



Australian Government

BUILDING OUR FUTURE

NORFOLK ISLAND reform update

Message from Administrator

I am pleased with the many signs of progress as we begin to implement, and prepare for further governance reforms.

I thank the Director of the Norfolk Island Hospital Enterprise, the Chair of the Board and members of Hospital staff and community who engaged with the Australian Government Departments of Health and Human Services, including officers from the aged care services area, together with representatives from the New South Wales Ministry of Health and the South East Sydney Local Health District, who visited Norfolk Island on 26 and 27 October.

The visit will help determine the future focus of the Norfolk Island health system on primary care and aged care services, delivered most likely in the form of a multi-purpose service.

I wish to remind eligible members of the community about the opportunity to apply for Australian citizenship.

Becoming an Australian citizen means you are making an ongoing commitment to Australia and all our country stands for. It is also the beginning of your formal membership of the Australian community. It is the step which will enable you to *"be who you are, but also be Australian"*.

Further background information on Australian citizenship can be found on the website of the Australian Government Department of Immigration and Border Protection. Visit www.border.gov.au/Trav/Citi

General enquiries and applications for citizenship can be lodged at the Office of the Administrator.

The Hon Gary Hardgrave

Report identifies growth opportunities for Norfolk Island

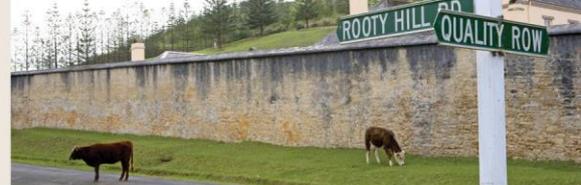
Last week I announced a range of reports, commissioned to inform important decisions for the Island's future, will be shared with the community.

To assist with options to diversify and increase economic activity on Norfolk Island the Department of Infrastructure and Regional Development commissioned SGS Economics and Planning, to undertake a study and provide recommendations for consideration.

This body of work resulted in the Norfolk Island Economic Development Strategy Report which was released on Tuesday 27 October. The key recommendations of the report were announced in my media release the same day.

The primary message from the report is there are various options the community, business and Administration can implement to increase economic activity and tourism interest in Norfolk Island. The report is timely and complements the general thrust of the outcomes of the Business Advisory Group. Comprising local business people and individuals, I set up the Group in mid-2014 to provide community views on economic and business issues.





Key to any economic development is the need to identify private investment opportunities in current and emerging industries; determine infrastructure investment opportunities; and develop an action plan identifying key short and long-term economic development projects. This report, combined with other economic activities being implemented by the Australian Government from 1 July 2016, such as extending the mainland taxation system, will provide a sound foundation for future development.

This report emphasises Norfolk Island's future is bright, and growth and prosperity can be achieved with careful and strategic planning.

While post-1 July 2016, responsibility for the Island's economic development initiatives rests with the Regional Council, over coming months I am very keen to promote and implement economic development activities on-Island in conjunction with the Administration of Norfolk Island.

The Norfolk Island Advisory Council will shortly seek the views of the community on the priorities for economic development.

Review of the Government Business Enterprises

In 2014, the Australian Government engaged Deloitte Access Economics (Deloitte) to undertake review the Administration of Norfolk Island's Government Business Enterprises (GBEs). GBEs include the airport, electricity, postage, waste, lighterage, broadcasting, tourism and gaming.

A series of reports have been released over the course of the review. These reports have been publicly released and are available at www.infrastructure.gov.au/territories/publications

The Deloitte work did not include the Norfolk Island Hospital Enterprise as it is a distinctly separate entity with more complex governance and management arrangements.

The Administration of Norfolk Island (ANI) provides many services to the community through GBEs; often by legislated monopoly. The delivery of these services is not particularly efficient or transparent.

The reports show while some GBEs appear to be a major source of revenue, many of the GBEs in fact make financial losses when the full cost of the service is considered, and are cross-subsidised by profits from others, such as Telecom, electricity and the airport.

The Administration has limited capacity to restructure the GBEs to provide the most efficient delivery of services to the community.

While there is limited scope in the short term to privatise these GBEs, it is possible to introduce some elements of competition or market pressure, and improve efficiency, transparency and governance.

Currently, these GBEs do not have standardised reporting, governance or operational structures, and shared 'back office' costs (IT, human resources, legal, finance, works store) are hidden within the broader Administration budget. These processes and costs will need to be standardised and made transparent across all GBEs to enable clear decisions to be made about restructuring.

Deloitte's most recent work, released on Tuesday 27 October, looked at a standardised governance, financial and management process for all the GBEs.

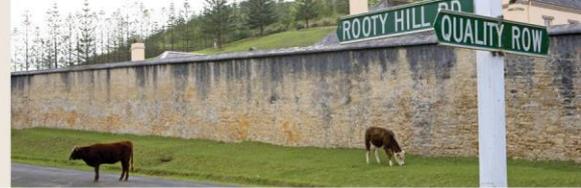
Deloitte, with the assistance of the Deputy Chief Executive Officer, Commonwealth Financial Officer and GBE managers, developed a governance framework; cost allocation model and current asset condition status.

Deloitte recommend implementing a standard governance framework across the GBEs and consolidating management structures for related GBEs such as utilities.

It was also recommended standard planning, reporting, policies and processes be implemented for the GBEs, including a shared financial management system across the ANI.

A model to identify the true financial position of each GBE has been developed. This provides an indicative financial interaction between each GBE and the broader Administration, and identifies some of the cross subsidisation occurring. This will assist with considering the future of the GBEs including whether to introduce elements of competition or market





pressure using the models suggested by Deloitte in its November 2014 report.

The current asset condition status was completed in April 2015. It showed there has been a lack of investment in infrastructure over the long term and maintenance, planning and accounting of assets between GBEs is inconsistent.

To ensure the asset condition status remains current, this information will need to be regularly reviewed and updated by the ANI to ensure it supports future planning processes.

The current report, the final in the series, has been provided to the Administration for its information and action as appropriate in restructuring its operations in preparation for the transition to a Regional Council model.

Announcement on capital gains

On 23 October 2015, the Minister for Territories, Local Government and Major Projects, Paul Fletcher MP announced a change to the taxing of capital gains to address concerns raised by the community.

Assets on Norfolk Island held before 24 October 2015 will now be exempt from capital gains. For these assets you won't pay tax on a capital gain and you will not be able to claim a capital loss (subject to rules preventing tax avoidance).

The changes are subject to law passing through Parliament. Treasury have confirmed assets held by Norfolk Island residents which would not have been exempt before Norfolk Island was incorporated into Australia's mainstream taxation system will not be affected by this change.

Superannuation

Some residents have requested a temporary increase to the non-concessional cap for superannuation contributions for Norfolk Island residents to \$1 million, citing a similar transitional cap that was in place in Australia between 10 May 2006 and 30 June 2007.

I am advised there are no plans to change the current policy.

Norfolk Island residents can contribute amounts up to the non-concessional contributions cap without being taxed again in the fund, despite this money coming from a non-taxed environment. Due to the tax exempt status of earnings on assets used to finance retirement pensions, this may mean money contributed to superannuation by Norfolk Islanders under the non-concessional cap is never subject to taxation.

Accelerated depreciation for small business

The Minister has been advised by the Tax Office some tax concessions will be available to allow people in business to claim an immediate deduction for small business assets, which cost less than \$20,000, and which are purchased and installed ready for use. The cost of an asset includes the amount you paid for it and any additional amounts you spend on transporting and installing it.

This is great news for businesses on Norfolk Island as assets can be purchased now, ahead of the integration to Australia's taxation system, provided the assets are not used until after 1 July 2016. The claim for depreciation can be made in your first tax return.

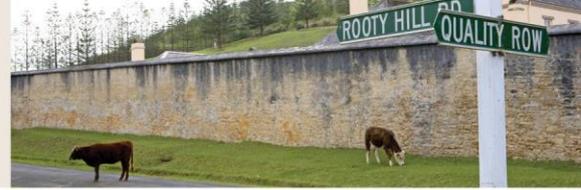
For further information about the business concessions, including types of eligible assets, visit www.ato.gov.au

Update from Peter Gesling on public service

My activity in the Reform Project has involved working with the Administration of Norfolk Island, the Norfolk Island Government Tourist Bureau and the Norfolk Island Hospital Enterprise to identify opportunities for improvement and work with those teams to transition to an evolving future.

This has involved managing employment issues, developing financial frameworks and continuing to deliver the suite of services expected by the community of Norfolk Island. Casualisation of the workforce has been an ongoing focus in the public sector to assist in managing future employment requirements.





Several performance audits are being commenced of public service activities including broadcasting, tourism, liquor bond and a number of hospital support services. This information will build on previous analysis and inform the future focus for these activities.

A draft functions structure has been developed, discussed with staff and recommended to the Advisory Council to inform their considerations in advising the Minister on the proposed Regional Council.

Clarity of the Australian Government's future budget forecast has allowed fine tuning of this structure to identify the proposed Regional Council and transition functions.

The appointment of a Transition Manager is being finalised to undertake day to day leadership and service delivery reviews of the transition functions

and to develop function based business plans for all activities to be undertaken through the proposed Regional Council.

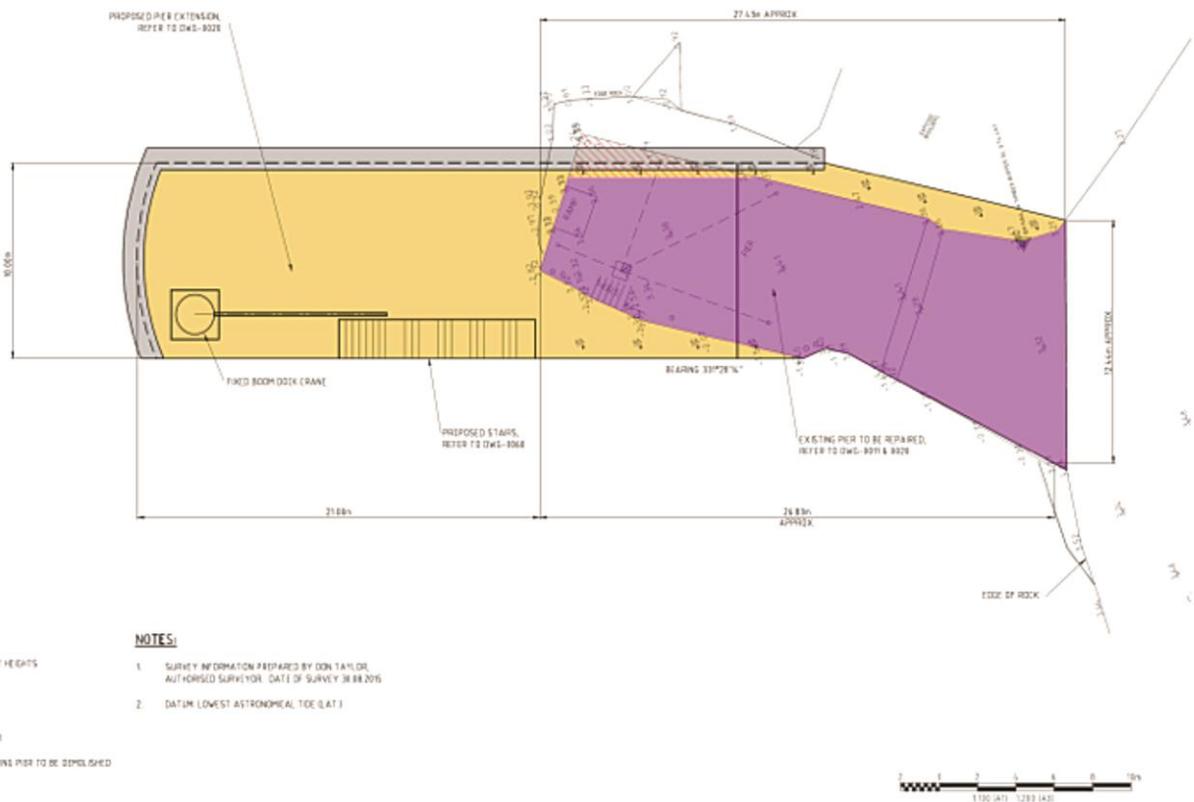
Peter Gesling

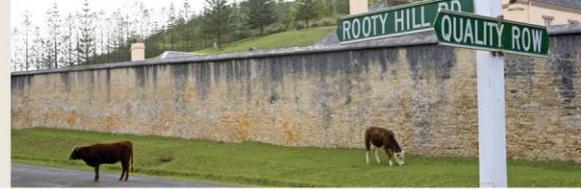
Norfolk Island Executive Director

Plans for fixed crane and barges as Pier design is released

The Department of Infrastructure and Regional Development, with the assistance of Advisian Pty Ltd, is currently preparing tender documentation for the construction phase of the project. A tender is expected to be released in early November 2015 with a head construction contract to be awarded in early 2016.

The proposed design for the Cascade Pier extension to be released with the tender is shown below.





WorleyParsons has confirmed a fixed crane is also the proposed best solution for the Cascade Pier extension and refurbishment project. The supply of the crane will be included as part of the construction contract tender subject to additional funding being sourced.

The crane will be capable of lifting up to 30 tonnes and would facilitate the lifting of barges used for both freight and passenger transfer, and will also allow for the movement of containerised freight, should this be an option for Norfolk Island in the future.

The picture below shows an image of a fixed boom similar to the proposed specification.



The Department is also considering its options for the procurement of barges to assist the transfer of both freight and cruise ship passengers. Further assessment of the suitability of the previous barge design provided by Carnival Cruises is underway.

Tax officials to visit



The Tax Office is busy planning for information seminars and one-on-one appointments in November about small business and employer obligations.

More information will be available in the coming days.

Australian Tax Office survey - what do you want to know about tax?

Now is your chance to let the Tax Office know which topics you want to know about and how you would like them to provide you with the information.

The feedback you provide will be used to help design products and seminars to suit the Island.

A short survey is available at the Australian Government Information Centre for you to complete.

Update of Channer's Corner footpath and road works

The safety of pedestrians is significantly important. In this context, earlier this year, WorleyParsons identified a high priority project in the school precinct at Middlegate and the zone from the school to the town centre, which includes the Taylors Road and the Queen Elizabeth Avenue intersection.

In July this year, the Hon Jamie Briggs MP, former Assistant Minister for Infrastructure and Regional Development, announced the construction of a new footpath connecting the existing footpath on Queen Elizabeth Avenue and the shopping village to improve safety and amenity.

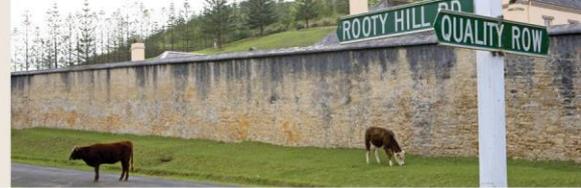
In addition to the footpath, minor road works are likely, in the way of road corner realignment and surface improvements at the Channer's Corner intersection and along Taylor's road. This will increase the safety of, and use by, pedestrians and other road users.

WorleyParsons recently undertook on-Island stakeholder consultations on these works to prepare a design for the civil works. It is anticipated the Administration will undertake the civil works with WorleyParsons providing project management and engineering advice during construction.

Works are scheduled to commence in February 2016.

These works are part of the Norfolk Island Roads Strategy.





Health and aged care visit – assessment and scoping overview

How health is delivered and how it supports the Norfolk Island community and the existing workforce is top of mind for many residents.

Officials from the Australian Government departments of Health and Human Services including officers from the aged care services area, together with officials from the NSW Ministry of Health and the South East Sydney Local Health District, visited Norfolk Island on 26 and 27 October.

This visit was valuable and helped to inform decisions on how the future medical services will operate from 1 July 2016. Other issues, such as Medicare and Pharmaceutical Benefits Scheme accreditation were also discussed and considered as part of the visit.

In February this year, the *Response to the Draft Health Services Plan*, commissioned by the Norfolk Island Health Enterprise, was released.

This plan built on the *Road Map* developed in partnership between the Australian and the former Norfolk Island governments in 2011 and again in 2013. The plan included community engagement with the Norfolk Island community, stakeholders and health professionals about the recommendations and findings of the report.

The study showed community and health professional support for the Norfolk Island Hospital to be replaced by a multi-purpose service that includes residential care beds, acute care beds, community health services and outpatient services.

Multi-purpose services across Australia generally have a mix of acute care services such as a casualty ward, primary healthcare providers such as GPs, diagnostic and imaging services and residential aged care.

The delivery of health care is complex. The mix of officials who were visiting reflects the different funding and delivery functions for health and aged care within the Australian Government and with state governments.

The visiting officials spoke with a range of stakeholders while on Norfolk Island, including the

Advisory Council and I'd like to personally thank everyone for their positive contributions.

For those interested in reading more about the delivery of health, the *Federation White Paper on Health* provides a good overview of roles and responsibilities in the Australian health system.

Your feedback is important to me



If you would like to raise an issue about the implementation of the changes which commence from 1 July 2016 or have a suggestion about how to engage with businesses and the community about the changes, you can call 22152 or confidentially contact my office through email

office.administrator@infrastructure.gov.au

GST arrangements from 1 July 2016

I have had a number of enquiries about the Goods and Services Tax (also known as GST).

The Tax Office has advised the Australian GST will not be introduced to Norfolk Island. You can continue to use the existing avenues to purchase goods GST-free from Australia and no additional restrictions or procedures will apply.

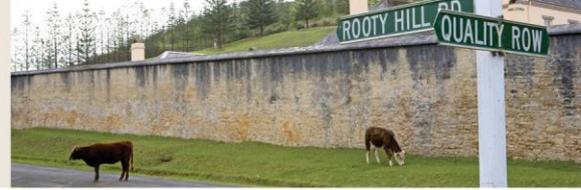
Goods can be supplied GST-free or you can request a refund from the supplier if you provide the correct documentation as explained on the Tax Office website (just search for GST and sales to external territories on www.ato.gov.au).

If you are visiting the mainland you will still be able to claim a refund of GST under the tourist refund scheme.

A refund of GST cannot be claimed in a Business Activity Statement even if it is incorrectly included.

Some suppliers may not be aware the mainland GST system won't be extended to Norfolk Island. You can





make suppliers aware that the sale is a GST-free export when you place an order by referring them to the Tax Office website.

Where can I find more information or ask a question about the changes which start from 1 July 2016?

Information about the Norfolk Island changes, which commence from 1 July 2016, can be found at www.infrastructure.gov.au/norfolk-island-reform

If you have a question about how the changes will impact you or your business, you can confidentially email questions to NorfolkIslandReform@infrastructure.gov.au

The relevant Australian Government agencies will assist in providing the correct advice to you.

If you currently receive a Norfolk Island government payment, such as the age pension, your payments and details will not automatically transfer to Australian Government payments.

With eight months until the reforms commence, I would like to encourage all Norfolk Island residents who have not visited the Australian Government Information Centre to do so, and understand what support you may be eligible for and what is needed to prepare for the changes that start from 1 July 2016.

The Australian Government Information Centre in Burnt Pine is open from 10.00am – 1.30pm and 2.30pm – 4.00pm weekdays.

You will find staff happy to assist you using the online tools and calculators, to provide you with brochures or factsheets and to help you to explore government services.

You may have heard ... Application of taxes and future rates of customs duty

The Australian Taxation Office and the Department of Immigration and Border Protection have provided me with the following information about customs duties and taxes.

Companies with a turnover of less than \$2million pay tax at a rate of 28.5 per cent. Otherwise the rate will be 30 per cent.

Individuals, including business owners, are taxed at different rates with the rate increasing as their income increases.

An individual will only have an average rate of tax of 30 per cent if their income is \$135,000 or more. On the other hand a person will pay no tax if their income is less than \$20,897.

Tax is imposed on taxable income, which is gross income less expenses.

Expenses for a business can include things like wages, cost of goods purchased, and other costs that relate to earning the income.

Indirect taxes such as the GST, Luxury Car Tax, Wine Equalisation Tax and excise will not apply to Norfolk Island from 1 July 2016.

From 1 July 2016, there will be no customs duty applied to personal or commercial importations of goods into Norfolk Island.

This will be of particular benefit for personal importations, which are currently attracting duty rates of up to 18 per cent.

