submissions received.

ACKNOWLEDGEMENTS

19. We are grateful for the ready co-operation extended to the Commission by the Norfolk Island Government and its staff, the Administrator and Deputy Administrator and their staff and the Commonwealth Department of the Environment, Sport and Territories. Without that co-operation, the completion of this report would not have been possible.

20. We also acknowledge with gratitude the extensive participation of the Norfolk Island community, both in our discussions on the Island and by way of written submissions. These contributions added welcome depth and new dimensions to our understanding of the relevant issues.

21. We are also grateful for the efforts of the many Commission staff who contributed to this report.

³ A set of accounts that shows, in the one document, the government revenues of, and expenditures for, the people of Norfolk Island.