



The Government of Norfolk Island

Summary of submission to the Hon Bob Debus MP, Minister for Home Affairs, concerning the governance of Norfolk Island

Introduction

- This submission was made in response to issues raised by Minister Debus in his statement to the House of Representatives and during subsequent meetings in Norfolk Island.
- Minister Debus stated that he was “...concerned that the current arrangements operate to the disadvantage of many on Norfolk Island”. Norfolk Island Government has asked Minister Debus to provide details of the specific areas considered to operate to the disadvantage of people in Norfolk Island so that we may assess and provide information on how these are delivered. The Norfolk Island Government believes that in terms of service delivery, equity and overall outcomes, the Norfolk Island community is in a better position in almost every respect than residents of comparable small remote communities in Australia. Since successive Australian governments have contested this position, we would be happy to discuss with the Commonwealth a method by which we are able to accurately assess our service and service delivery in comparison with small remote communities in Australia.

Governance model

- Norfolk Island Government is looking forward to celebrating 30 years of self-government in August 2008. It is the unanimous view of the Norfolk Island Legislative Assembly that self-government has served Norfolk Island and its people very well, and that we strongly desire to continue to determine our own destiny through this democratic means.
- It is our belief that any Commonwealth action to substantially change one or more of the interwoven factors which make up the Norfolk Island governance/economic model would be likely to cause severe damage to the sustainability of our economy. The Norfolk Island Government has elaborated this position to various parliamentary enquiries (see for example our August 2008 submission to the Senate Select Committee). We would support a joint independent study on agreed terms of reference to examine and report on the inter-relationships between the

key aspects of the Norfolk Island economy and to recommend any changes necessary to improve equitable and sustainable outcomes.

- The Norfolk Island Government and Assembly acknowledge concerns raised by Minister Debus about the complexity of the governance arrangements as set out in the *Norfolk Island Act 1979* (Cth.). We believe that what is required is a fine-tuning of these arrangements, not wholesale or radical change. We therefore commissioned an independent external legal review of the Act, and have now presented to Minister Debus a detailed proposal for simplification and modernisation of the Norfolk Island Act. The effects of our proposals, if adopted by the Commonwealth, would be to remove any confusion over the powers of the Commonwealth *vis a vis* Norfolk Island and to reduce costs through eliminating lengthy delays in assent to legislation. Further savings would be achieved by aligning Norfolk Island with the process in the Australian Capital Territory, which does not require an Executive Council.
- The role of Administrator would be retained, with clearly defined powers, and some of the powers of the Commonwealth would be expanded and codified. As this paper is essentially a suggestion for substantial legislative revision, we suggest that it be referred to a joint task force of Commonwealth and Norfolk Island officers for discussion and recommendations on how to progress the matters raised.

Responses to parliamentary reports

- We are concerned at the repeated contention that Norfolk Island Government has failed to provide "...detailed views on the many recommendations and findings of previous Parliamentary and other reports". Nothing could be further from the truth – Norfolk Island Government has responded in great detail, while on most occasions the Commonwealth has failed to do so. The submission includes three substantial documents setting out some of those responses, together with the actions taken by Norfolk Island to implement recommendations or to modify programmes in areas identified in external reports.

Equity, fairness and progressive revenue measures

- The Norfolk Island Government and Assembly share the view that legislation and government programmes must promote fairness and equity. This remains a guiding principle in the delivery of our community services and in our revenue measures. That said, we believe that the disparity between low and high income earners in Norfolk Island has been grossly exaggerated in some quarters and that the gap between rich and poor here is much less than in Australia, even in comparable small or remote communities. This is borne out by the 2006 Norfolk Island census results, but it is conceded that in the absence of a comprehensive Australian-style taxation system, Norfolk Island has considerably less data than the Commonwealth on which to base income comparisons.

- Reference has been made to a paper from the Commonwealth Treasury in 2003, which examined taxation options for Norfolk Island. Arising from that paper, the Commonwealth initiated a longer-term consultation involving the Norfolk Island Government and senior officials from Treasury, Department of Finance and Australian Taxation Office. While the original paper leaned toward recommending a locally-based income tax for Norfolk Island, after several visits and lengthy consultations, the officials' group recognised that such a tax would be administratively complex and that nett revenue returns might be minimal after allowing for the high cost of collection of such a tax. Both government parties agreed that tax reform in Norfolk Island was desirable, with a view to spreading the tax burden more equitably and removing regressive indirect taxes. This resulted in the decisions in 2005 and 2006 by the Norfolk Island Government to implement a major tax reform package including:
 1. Implementing a broadly-based consumption tax on goods and services with minimal exemptions. This tax was progressive to the extent that higher income individuals paid a greater gross amount than those on lower incomes with lesser levels of expenditure. Exemptions were provided to assist working families with child care costs and adjustments were made to pension rates to compensate pensioners for cost of living increases.
 2. Removal of the bank deposits tax (Financial Institutions Levy).
 3. Removal of customs duties from most goods
 4. Drawback of customs duty for importers to avoid double taxation of duty and GST
 5. Revocation of the accommodation levy ("cold bed tax')
 6. Abolition of the 6% wholesale margin for purchases of alcohol products.

Norfolk Island Government proposes discussions with Minister Debus on measures which might result in more progressive revenue raising and/or service delivery programmes. A valuable first step to inform both governments of the procedures and consequences involved would be the reinstatement of the joint consultation group with Treasury, Finance and ATO to undertake timely discussions and make recommendations for further tax reform in Norfolk Island.

Service delivery and transparency

- In the Norfolk Island Government submission to the Senate Select Committee on State Government Financial Management and the Chief Minister's statement to the Legislative Assembly on 18 November, much detail was given on the wide range of community services provided in Norfolk Island and on the equivalence of *outcomes* achieved through a much lower-cost governance and administrative model than that in place throughout Australia. This position was reiterated by the Members who spoke in response to the Assembly statement, as shown in the Hansard already tabled in the House of Representatives on 27th November.
- In democratic systems there are always demands for more and better services, often at the same time as competing demands for lower taxes. We do not agree

with the assessment of Minister Debus that generally services in Norfolk Island are, or are likely to be, below national standards. Indeed, we reiterate that many are equivalent to or above those standards, and that community services are certainly superior to those available in equivalent small and remote Australian communities. It is further submitted that some of the views put forward by groups or individuals in Norfolk Island are not based on fact, nor are they representative of the community as a whole. We note in particular that views put forward by the only political party in Norfolk Island come from a group which has not put forward candidates for election and therefore has no representatives in the Legislative Assembly. Further independent assessment of our community services, as proposed above, would clarify this matter.

- We agree that there are areas where improvements can and should be made. We are grateful to Minister Debus for agreeing to assist us to improve transparency and accountability through the implementation of ombudsman and anticorruption services. Letters to the Minister of 5th December and 22nd December 2008 enclosing progress reports from the NSW Independent Commission Against Corruption provide much more detail on these matters. As well, we are grateful to the Commonwealth Ombudsman for agreeing to assist the Administration of Norfolk Island to implement a new administrative complaints process.
- As highlighted in discussions with Minister Debus, Norfolk Island could benefit from enhanced programme audit and performance audit procedures. We would welcome any assistance or expertise which could be shared with us by the Commonwealth to assist in making our existing internal audit procedures more robust and effective.
- Norfolk Island Government has previously provided details of the legislative changes in progress to strengthen child protection and child welfare provisions. These will proceed early in 2009, together with some foreshadowed positive changes in fringe benefits for pensioners.