

## NEWSFEED



# Norfolk Island's economic woes deepen

## Review examines development options

Norfolk Island has no way of reigning in its ballooning budget deficit, the island's Finance Minister Tim Sheridan has said.

The economic downturn has hit Norfolk Island hard in recent years, with the tourism industry stalling, local businesses suffering and people leaving to find jobs on the mainland.

Mr Sheridan said the government's deficit is around \$7.4 million to \$7.8 million into the next three financial years.

"We cannot find that and we have no ability to raise that locally," he told a parliamentary inquiry.

"In our current budget we have a total income of just under \$30 million and our total expenditure is just over \$34 million," he said.

"This financial year we were granted a \$4.4 million assistance package from the Commonwealth, but that is dependent upon meeting certain milestones within the funding agreement."

Federal parliament's National Capital and External Territories Committee is examining the economic development of the island, Australia's only non-mainland territory with a self-governing legislative assembly.

In a submission to the inquiry the Department of Infrastructure and Regional Development said the island would go bankrupt without federal emergency funding.

The department said it is unlikely the island's economy could ever provide a revenue base of sufficient size to fund the delivery of appropriate services and infrastructure.

"It is clear that the Norfolk Island government is not able to fulfil the range of federal, state and local responsibilities for which it currently has responsibility," it said.



FLAGGING ECONOMY: Norfolk Island's challenges greater than ever before

"There does not appear to be any improvement on the horizon."

Norfolk Island operates outside of Australia's tax regime and its population is not eligible to access Australian social services and welfare.

Mr Sheridan said some changes to increase the tax base are underway, such as introducing municipal rates to raise \$250,000 in the next financial year.

However he told the inquiry that while the island remains outside of the Australian tax system it will continue to request Commonwealth financial support.

Mr Sheridan said recurrent expenditure is \$23.3 million, and this year the Norfolk Island government has allowed some \$400,000 for capital expenditure.

"That is the area that suffers the most because the funds that are provided from the Commonwealth do not allow for any capital expenditure, so we fund our recurrent expenditure only and very little on capital expenditure," he said.

Committee chair, Luke Simpkins (Cowan, WA) said Norfolk Island's economic challenges were well documented.

"Clearly this is not a sustainable situation," he said. "The economic challenges are now greater than ever before."

On the upside, a turnaround in tourist traffic has returned confidence to Norfolk Island's tourism industry and given a small boost to the island's struggling economy, according to Norfolk Island's Chief Minister, Lisle Snell.

He told the inquiry that securing a reliable air service to the island, which was underwritten by the Australian government, had been a key factor in the turnaround in inbound tourist numbers.

"We need to extend the current Air New Zealand Air Services contract and consider additional flights in the high season to allow an increase in visitor numbers," he said.

"The security of an airline system is of the utmost importance for tourism to Norfolk Island. It has returned confidence to the industry, and we appreciate very much the Commonwealth assisting us in providing that security of airline service."

Mr Snell also listed a number of capital works programs in need of funding "to enhance the tourism experience" and provide better facilities.

"For example roads, footpaths, walkways and bikeways, a multipurpose community conference centre, enhanced school facilities, dredging alongside Kingston Jetty, and storage solutions for excess energy generation," he said. ■

### LINKS

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