

**Submission by the Norfolk Island Accommodation and
Tourism Association**

**to Hon Minister Fiona Nash MP
Minister for Local Government and Territories**

**Federal Government Changes to Norfolk Island
Framework to address Economic Impact**

23 August 2016

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Table of Contents

<u>Section</u>	<u>Page</u>
1. Executive Summary	3
2. Introduction	6
3. Background	7
4. About the Accommodation and Tourism Association (ATA)	9
5. The Accommodation Industry	11
6. Role of Government	12
7. Framework	12
8. References	26

1. Executive Summary

7.1 Federal Government to Commit to Norfolk Island Tourism Promotion Funding

The ATA calls on the Federal Government to commit to funding tourism promotion for Norfolk Island at levels that will stimulate the economy. The ATA calls on the Federal Government to immediately state its current policy with respect to Tourism Industry support in the form of Marketing Funding, and the Economic Development Bureau, of which tourism would be the major component.

The ATA would be happy to share with the Federal Government a detailed breakdown of the proposed \$3-mil budget in 2016-7 Federal Government funding for Norfolk Island tourism.

7.2 Federal Government to Share Visitor Statistics with Industry

The ATA calls on the Federal Government to share timely, confidentialised and relevant aggregated data with the tourism industry.

7.3 Federal Government to initiate an Economic Impact Assessment of its reforms

7.3.1 Introducing most of these reform measures all at once on a fragile economy is considered very risky and irresponsible.

7.3.2 Uncertain Impact of Federal Income Tax.

7.3.3 Lack of Econometric Modeling by Federal Government. The ATA has completed its own modeling with alarming results.

7.3.4 Massive Negative Economic Impact of Extension of Award Rates.

It is hoped that the Federal Government will reconsider or delay the introduction of laws that will cause further economic contraction.

7.3.5 Federal Government to validate its assertion that prices have fallen from 1 July 2016.

7.3.6 Federal Government to validate its assertion that Welfare and Income Tax (with the exemption of GST and Customs Duty) will create Economic Stimulus.

The ATA calls on the Federal Government to initiate an urgent economic impact assessment of its reforms. The ATA welcomes the opportunity to assist with this economic impact assessment, and to share its own modeling.

7.4 Federal Government to Announce an Economic Stimulus Policy

The ATA calls on the Federal Government to publish an Economic Strategy for Norfolk Island.

7.5 Federal Government to clarify policy regarding public sector/private sector responsibilities, monopolies and barrier to entry.

The Federal Government should be removing barriers to entry not creating them. It should provide an environment, with incentives and fewer regulations, conducive to private sector investment. It should take into account unique characteristics and needs of small isolated islands where privatisation is not always the best option for the common good, and where there are environmental and other constraints. There has NOT been a net economic benefit to the recent Federal Government reforms, and in many cases, businesses have closed or will be closing.

The ATA calls on the Federal Government to immediately clarify its policy with regard to public sector responsibility for tourism marketing, tourism education, industry support, etc.

7.6 Federal Government to Provide Timetable for Extension of Legislation

The ATA calls on the Federal Government to reduce business uncertainty, after first consulting with the private sector and completing an economic assessment, by providing a timetable for extension of Company Law, Corporation Law, Occupational Health and Welfare, Consumer and Competition Law, Ombudsman, Anti-Corruption legislation, etc.

7.7 Federal Government to participate in the Norfolk Island Tourism Strategic Plan.

The ATA calls on the Federal Government to ensure the relevant Federal entities such as KAVHA, Tourism Australia, National Parks, Administrator's Office, Department of Regional Development are committed to supporting the tourism strategy and publish their implementation plans to do so.

7.8 Federal Government to clarify responsibilities of Administrator and Federal officials with respect to Norfolk Island tourism.

The ATA calls for clarification with respect to the role of the Administrator and other Federal Government Officials in Norfolk Island tourism.

7.9 Federal Government to create Immigration options for unskilled workers

There is a lack of Immigration policy and visa types for hiring foreign nationals from countries such as Fiji to perform housekeeping and other relevant work. This will impact the tourism industry which depends on these permanent unskilled workers to perform certain tourism jobs. **This could lead to serious labor shortages and upward pressure on wages, which could have a negative impact on the tourism industry.**

The ATA calls on the Federal Government to create a visa category or visa sub-class to enable foreign nationals to fill unskilled positions that cannot be filled by locals.

7.10 Federal Government to direct Tourism Australia to fully include Norfolk Island

The ATA calls on the Federal Government to enable Tourism Australia to fully represent Norfolk Island as it does other states and territories, and announce a timetable for completion with accountability.

7.11 Federal Government to include Norfolk Island in the Australian Tourism Data Warehouse

The ATA calls on the Federal Government to include Norfolk Island in the Australian Tourism Data Warehouse and Australia.com, and announce a timetable for completion with accountability.

7.12 Federal Government to clarify role of Destination NSW

The Federal Government has not articulated any tourism plan or economic strategy for Norfolk Island. *The ATA calls on the Federal Government to clarify the role that Destination NSW may, or may not, play going forward.*

7.13 Federal Government to stay within JSCNET Enquiry terms of reference

The Joint Standing Committee on the National Capital and External Territories (JSCNET) terms of reference on its 2014 Enquiry into Economic Development on Norfolk Island deviated completely outside its published terms of reference, into Governance. It denied the community an opportunity to consult on governance.

The ATA recommends that the Federal Government initiate an enquiry into its actions with respect to Norfolk Island since 2014, and work to instil confidence in the community for Federal Government enquires, actions and outcomes.

7.14 Federal Government to provide access to independent review mechanisms to ensure accountability and natural justice for all public servants.

The Federal Government made a number of decisions which have been detrimental to the Norfolk Island Tourist Industry. It removed the Tourism Minister, General Manager for Norfolk Island Tourism, Tourism Board, and the Tourism Officer. **This significantly reduced the capacity on island to drive tourism to Norfolk Island, and almost dismantled the entire tourism promotion capacity.** Federal Officials failed to address tourism issues, human capacity, and to properly exercise their responsibilities with respect to tourism.

In June 2016, the Federal Government appointed a Regional Council Group Manager with responsibility for Tourism. The problem is she has no background or experience whatsoever in tourism.

The ATA believes that visitor numbers for the year ending June 2016 would not have fallen from the previous year if the Federal Government had exercised its tourism responsibilities effectively.

The ATA recommends that the Federal Government extend anti-corruption legislation and provide other judicial and appeal mechanisms to Norfolk Island without further delay, so that accountability processes are put in place.

7.15 Federal Government to create a Commission to recommend a new Governance Structure underpinned by the Community's legal and moral right to self-determination.

The Federal Government needs to create a commission of experts and stakeholders to examine a new governance structure and constitutional relationship, supported by the community, that respects the community's right to an act of self-determination.

It may be helpful to look to New Zealand's relationship with its Pacific Island dependencies, such as Niue, Tokelau and Cook Islands. It may also be helpful to look at the UK's relationship with Falkland Island, an economically successful British Overseas Territory with internal self-government, as well as Pitcairn Island, and figure out what lessons may be applicable to Norfolk Island. It makes no sense to take a governance model that has failed in the Indian Ocean Territories and apply it Norfolk Island.

7.16 Federal Government to respond to ATA Submissions and Correspondence.

The ATA calls on the Federal Government to respond to issues raised by the ATA and other representative business sector organisations.

7.17 Federal Government Minister and officials to Meet with Private Sector Business Representatives

The ATA extends its open invitation to the current Minister, Hon. Fiona Nash, and department officials to meet and consult meaningfully as soon as possible with the elected representatives of the peak industry bodies of the ATA and Norfolk Island Chamber of Commerce.

2. Introduction

2.1 The ATA has written to the Department of Regional Development (DIRD) and to the previous Ministers responsible for Norfolk Island several times, but has not received any response. For instance, its submission of 10 February, 2016 has never even been acknowledged. These submissions have also been copied to the Administrator of Norfolk Island and other Federal officials without any response.

2.2 This submission is a follow up to the Norfolk Island Accommodation and Tourism Association (ATA) submission of 10 February 2016, which was sent to the previous Minister with responsibility for Norfolk Island, Min. Paul Fletcher.

2.3 The ATA would like to make a positive contribution to the economic situation that has developed as a result of the changes that have been introduced by the Federal Government since June 2015.

2.4 The ATA has serious concerns that the Norfolk Island economy is in danger of collapse.

- 2.5 The ATA would like to engage with the Federal Government to discuss the proposed economic framework presented in this submission.

3. Background

- 3.1 Tourism is the most significant industry and employer in Norfolk Island.
- 3.2 In June 2015, the Federal Government removed the democratically elected Government of Norfolk Island, including the Tourism Minister, and replaced it with several Commonwealth officials.
- 3.3 The contract for the Norfolk Island Tourism General Manager was not renewed, and the Tourism Board was dissolved.
- 3.4 There has been no tourism general manager dedicated to driving Norfolk Island tourism since the Executive Director made the decision to not renew the previous tourism manager contract.
- 3.5 The tourism industry was previously actively involved in Tourism Bureau decisions through the Tourism Advisory Board. The Executive Director of Norfolk Island chose not to pursue legal avenues to ensure this involvement continued until some alternative framework could be developed. As a result, there has been no industry involvement in Norfolk Island's major industry since July 2015.
- 3.6 The ATA, Chamber and business community have been kept mostly in the dark with regard to demographic visitor data, upcoming marketing campaigns, sales, event funding, the work of the Norfolk Island Tourism's paid representatives both in NZ and Australia, and the work of the contracted Destination Marketing Manager based in Brisbane.
- 3.7 With neither a Tourism Minister nor a General Manager of Tourism, the Executive Director and later the Transition Manager were nominally charged with responsibility for tourism. However, **neither of these managers played any active tourism role throughout their tenure.**
- 3.8 When the Executive Director, and later the Transition Manager, assumed responsibility for Tourism, the ATA reached out to them many times. However, the only feedback the ATA received was something like "we're working a plan to address this" or "yes, we think industry should be involved, and will make sure this occurs" That is where it ended. Nothing ever happened.
- 3.9 According to the Norfolk Island Transition Manager, the focus was rather on "getting the machinery of government right, preparing for elections", etc. It was almost as if the private

sector was just a nuisance that could be ignored, as there were more important Government things to focus on. The Transition Manager stated to the ATA on 4 February 2016 that there was no plan to formally involve the industry in Tourism Bureau decisions before 1 July 2016.

- 3.10 The Federal Government ignored the issues raised by peak bodies representing the tourism and business industry.
- 3.11 The Executive Director of Norfolk Island engaged the consulting firm of Morrison Low. There does not appear to be any transparent procurement process. The ATA Executive met with a Morrison Low director in the first quarter of 2016 to discuss tourism from an industry standpoint, as part of a Federal Government review, but has never been provided with a report or seen any recommendations.
- 3.12 The Executive Director of Norfolk Island engaged the services of the James Corvan, Tourism Guru, to provide a number of tourism services working from his Brisbane home for two days per week. There does not appear to be any transparent recruitment process, or any assessment of performance against the schedule of contracted services, most of which were never delivered. The ATA received a copy of the two deliverables in August 2016. The first deliverable was a report titled "Matters for Urgent Discussion and Resolution" (4). There was no resolution and no approved budget, so it became a mostly worthless exercise. The second deliverable titled "Norfolk Island Marketing Action Plan 2016-2019" was basically a cut and paste from the first deliverable (8)
- 3.13 Norfolk Island Tourism responsibilities were essentially left to the Operations Manager, acting in the capacity of the General Manager without any oversight, and no tourism board, and limited resources. She has been expected to perform the role of both the Operations Manager and General Manager without resources or adequate compensation for this huge responsibility. As a consequence, **Norfolk Island Tourism is considered to be close to breaking point.**
- 3.14 In June 2015, the Local Tourism Officer was relieved of his duties with respect to tourism.
- 3.15 In June 2015, as part of the Federal government effort to increase intellectual capacity in local government, the Federal Government hired a Regional Council Group Manager (Governance) with responsibility for tourism. However, the incumbent in this position has **absolutely no background, experience or qualification in tourism.**
- 3.16 **Norfolk Island currently has less human and financial capacity to promote tourism than it did prior to June 2015.**
- 3.17 Since July 2015, when the Federal Government assumed total control of Norfolk Island Governance, there was a **lack of Economic Stimulus Policy**. Also, it has not articulated any future Federal Government Policy to stimulate the Norfolk Island tourism sector in the

short term. It initiated some low return infrastructure projects unrelated to tourism. Even the small business \$20,000 Asset Write-off provision did not apply to Norfolk Island until 1 July 2016, which meant assets purchased and used before that date did not qualify for the accelerated depreciation provision.

3.18 Visitor numbers of 26,602 for 2015-6 are slightly lower than 2014-5, with a sharp decline of 11% in June 2016.

3.19 On 1 July 2016, the Regional Council was established with a reduced tourism budget of \$1.1 million for 2016-7. The previous budget for 2015-6 was \$1.32mil. **It is estimated that the tourism Budget should be \$3 mil for 2016-7.**

3.20 The Norfolk Island Regional Council lacks the financial capacity to fund tourism promotion, which is a State-type of service. As such, it should be funded by the Federal Government, which is responsible for state-type services.

3.21 Prior to 1 July 2016, businesses were able to hire foreign nationals to fill unskilled positions that locals were not willing or able to fill. There is now a lack of Immigration policy and visa type for hiring foreign nationals from countries such as Fiji to perform housekeeping and other relevant work. This will impact the tourism industry which depends on these permanent unskilled workers to perform certain tourism jobs.

3.22 Prior to 1 July 2016, the Norfolk Island tourism industry was provided with detailed statistics **(6)** on visitors to Norfolk Island which helps with destination marketing, event planning and many other promotional initiatives. These statistics are no longer available due to Federal government policy.

3.23 The Border Force Officer on Norfolk Island advised the ATA in May 2016 that they are unsure what visitor data, if any, they can legally share data with the industry due to privacy concerns, despite the data being at an aggregate level and not at a personal level. It was suggested that any data sharing would require a formal agreement between the Federal Government and the Regional Council with restrictions on what can be shared.

4. About the Accommodation and Tourism Association

4.1 The Accommodation and Tourism Association (ATA) is the peak industry body for the Norfolk Island accommodation industry.

4.2 The ATA is an incorporated association on Norfolk Island with a long history of representing the collective interests of the accommodation and tourism sector.

4.3 Members of the ATA include large hotels, self-contained apartments, and single-unit licensed accommodation properties.

4.4 The Association's membership base represents approximately 44 properties, which constitutes the majority of accommodation properties.

4.1 4.5 The ATA is supported by the Accommodation Association of Australia through a Memorandum of Understanding. The AAoA membership base includes over 110,000 guest rooms across Australia. It is a representative voice for the entire accommodation industry. On the mainland, it is primarily the state and territory governments that fund and drive tourist promotion.

5. The Accommodation Industry – an Integral Part of Tourism

5.1 The accommodation industry is perhaps the most vital industry on Norfolk Island, as it is the engine room driving the tourism sector, which employs approximately half the adult population. It is imperative not to further burden the accommodation industry financially with special council rates.

5.2 The tourism sector currently faces a number of really important challenges. Just from a marketing perspective, the following are some of the identified challenges:

-) Overall awareness of Norfolk Island destination and offerings.
-) Trade perception positioning the destination for older markets.
-) Major Travel Agent distribution limited to five main partners.
-) Larger retailers are motivated by high volume, price driven destinations.
-) Consistency on island across accommodation properties, shops, services, activities, restaurants.
-) Competitive destinations and cruise product.
-) Ability to get 'off sale' product into market.
-) Limited budgets, particularly for destination advertising.
-) Uncertainty around funding for future destination advertising.
-) Uncertainty around future airline services, and barriers to entry for new operators.
-) Negative media in last 12 months.
-) Political Uncertainty.
-) Changes to how customers consume media and make travel decisions - Social / Online.
-) Connections for distribution channels to commissionable Island niche product.
-) Australian consumer confidence.

5.1 The Norfolk Island accommodation industry spends more on marketing and attracting overseas visitors than any other private sector industry. The on-island visitor spending on food, tours and other experiences supports various sectors of the Norfolk Island economy, but it is primarily the accommodation sector that initially drives the process of getting the visitor to the island and encouraging longer stays and increased spending.

6. Role of Government in Tourism

6.1 The Federal Government should enable a vibrant private sector to flourish and grow, thereby raising the living standards of the community. The Federal Government needs to recognize the unique role that the tourism sector plays in the Norfolk Island economy.

6.2 The ATA welcomes the reappointment of the Hon. Steven Ciobo, MP, as the Minister representing the tourism sector in the Federal cabinet.

6.3 Through Federal Government actions, the local Regional Council currently has a reduced human and financial capacity to promote tourism compared to the previous Norfolk Island Government.

6.4 The Federal Government, acting in the capacity of the state, has a responsibility to commit to tourist promotion funding. On the mainland, it is primarily the state and territory governments that fund and drive tourist promotion. Each state and territory in Australia has its own government tourism agency that works with industry. The role of the state tourism organisations (STOs) is to support the development and marketing of sustainable tourism destinations and experiences within their state, to increase awareness and attract visitors.

6.5 It is unclear what role, if any, Destination NSW, will play in promoting tourism to Norfolk Island. Destination NSW is unlikely to act without funding and service agreement with the Federal Government.

6.6 The Federal Government has a special responsibility to ensure it does not target the tourism sector with higher fees as it has done with the new \$55 departure tax from Norfolk Island to New Zealand, or impose extra airport security costs or levies.

6.7 The Federal Government needs to ensure it does not leave the Regional Council with no choice in order to raise sufficient revenue, but to target the tourism industry for higher fees, or impose tourism levies. This appears to be the current situation.

7. Federal Government Tourism Framework

7.1 Federal Government to Commit to Norfolk Island Tourism Promotion Funding

Each state and territory in Australia has its own government tourism agency that works with industry. The role of the state tourism organisations (STOs) is to support the development and marketing of sustainable tourism destinations and experiences, to increase awareness, and attract visitors.

The previous Federal Minister responsible for Norfolk Island, Min. Paul Fletcher, indicated at a Norfolk Island public meeting held on 28 January 2016 that the Commonwealth Government was not prepared to commit to funding for tourism promotion, although he appeared to acknowledge that since tourism promotion is typically a state-type function, it follows that the Commonwealth would be responsible for Tourism. This responsibility is consistent with the Commonwealth Government's announcement that it would be responsible for all state functions.

The previous Federal Minister responsible for Territories had no coherent answer when asked where he expected the funding would come from, as the Norfolk Island Regional Council would clearly lack the financial capacity to fund tourism promotion even at its 2015-6 level of \$1.3 million annum.

The Norfolk Island Regional Council has reduced the 2015-6 tourism budget by a further \$200,000 to \$1.1 mil during 2016-7, but even that reduced amount is not guaranteed.

The Regional Council has resolved at a public meeting on 10 August 2016 to request that the Federal government honors its obligations to fund tourism promotion, which is a State-type of service for which it has responsibility.

The Federal Government provides approximately \$420,000 of tourism funding Christmas Island with just 1,200 visitors, yet will not commit to any tourism funding for Norfolk Island where tourism is really its only industry with 26,000 visitors per annum. Using the same ratio of marketing dollars to visitors, Federal Funding for Norfolk Island Tourism should be \$9.1 mil.

Without tourism promotion funding of at least \$3 million per annum, the economy will contract rapidly, leading to business failure, massive unemployment and population exodus as residents depart to seek work elsewhere, further reducing the tax base. In short, the island will rapidly become reliant on state welfare.

Most of this funding would be for Destinational Marketing in both Australia and New Zealand, which is urgently required. There would also be smaller amounts for Cooperative Wholesaler Sales Funding, Event Funding, and Industry Education and Training. The Accommodation Association of Australia can assist with industry training, mentoring and education. The Plan would be driven by Norfolk Island Tourism with assistance from the Norfolk Island Tourism Advisory Committee. Some destination marketing would be sub-contracted by NIT to Destination NSW.

The ATA would be happy to share with the Federal Government a detailed breakdown of the proposed \$3-mil in 2016-7 Federal funding for Norfolk Island tourism.

The ATA calls on the Federal Government to commit to funding tourism promotion for Norfolk Island at levels that will stimulate the economy.

7.2 Federal Government to Share Visitor Statistics with Industry

On 26 May, 2016, the ATA Executive met the Border Force Officer on Norfolk Island, regarding the Sharing of Visitor Statistics (6) with Industry.

The ATA was advised that Border Force does not know what data, if any, that can legally be shared with the industry due to privacy concerns, despite the data being at an aggregate level not a personal level. It was advised that any data sharing would require a formal agreement between the Federal Government and the Regional Council with restrictions on what can be shared.

The ATA is not aware of any other Federal agency such as the Tourism Research Australia (TRA) or Australian Bureau of Statistics (ABS) being in a position to provide this important information.

The ABS conducts a regular Survey of Tourist Accommodation (STA) but it has not included Norfolk Island as a geographic area. Small area data (SA2) are aggregated to tourism regions as defined by relevant state and territory tourism organisations – however, Norfolk Island has not been included.

Regarding Privacy concerns, this can easily be overcome as detailed by the ABS: Under the Census and Statistics Act, when releasing statistics, the ABS is required to do this in a manner that is "not likely" (in a legal sense) to enable the identification of a particular person or organisation. A number of techniques are used to do this, including suppression of information.

To ensure provider confidentiality in the Survey of Tourist Accommodation, the ABS uses a computerised process known as Disclosure Avoidance Analysis System (DAAS) to confidentialise the entire tourist accommodation dataset each quarter. This process not only ensures that data are suppressed to ensure individual establishments cannot be identified, but also suppresses data in other (consequential) cells to ensure data cannot be derived through deduction from the information available.

Border Force acknowledged the **need for industry to receive detailed and timely tourism information**. Some of the data may also be needed to administer the Accommodation Act of Norfolk Island.

Since 1 July 2016, the industry and regional council have no access to Norfolk Island tourist data. It becomes almost impossible to effectively implement any tourism plans without a feedback loop to measure progress, and almost impossible to effectively conduct destination or sales campaigns without this information.

The ATA calls on the Federal Government to share timely, confidentialised and relevant aggregated data with the tourism industry.

7.3 Federal Government to conduct economic impact assessment of its reforms.

A 2015 Federal Government newsletter stated that due to the small number of businesses on Norfolk Island, **it would NOT examine the impact of the reforms on business**. It is vital that the Federal Government assists with stimulating the private sector to improve the quality of life on Norfolk Island, and create value in the community.

The Federal Government short term economic stimulus has been confined to wasteful spending on small infrastructure projects with little stimulatory impact, such as Commonwealth Offices, a small section of road, school handicap ramps and painting, and hospital windows and ramps.

It has completely ignored Norfolk Island's dominant industry of tourism where the largest return on investment will be achieved, as over 70% of the Norfolk Island population are involved with tourism.

When global tourism was suffering after the 2008 Global Financial Crisis, the UN World Tourism Organization (WTO) reviewed policies adopted by virtually each country. In almost every case, Governments reduced taxation within their tourism industries to increase economic output.

However, the Federal Government has done just the opposite – it has introduced new taxation, superannuation contributions by business, capital gains tax, employment law (including Fair Work minimum wages and standards) and business compliance costs.

7.3.1 Introducing most of these reform measures all at once on a fragile economy is considered very risky in the face of many Federal Government commissioned reports, such as the Acil Tasman Economic Development Report of March 2012 **(1)**, which warn against this approach due to its several negative impact. These measures are not the means to stimulate a depressed economy, increase employment or encourage investment.

When income tax was introduced in Christmas Island under the Taxation Laws Amendment Act 1985, it was phased in over a period of four years from 1985-6 to 1989-90. It is understood that Income tax on Lord Howe Island was phased in over two years.

7.3.2 Uncertain Impact of Federal Income Tax

The Federal Government agreed in the Norfolk Island Roadmap to implement two years of dry runs during 2011-12 and 2012-3 to enable businesses to assess and plan for any major impact to their businesses. The Federal Government reneged on its written agreement, leaving businesses in the lurch with regard to impact and strategy. The Federal Government needs to re-instate its agreement to allow two years of dry run tax returns, and then phase Income tax in to reduce the negative impact on the economy and mitigate risks. The Acil Tasman Economic Development Report of March 2012 **(1)**, commissioned by the Federal Government, recommended that income tax not be introduced for a period of 5 years and then gradually phased in, and then only in the event that the economy is growing.

7.3.3 Lack of Econometric Modeling.

Modeling should have been performed, and shared on the impact of Federal Taxes and Municipal taxes on the economy. The previous Administrator, Mr. Neil Pope, promised to share the tax models that were to be developed by Treasury, with the community and then reneged on his promise.

Either the detailed models do not exist, or the Federal Government will not share this with the business community due the demonstrated negative economic impact. This lack of transparency is similar to what occurred with the Centre for International Economics (CIE) Report 2006 **(2)** where

the Commonwealth was determined to stop its release because as the Commonwealth stated in its fierce opposition to a Freedom of Information request, that "it will alarm the community".

In the absence of published Federal economic modelling, the ATA recently performed its own economic modelling which **indicates a 33% decline in net business profit over the next 3 years.**

The very brief two-year transition to complete Fair Work provisions will be particularly harmful to the economy as evidenced in the ATA models.

7.3.4 Massive Negative Impact of Extension of Award Rates

Fair Work Laws and National Employment Standards will have a devastating impact on the fragile Norfolk Island tourism industry. Much of the tourism work is performed on Saturdays, Sundays and public holidays, as the flights operate on these days.

Onerous Fair Work provisions, such as the 4-hour minimum shift, and punitive award rates will seriously impact the only industry on Norfolk Island. This will negatively impact employment levels and visitor experiences.

Sunday minimum Federal rates start at a minimum \$31.13 per hour for any hospitality worker (Level 1: full time, part time and casual). Level 6 employees need to be paid a minimum of \$38.43. On Public Holidays, minimum rates range from \$44.48 to \$60.39 per hour. **This is up to 6 times the current rate.**

The adverse consequences, especially on Sundays and public holidays, will be experienced throughout the tourism sector, and particularly with cafes and restaurants being closed, and accommodation properties unable to afford the housekeeping and other hospitality wages to clean units and make meals. This will have a detrimental impact of the visitor experience and tourism to Norfolk Island.

Other aspects of Federal Employment Law will also have serious consequences on employment levels, and viability of Norfolk Island businesses.

It is hoped that the Federal Government will reconsider or delay the introduction of laws that will cause economic contraction. For instance, the Employment Minister has rule making authority to delay the full introduction of Fair Work penalty rates and minimum wages until an economic assessment is completed.

7.3.5 Federal Government to validate its assertion that prices will fall from 1 July 2016.

The Federal Government repeatedly stated that goods and services on Norfolk Island will become cheaper after 1 July 2016 because the 12% GST and customs duty will no longer apply. The ATA warned in its submission to the Federal Government on 10 February 2016 that this statement was false and simplistic.

Just the opposite has already occurred - prices have increased to cover the increased cost burden on businesses. These prices are expected to increase further as the regional council increases fees and charges across the board by 20%, and imposes new levies and charges, to meet its budgeted

expenditure. The Federal Government also requires the Regional Council to raise at least \$500,000 in council rates in 2016-7 and \$1-mil in 2017-8.

Licensed tourism accommodation houses have been singled out for proposed special higher council rates, raising the cost of doing business for one vital sector of the economy, which will have a downstream impact on the rest of the economy as it reduces the capacity of accommodation houses to spend on marketing to new visitors, who would also spend on food and tours. This places pressure on the accommodation houses to raise nightly tariffs to survive.

In addition, many businesses are planning to lay off workers to reduce costs, and hold off any capital spending.

7.3.6 Federal Government to validate its assertion that Welfare will create Economic Stimulus

The Federal Government has tried to convey the message that increased social security payments and reduced medical payments on Norfolk Island alone will stimulate the economy. It has referenced the Centre for International Economics (CIE) report of 2014 **(3)** as the basis for this message. This has been proven to be false. Economies do not grow through welfare and increased taxation.

Independent analysts have discredited the Federal Government-commissioned Centre for International Economics (CIE) reports of 2006 **(2)** and 2014 **(3)**. The 2006 CIE Report warned of Detrimental effects on the Norfolk Island economy while the 2014 Report painted a rosy future with a 38% increase in consumption and 14% increase in economic activity due to Welfare and Medicare benefits, and no GST or Customs Duty.

The 2006 CIE report **(2)** identified a range of detrimental effects of the proposed governance changes on the Norfolk Island economy, notwithstanding that it took a view that in the long term the changes would be beneficial – that is, provided that the economy survived long enough to experience these optimistically assessed advantages. In summary, some of the short to medium term costs to Norfolk Island included:

-) A fall in GDP for at least five years;
-) Substantial falls in household incomes for up to 8 years;
-) Heavy regulatory and compliance costs for small businesses and individuals;
-) Higher input costs for employers, especially in wages and superannuation contributions;
-) Rises in unemployment and loss of on-island jobs;
-) Much higher taxes on Norfolk Island residents than their mainland counterparts;
-) The need for NIG to impose substantial new taxes such as a much higher consumption tax or a payroll tax.
-) The CIE 2014 report **(3)** overstates the quantum and effects of possible welfare payments, meaning that its assessment of the eventual positive effect on GTP and household consumption is seriously flawed. But even within its overly optimistic forecasts, it predicts a smaller Norfolk Island economy with higher unemployment and heavy dependence on welfare payments and ongoing Federal Government fiscal input to cover service delivery.

The 2014 CIE report **(3)** was prepared on the basis that the Australian government's intention was to resume responsibility for Federal Government services and administration of legislation (taxation, immigration, customs, quarantine, social welfare etc.) but that NIG would retain responsibility for all other programmes as administered by the states and mainland territories.

A major flaw in the 2014 **(3)** report compared with the earlier CIE study is that it largely omits or understates the level of fiscal support required from the Federal Government to ensure that NIG can continue to supply all public services, maintain and improve infrastructure and cover depreciation costs. This is a critical oversight, implying either that the Federal Government has little responsibility to ensure that residents of Norfolk Island receive service levels similar to all other Australian citizens or if it does, these can be done at little cost, compared with the estimate of at least \$286 million (in 2006 dollars) over nine years in the 2006 report **(2)**.

There are two possible explanations for this critical oversight in the 2014 report. One is that the CIE modelling in 2014 was grossly deficient, in overlooking or disregarding these critical areas. The other is that, in light of the collapse of the 2006 Federal Government plans due to concerns about the ongoing high cost of "normalising" Norfolk Island governance, the Department which commissioned the report directed CIE not to consider these factors in the same manner as the 2006 study.

This deficiency in the 2014 report **(3)** means that it totally fails to consider the sustainability of the Norfolk Island economy and the obvious need to create a new, cooperative and predictable fiscal relationship between Norfolk Island and the Federal Government.

Conclusion -2014 Report

The 2014 CIE report **(3)** appears to have been hastily written to fit with plans already decided by the Federal Government Minister and the Department which commissioned it. It lacks detail in many areas, fails to consider relevant information and demonstrates a lamentable lack of knowledge of Norfolk Island's economy, community, ethos and history, all of which are relevant to the manner in which the "reforms" might play out.

In particular the 2014 report **(3)** seems to overstate the quantum and effects of possible welfare payments, meaning that its assessment of the eventual positive effect on GTP and household consumption is seriously flawed. But even within its overly optimistic forecasts, it predicts a smaller Norfolk Island economy with higher unemployment and heavy dependence on welfare payments and ongoing Commonwealth fiscal input to cover service delivery.

Like the 2006 report **(2)**, the later document does not attempt to present a model for medium or long-term sustainability for Norfolk Island. Instead, it implies that for the long-term future, Norfolk Island will depend on welfare payments and *ad hoc* Federal Government grants and support for recurrent programmes to survive.

Conclusion – 2006 and 2014 Reports

) Both reports were flawed due to unsupported assumptions, lack of accurate data and conclusions written to satisfy the limited terms of reference set by the department responsible for territories.

-) The responsible Federal ministers of the time cherry-picked the conclusions, taking full account of positive or optimistic findings but mostly ignoring the detrimental effects detailed in both reports.
-) This approach failed in 2006 because Cabinet Office, Treasury and Finance identified those detrimental effects and because they accepted the finding that to meet its obligations to Norfolk Island, the Commonwealth would be obliged to provide fiscal support to the Norfolk Island Government to cover service provision, infrastructure development and depreciation of an additional \$286 million over the following 9 years. This figure was in 2006 dollars and would be well over \$350 million in today's values.
-) The 2014 report was not written in the context of a proposal to abolish Norfolk's self-government, but rather a much more limited objective: to quantify the economic impact of the extension of Commonwealth legislation to Norfolk Island.
-) The 2014 CIE report appears to have been hastily written to fit with plans already decided by the minister. It fails to consider relevant information and demonstrates a lamentable lack of knowledge of Norfolk Island's economy, community, ethos and history, all of which are relevant to the manner in which the "reforms" might play out.
-) Neither report was based on assessment of the long-term sustainability of the Norfolk Island economy or of the Federal Government's planned "reforms."

The 2014 CIE report concluded a 38% increase in consumption and 14% increase in economic activity due to Welfare and Medicare benefits, and no GST or Customs Duty.

With the economy currently in a downward spiral, it is already clear that this conclusion will not even come close to materialising, unless the Federal Government urgently intervene to stimulate the economy through funding tourist promotion at least double the current levels.

The ATA calls on the Federal Government to initiate an urgent economic impact assessment of its reforms. The ATA welcomes the opportunity to assist with this economic impact assessment, and to share its own modeling.

7.4 Federal Government to Announce an Economic Stimulus Policy

Since July 2015, when the Federal Government assumed total control of Norfolk Island Governance, it has not implemented any policies to stimulate the Norfolk Island tourism sector, nor has it articulated any future Federal Government Plans to stimulate the Norfolk Island economy in the short term. There is still no Federal Government Economic Strategy for Norfolk Island.

Even the small business \$20,000 Asset Write-off provision does not apply to Norfolk Island until 1 July 2016, which means assets purchased and used before that date do not qualify for the accelerated depreciation provision.

7.5 Federal Government to clarify policy regarding public sector/private sector responsibilities, monopolies and barrier to entry.

There needs to be clarification with respect to the monopolies created by the Federal Government such as the newly created monopoly private sector pharmacy, and restrictive barriers to entry for new businesses such as airlines.

Any new carrier is required to post \$500,000 bond before they may be approved to fly a regular passenger service to Norfolk Island. Many of the Federal Government actions appear to be inconsistent with the Consumer and Competition Act, which is yet been extended to Norfolk Island.

A lack of competition often leads to higher consumer prices and less choice, which is clearly being evidenced with often exorbitant airline ticket prices. The monopoly airline receives Federal Government financial rewards for flying empty seats, it does no destination marketing if its own, and does not provide a non-stop service from Melbourne to Norfolk Island, previously a major market for Norfolk Island (17% of total visitors). Many of these issues are a result of the Federal Government contract with the airline, and its negotiation without involvement from key stakeholders such as the Norfolk Island tourism industry.

The Federal Government should generally be removing barriers to entry not creating them. It should be creating an environment conducive to private sector investment.

The Federal Government needs to publish its policy with respect to private and public sector commercial entities. Examples include the recent Federal Government action to privatise doctor services, pharmacy, etc. It is not always in the best public interests, or even viable, for a small island community to have total dependence on a single private sector entity providing essential services such a pharmacy or medical services. It seems the Federal Government has backtracked (for the moment) on its policy to privatise doctors after it became apparent this was not viable. It does not follow that a policy which works on the mainland will work on Norfolk Island.

This is what happens when the Federal Government prefers not to consult with the very community that will be impacted, as if it already knows what is best for the community. This result of this recent Federal Government action has been detrimental to the well-being of the community.

Another example: As a result of recent Federal Government changes, the community has lost its only optometrist. It was warned that this would occur, as it has created an environment which is no longer financially viable for many private sector operators, and yet the local council also lacks the financial capacity to provide the service. The risk of eye disease within the community has just skyrocketed.

There has not been a net benefit to the recent Federal Government reforms, and in many cases, businesses have closed or will be closing.

The Federal Government policy with respect to Norfolk Island tourism, and responsibility by the public sector for tourism marketing, is another case in point of a muddled policy. The financial burden will need to fall almost exclusively on the public sector in this regard.

The ATA calls on the Federal Government to immediately clarify its policy with regard to public sector responsibility for tourism marketing, tourism education, industry support, etc.

7.6 Federal Government to Provide Timetable for Extension of Legislation

The reform process has created uncertainty regarding the future economic operating environment on Norfolk Island, in terms of what legislation will apply on Norfolk Island and when this legislation will come into effect. The issue of concern is not only the imposition of new business costs, but the uncertainty of exactly what legislation will be extended to Norfolk Island and the timeline for the extension of that legislation. As the average firm size on Norfolk Island is relatively small, the effect of uncertainty on business investment is relatively strong.

The ATA calls on the Federal Government to reduce business uncertainty, after first consulting with the private sector and completing an economic assessment, by providing a timetable for extension of Company Law, Corporation Law, Occupational Health and Welfare, Consumer and Competition Law, etc.

The ATA calls on the Federal Government to immediately state its current policy with respect to Tourism Industry support in the form of Marketing Funding, and the Economic Development Bureau, of which tourism would be the major component?

7.7 Federal Government to participate in the Norfolk Island Tourism Strategic Plan.

On 17 August 2016, the Regional Council adopted the Norfolk Island Tourism Strategic Plan 2013-2023 (7), and the establishment of a Tourism Advisory Committee to replace the Tourism Board which was dismantled by the Federal Government in 2015.

It is imperative that all stakeholders commit to this plan, including Federal Government entities such as KAVHA, Tourism Australia, National Parks, Administrator's Office, Department of Regional Development, etc. as well as any other entities to which the Federal Government may sub-contract such as Destination NSW.

The ATA calls on the Federal Government to ensure the relevant Federal entities are committed to supporting the tourism strategy and publish their implementation plans to do so.

7.8 Federal Government to clarify responsibilities of Administrator and Federal officials with respect to Norfolk Island tourism.

There need to be clarification with respect to the role of the Administrator and other Federal Government Officials in tourism. For instance, the ATA has discovered that the Administrator conducted a meeting with Destination NSW on 12 August 2016, but did not consult before or after with the Regional Council or industry representatives. It is unknown what role the Administrator is playing with respect to tourism as there is no transparency in this regard.

7.9 Federal Government to create Immigration options for unskilled workers

Prior to 1 July 2016, the industry was able to hire foreign nationals under strict immigration conditions to fill positions that locals were unable or unwilling to fill.

The Temporary Entry Program (TEP) and General Entry Program (GEP) program has done an excellent job in the past in ensuring Norfolk Island's labor needs were met in a timely and regulated way without putting residents' jobs at risk. This program ended on 30 June 2016.

Border Force confirmed that there is no visa category to allow Norfolk Island to fill its labor needs for unskilled foreign nationals. It was conceded that other visa categories are not appropriate for this purpose (e.g. WHM Working Holiday Maker Visa (which excludes Fiji), Temporary Worker Skilled (subclass 457) Visa, Skilled Employer Sponsored Permanent Residence (PESE) Visa (includes subclass 186 and 187)).

There is a lack of Immigration policy and visa types for hiring foreign nationals from countries such as Fiji to perform housekeeping and other relevant work. This will impact the tourism industry which depends on these permanent unskilled workers to perform certain tourism jobs. **This could lead to serious labor shortages and upward pressure on wages, which could have a negative impact on the tourism industry.**

The ATA calls on the Federal Government to create a visa category to enable foreign nationals to fill unskilled positions that cannot be filled by locals.

7.10 Federal Government to direct Tourism Australia to fully include Norfolk Island

Tourism Australia, funded by the Federal Government, markets Australia in key international markets and states back that up according to their priority markets. Tourism Australia does not undertake leisure marketing in Australia or New Zealand (Norfolk Island's key markets), so their value to Norfolk Island is limited.

Nevertheless, despite repeated requests to Tourism Australia, Norfolk Island is still not effectively represented by Tourism Australia which promised as a *temporary* measure to create an external page for Norfolk Island linked from the Tourism Australia homepage.

The ATA calls on the Federal Government to enable Tourism Australia to fully represent Norfolk Island as it does other states and territories, and announce a timetable for completion with accountability.

7.11 Federal Government to include Norfolk Island in the Australian Tourism Data Warehouse

There is still no provision for Norfolk Island to participate effectively in the **Australian Tourism Data Warehouse ATDW) and Australia.com**. There is a simple, very limited page on Australia.com with "Top reasons to visit Norfolk Island", but no product has been loaded and no links to the Norfolk Island Tourism website for more information. This has been an ongoing request for many years. Nobody at ATDW or Tourism Australia appears willing to take any responsibility for making this happen. No dates for completion, and no accountability.

The ATA calls on the Federal Government to include Norfolk Island in the Australian Tourism Data Warehouse, and announce a timetable for completion with accountability.

7.12 Federal Government to clarify role of Destination NSW

There needs to be clarification with respect to the role that Destination NSW may, or may not, play going forward. The Federal Government has not articulated any tourism plan or economic strategy for Norfolk Island.

7.13 Federal Government to stay within JSCNET Enquiry terms of reference

The Joint Standing Committee on the National Capital and External Territories (JSCNCET) terms of reference on its 2014 Enquiry into Economic Development on Norfolk Island deviated completely outside its published terms of reference, into Governance. The primary recommendation from this enquiry was the removal of the democratically elected government of Norfolk Island. It seems to have seriously confused democracy with economics.

This denied the community, including the ATA, any input into the area of Governance. It also diminished any confidence the community has in future Enquiries as published terms of reference appear to have no substance or validity.

The ATA believes the recommendations reached in this Enquiry were not properly founded or supported by the community. The results of the referendum on 8 May 2015, various community petitions, the Regional Council election results and the overwhelming support for the goals of the Norfolk Island People for Democracy all clearly demonstrate that the JSCNCET Enquiry recommendations on governance have never been accepted by a majority of the community.

The Governance model that emerged from this JSCNCET Enquiry into Economic Development is not consistent with economic sustainability for the island, or with the aspirations of the community as expressed in the Regional Council Community Strategic Plan of August 2016.

The ATA recommends that the Federal Government initiate an enquiry into its actions with respect to Norfolk Island at least since 2014, and work to instil confidence in the community for Federal Government enquires and outcomes.

7.14 Federal Government to provide access to independent review mechanisms to ensure accountability and natural justice for all public servants.

The Federal Government made a number of decisions which have been detrimental to the Norfolk Island Tourist Industry. It removed the Tourism Minister, General Manager for Norfolk Island Tourism, Tourism Board, and the Tourism Officer. This significantly reduced the capacity on island to drive tourism to Norfolk Island, and almost dismantled the entire tourism promotion capacity. The

ATA believes that the decision to remove the General Manager was taken against the advice of the Norfolk Island Advisory Council.

The Norfolk Island Administrator caused damage to the tourism industry by making disparaging remarks about Norfolk Island on national television. This resulted in cancellation of existing bookings to Norfolk Island, and likely caused potential travellers to decide to rather travel to other destinations. Questionable statements by the Administrator have also caused great anxiety in the community. Community petitions and requests for the removal of the Administrator have been ignored, resulting in a further loss of confidence in the office of the Administrator and a broad perception that there is no accountability.

The Federal Government appointed an Executive Director and Transition Manager, both with responsibility for Tourism. However, they both ignored all appeals from the ATA and industry to address tourism issues, human capacity, and to properly exercise their responsibilities with respect to tourism.

The Destination Marketing contractor, Tourism Guru, appointed by the Executive Director submitted a report dated April 2016 titled "Matters for Urgent Discussion and Resolution – The Way forward for Norfolk Island Tourism" (4). It appears that this report was ignored, and was certainly not shared with the ATA or community at the time. It appears that the contracted services (5) have not all been delivered.

In June 2016, the Federal Government appointed a Regional Council Group Manager with responsibility for Tourism. The problem is she has no background or experience whatsoever in tourism.

It could be concluded that the Federal Government has not recognized the importance of tourism to the well-being of the community.

The ATA believes that visitor numbers for the year ending June 2016 would not have fallen from the previous year if the Federal Government had exercised its tourism responsibilities effectively.

The ATA recommends that the Federal Government extend anti-corruption legislation and other judicial mechanisms to Norfolk Island without further delay, so that accountability measures are put in place for decisions and actions made by public servants.

7.15 Federal Government to create a Commission to recommend new a Governance Structure underpinned by the Community's legal and moral right to self-determination.

The Federal Government needs to create a commission of experts and stakeholders to examine a new governance structure and constitutional relationship, supported by the community, that respects the community right to an act of self-determination.

It may be helpful to look to New Zealand's relationship with its Pacific Island dependencies, such as Niue, Tokelau and Cook Islands. It may also be helpful to look at the UK's relationship with Falkland Island, an economically successful British Overseas Territory with internal self-government and figure

out what lessons may be applicable to Norfolk Island. Another example is the UK's relationship with Pitcairn Island, another British Overseas Territory.

7.16 Federal Government to respond to ATA Submissions and Correspondence.

This submission is a follow up to the Norfolk Island Accommodation and Tourism Association (ATA) submission of 10 February 2016, which was sent to the previous Minister with responsibility for Norfolk Island, Min. Paul Fletcher.

The Minister and the Department have not responded to, nor even acknowledged, that submission and earlier enquiries by the ATA. The submission was also sent to the Norfolk Island Administrator without receiving any response or acknowledgment.

The ATA calls on the Federal Government to respond to issues raised by the ATA and other representative business sector organisations.

7.17 Federal Government Minister and officials to Meet with Private Sector Business Representatives

Unfortunately, the previous Minister with responsibility for Norfolk Island, Min. Paul Fletcher, did not avail himself of the opportunity to meet with representative business representatives during his only visit to Norfolk Island on 28 January 2016, instead choosing to meet briefly with a few handpicked business people. Min. Fletcher's predecessor, Min. Jamie Briggs, also ignored representative business representatives during his only visit to Norfolk Island.

During the months prior to 1 July 2016, the Federal Government has sent a stream of bureaucrats to Norfolk Island to assist the community with understanding how to complete applications for Medicare, Tax File Numbers, Welfare, etc. However, this is not consulting with the community to shape policy, or understand its needs or issues, but simply informing the community how to deal with newly imposed obligations.

With the myriad Federal Government Laws, NSW Laws, and Local Government Laws, and an unannounced schedule of new laws, there is much confusion and are many issues that remain unresolved. There needs to be meaningful consultation with the private sector to assist with business planning, and assessing its economic impact.

The ATA extends its open invitation to the current Minister, Hon. Fiona Nash, and department officials to meet and consult meaningfully as soon as possible with the elected representatives of the peak industry bodies of the ATA and Norfolk Island Chamber of Commerce.

8. References

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- (4) Tourism Guru Report “Matters for Urgent Discussion and Resolution – The Way forward for Norfolk Island Tourism (April 2016)
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