

Norfolk Island government business analysis Phase two analysis Part 1 – Summary Report



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Introduction

Background

- Norfolk Island's Government has two main sources of revenue: GST and other taxes; and government business activities.
- Tourism related industries account for around half of the Island's workforce and roughly 41% of the Island's economy. Prior to the GFC tourism was running at roughly 35,000 visitors per year; since then has declined to around 25,000 per year.
- The decline in tourism has sent the economy into a severe recession and the Island has required emergency funding tied to reform in the amount of \$33 million since 2010-11.

Our engagement

- Develop a framework for assessing government business activities (completed late 2013).
- Apply that framework to 19 government business activities (listed on next slide).
- Look to improve efficiency of operations and, where feasible (and desirable), explore potential for private sector involvement in the business

Key findings

- Limited scope for privatisation.
 - Not a big enough market – would just transfer monopoly from government hands to private hands.
 - Unclear financial performance and lack of reliable data.
 - Investment requirements would be prohibitive.
 - The NI Government relies on revenue from its business activities to fund day to day operations.
- But it is possible to introduce elements of competition or market pressure without completely selling off the business. Privatisation isn't the only option.
- For many businesses a simple management outsourcing arrangement is considered the best option in the short term. This would ensure the business is run efficiently while still retaining the Government's revenue stream.

Key observations...

Island wide

- Many businesses have shut down or are on the verge of closing.
- Feedback from consultations indicates that a greater proportion of properties are currently for sale than has previously been the case.
- Government involvement in the economy squeezes out private sector.
- General acceptance that 'something needs to change.'
- High degree of income inequality.
- Islanders are tired of reviews/research that amounts to nothing – *'don't tell us what's wrong, tell us how to fix it.'*
- The Island does not operate as a 'standard' economy – there is no 'off the shelf' solution to the Island's present situation. It needs to be bespoke.

Business specific

- Lack of data makes it difficult to assess the 'true' position of businesses
- All earnings are remitted straight to the Government – no money is put aside for infrastructure maintenance or upgrades.
- Day to day operations directly controlled by the Government – including pricing/purchasing decisions.
- Managers have no direct financial incentive to improve efficiency/profitability. Need to put in place appropriate incentive structures.
- Many businesses explicitly or implicitly operate in an anti-competitive manner; makes it hard for private sector to participate in the market.
- Privatisation is not a feasible option for any of the businesses at present. Put simply, there's nothing to sell.
- **But** elements of competition/market forces can be introduced through other means - e.g. management contract – and down the track (say, in five to ten years) privatisation may be feasible and/or desirable.
- **None of the businesses adhere to what can be termed 'core requirements'** in regard to desired governance, reporting and operational arrangements.

Core requirements

At a minimum the following core requirements should be adhered to regardless of the service delivery model adopted.

Governance requirements

- Intergovernmental agreement (Commonwealth, NIG, State/Territory) covering key responsibilities and funding
- Clear regulatory guidelines
- Separation of ownership and control
- Integrity of processes (transparency around key processes, e.g. admin, operational, dispute resolution, etc.)
- Eliminating or clearly documenting any potential conflict of interest
- Clarity around 'purpose' of the business activity including any community service obligations

Reporting requirements

- Transparent, audited financial accounts
- Development of an appropriate cost model to ensure cost recovery and transparency of fees and costs
- Due diligence of assets including understanding of age and condition of infrastructure
- Adherence to relevant reporting standards (AASB, IFRS)
- Implementation of appropriate key performance indicators

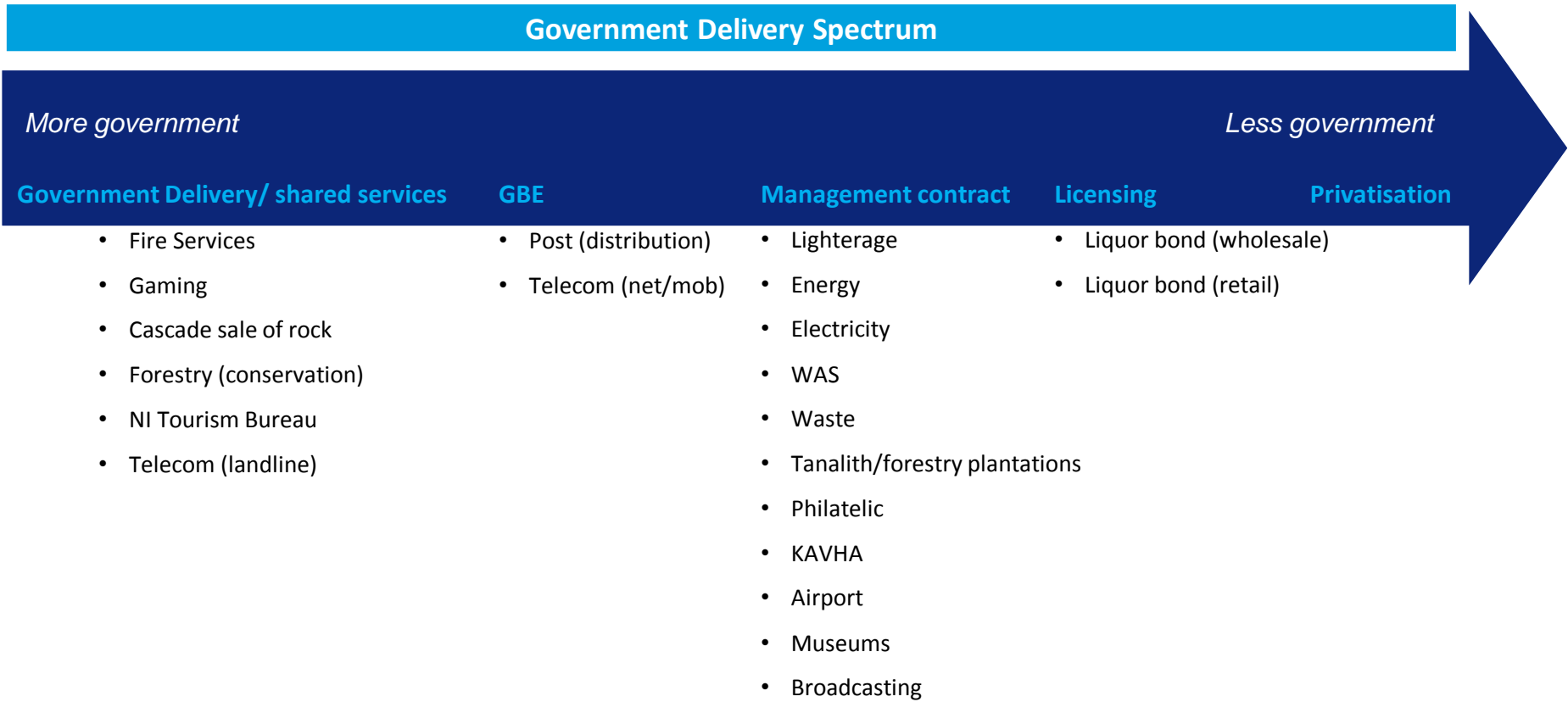
Operational requirements

- Certainty and transparency around operating environment
- Elimination of sovereign risk
- Establishment of competitive objectives
- Ensuring competitive neutrality where appropriate
- Availability of requisite skills base

Recommended operating structure

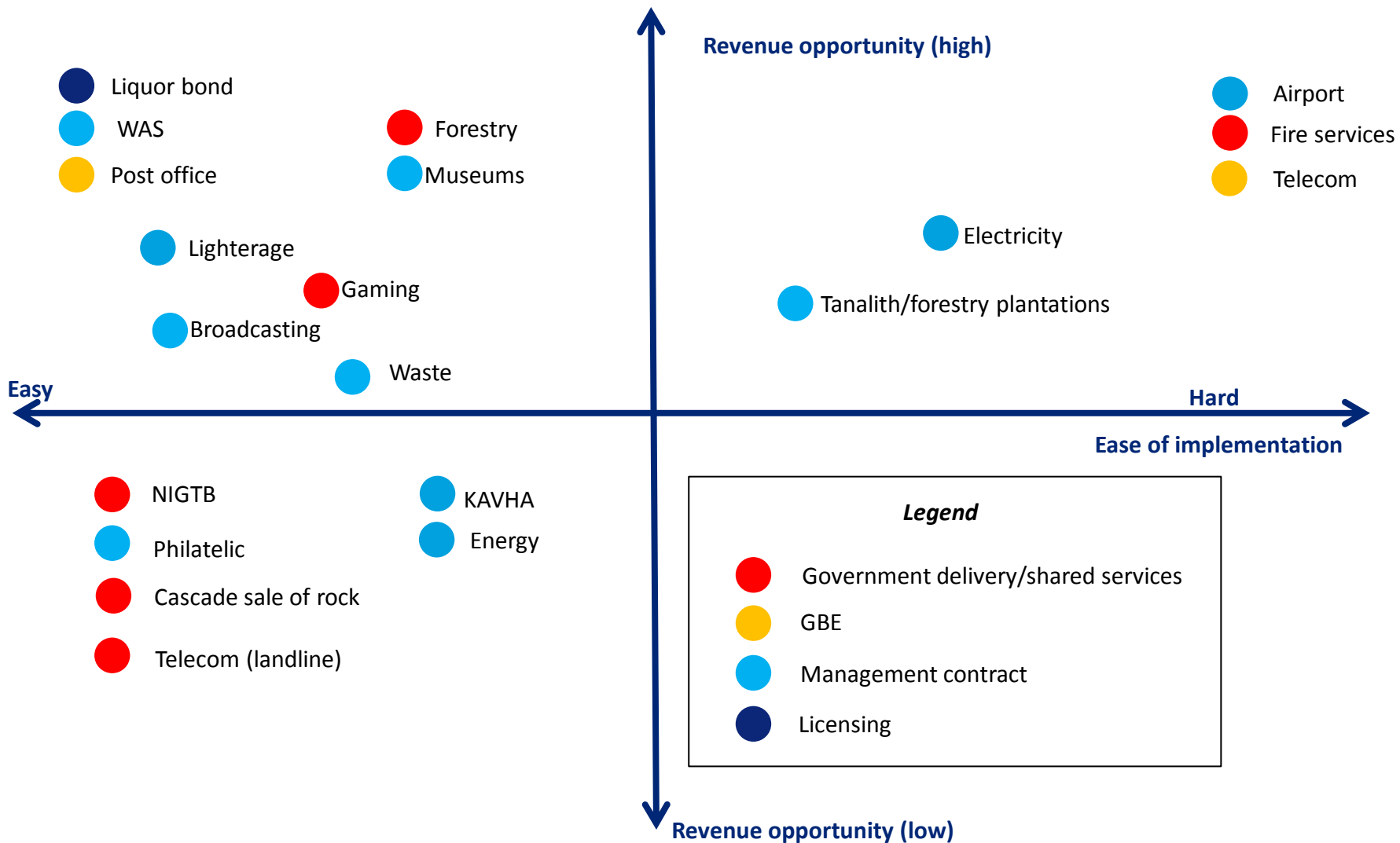
* All businesses currently operate under pure government delivery

Government Delivery	'Market test'
<ul style="list-style-type: none"> • Government delivery • Shared services • Government Business Enterprise 	<ul style="list-style-type: none"> • Management contract • Licensing • Privatisation



Summary of recommendations

The chart below shows the recommended delivery model, in terms of the expected benefits of converting to this delivery model (the vertical axis), plotted against the ease with which the business could be converted (the horizontal axis). Businesses in the top left quadrant – easy to implement and high benefits – should be considered first.



1. Introduction

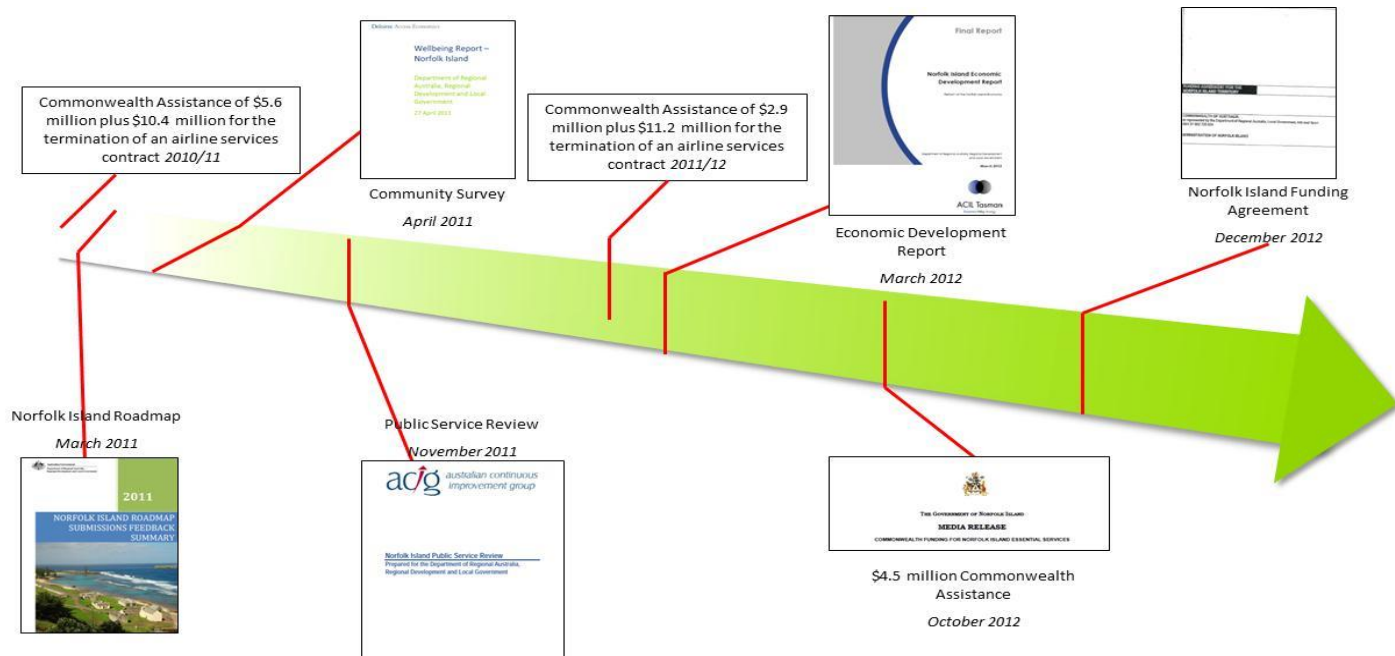
Background

Timeline of events

Norfolk Island has experienced economic downturn in recent years, in turn leading to a series of research reports, surveys and funding arrangements between the NIG and Commonwealth.

The first and significant report was the Norfolk Island Roadmap, released in March 2011, which was developed in partnership with the Commonwealth and NIG to describe reforms that would strengthen Norfolk Island's economic diversity to provide a sustainable and growing economy, social cohesion and resilience and unique heritage and environment.

This report paved the way for further work with relation to NI's economic sustainability, a timeline of which is provided below.



Phase one –development of framework

From these, the Commonwealth appointed Deloitte Access Economics to develop a Framework to assess NI's GBEs. This Framework was presented to the Commonwealth and NIG in November 2013, and was incorporated into the current study.

2. Project Overview

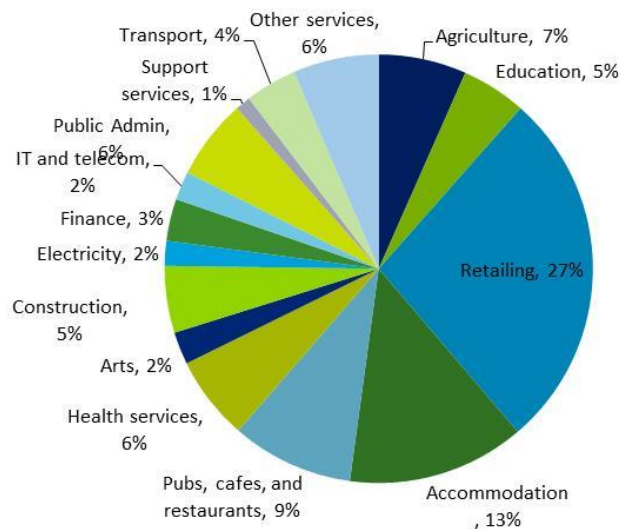
Macroeconomic environment today

Key observations

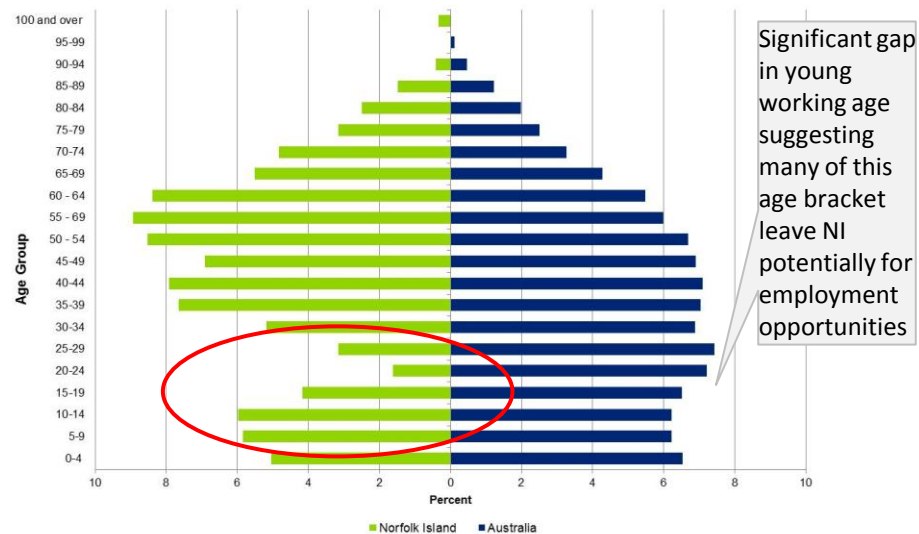
- The biggest industry is tourism, estimated to account for 41% of the local economy. About 79% of tourists are Australians and 19% New Zealanders.
- Norfolk Island's population is ageing rapidly, which highlights the potential challenge of the future supply of labour. It also places significant pressure on NIG for support services such as pension and health care expenditure. At the 2011 Census some 27% of the Island's population was over the age of 60, compared with 19% Australia wide. Norfolk's age dependency ratio (population over 65 relative to population between 15 and 64) was 29%, compared with 21% Australia wide
- With such an ageing population it is crucial that the Island's industries operate as profitably and as efficiently as possible. However, the Norfolk Island Administration (NIA) has a strong hand in virtually all sectors of the economy, stifling private sector activity.
- Indeed there is a strong reliance on the NIA for employment, which accounts for 26% of the island's employment.
- Industry is also suffering from a reduction in local demand. There was a significant increase in the population earning negative/nil income in 2011, indicating the population is earning less than previously and is less likely to spend on non-essential goods.

(see Appendix B for further detail)

Employment by industry, 2011



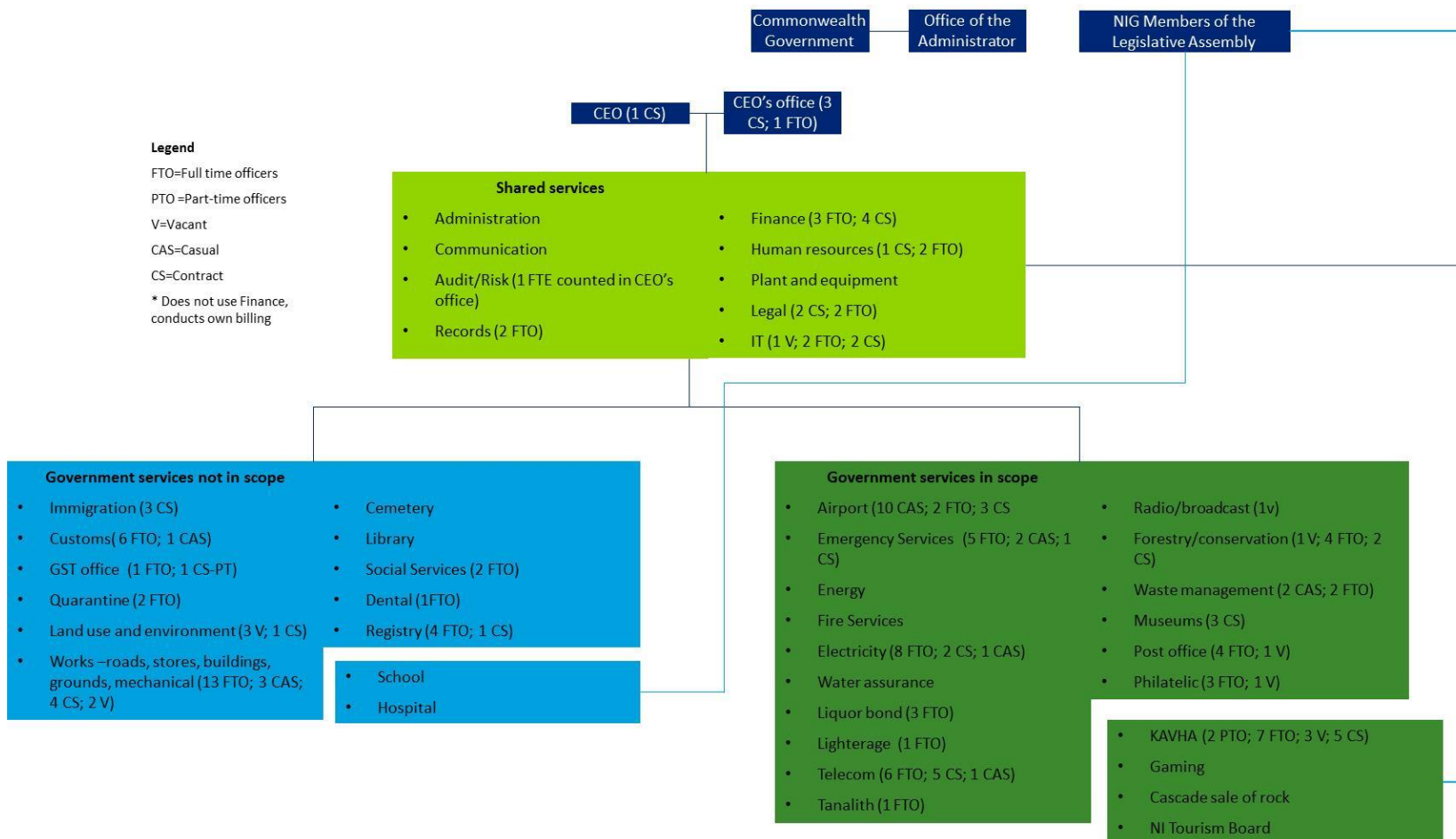
Ordinary Resident Population Pyramid, 2011



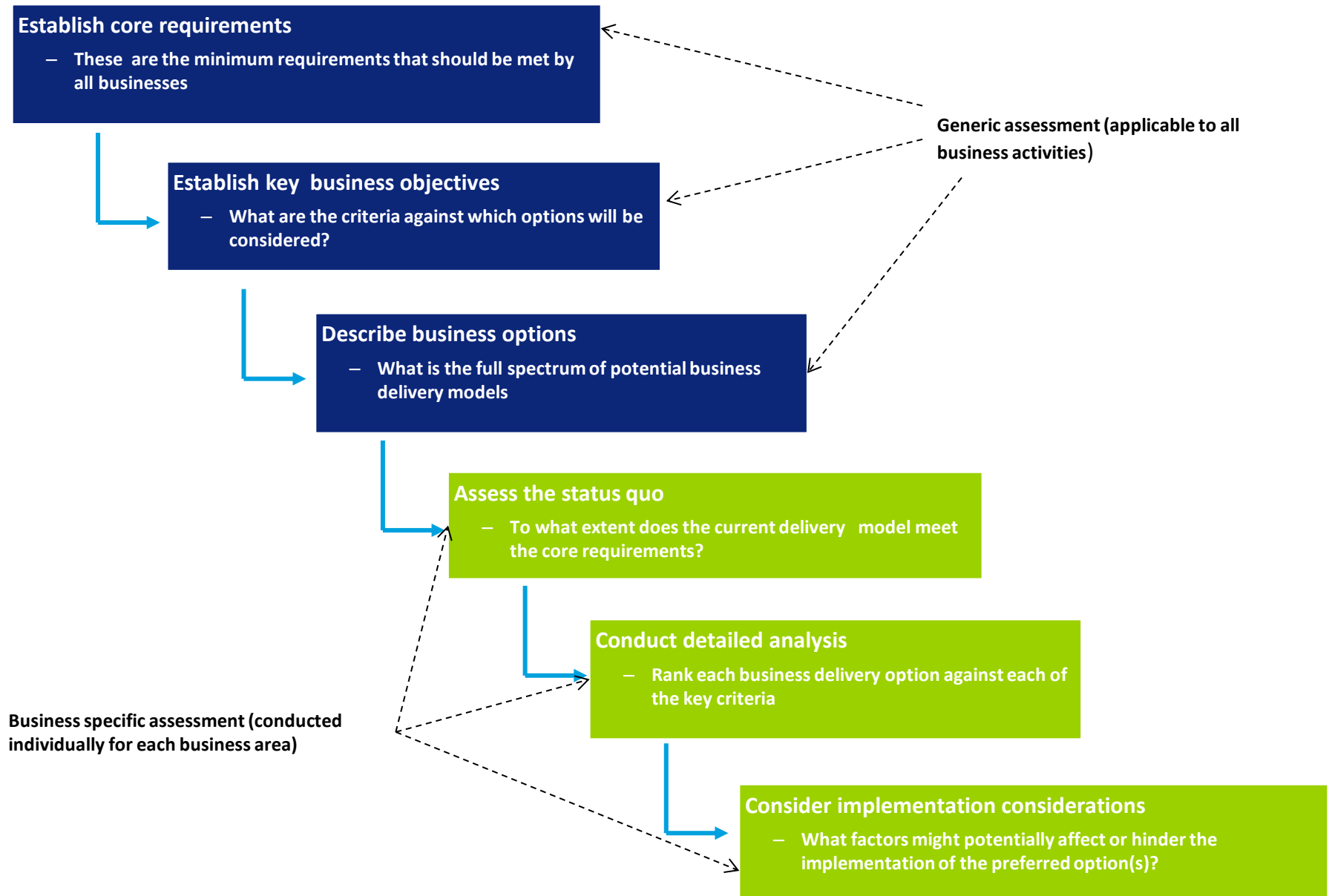
The role of Norfolk Island's government businesses

The Norfolk Island Administration (NIA) has a number of government business areas, which serve to contribute essential, non-essential and profit-generating services to the community and administration. Its organisational structure is complex, often relying on a pool of 'casual' staff who are utilised as required, including sharing staff between different areas. In addition, government business areas use a range of shared services administered by the NIA. With 26% of the NI labour force employed by the Norfolk Island Administration, these businesses play a critical role in the Island's economy.

Norfolk Island Administration Organisational Diagram



Assessment framework



3a. Analysis (current state analysis)

i) Role and mandate of businesses

Key observations

Business	Profit/loss (2012-13)	Key observations
Norfolk Telecom	\$1.3m	<ul style="list-style-type: none"> • Mobile and internet businesses profitable; landline business faltering • Uncertainty over longer term future with O3b deal • Inadequate infrastructure (only 2G internet) and in poor condition
Airport	\$1m	<ul style="list-style-type: none"> • Huge amount of untapped potential in retail space and/or use of land • Revenue declined considerably after an ill-conceived cut in passenger fees in 2010 • Urgent need for upgrades to critical infrastructure
Liquor Bond	\$743k	<ul style="list-style-type: none"> • Legislated government monopoly • No differentiation in wholesale/retail pricing • No incentive for profit maximising behaviour
Gaming	\$592k	<ul style="list-style-type: none"> • Same person in charge of regulation and business development • Transparent and accountable governance structure with independent boards • Somewhat at the mercy of other states/Territories
Norfolk Energy	\$538k	<ul style="list-style-type: none"> • Poor condition of infrastructure • High degree of resource sharing with electricity utility • Business objectives are not clear and financial reporting severely limited
Water Assurance Scheme	\$398k	<ul style="list-style-type: none"> • Lack of reporting means it is impossible to get an accurate picture of finances • Only 17% of premises connected – capacity to have up to 70% • Shares resources with electricity
Electricity	\$242k	<ul style="list-style-type: none"> • Infrastructure is in a very bad state of repair • Real risk of a complete and catastrophic system collapse • Difficult to get an accurate picture of the financial performance
Waste	\$131k	<ul style="list-style-type: none"> • Pricing not cost reflective – charges levied as a duty on imported goods • Poor condition of infrastructure • Majority of waste burned and dumped offshore – leads to some ‘splashback’
Lighterage	\$96k	<ul style="list-style-type: none"> • High cost of lighterage flows through to virtually all sectors of the economy • Uncertainty over what will happen when/if Cascade Jetty is upgraded • High risk of infrastructure failure, particularly with the ‘pairing lighters’
Postage	\$10k	<ul style="list-style-type: none"> • Operates across two broad divisions: retail and distribution • Distribution appears to be the profitable arm of the business • The aim is to integrate more broadly with Australia Post in coming years

Key observations

Business	Profit/loss	Key observations
Cascade sale of rock	\$0	<ul style="list-style-type: none"> Has declined from around \$200,000 revenue and a small profit in 2008-09 to around \$50,000 income and barely breaking even today. Reduction in revenue mainly driven by less building activity on Norfolk Island
Tanalith	-\$47k	<ul style="list-style-type: none"> Operates as a separate entity from upstream suppliers (forestry plantations) Run on an ad-hoc basis when a customer brings in timber Not currently profitable but has potential if operated as a broader lumber business
Philatelic	-\$83k	<ul style="list-style-type: none"> Operates amid declining market demand Location of the office (above the post office) hinders retail sales Likely to be integrated with Post office
Museums	-\$128k	<ul style="list-style-type: none"> Not operating at a profit Separate locations of four different museums drive high wages bills The location of buildings near the sea creates preservation risks for historic artefacts
Broadcasting	-\$133k	<ul style="list-style-type: none"> Operates essentially as a government service with some sponsorship revenue Sponsorship rates extremely low: \$100 for one month's worth of advertising Net result is the government subsidising private sector advertising
KAVHA	-\$252k	<ul style="list-style-type: none"> Subject of an MoU between NI and Commonwealth Governments Very limited revenue source Uncertainty and conflict over Commonwealth and NI Government roles
Forestry	-\$273k	<ul style="list-style-type: none"> Runs a mixture of plantations and native forests Sells timber directly to consumer, bypassing the 'middle-man' – the tanalith plant Inefficiencies between Commonwealth and NI owned land
Fire	-\$357k	<ul style="list-style-type: none"> Very few revenue raising services, and those that it does provide (eg inspecting fire equipment) are provided at below cost rates Struggles to maintain an appropriately qualified workforce
NIGTB	-\$426k	<ul style="list-style-type: none"> Operates under a clear operational mandate with an independent board Lack of internet capacity hinders marketing efforts Marketing occurs almost solely in Australia and New Zealand

Core requirements

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Reporting requirements

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- Implementation of appropriate key performance indicators

Operational requirements

- Certainty and transparency around operating environment
- Elimination of sovereign risk
- Establishment of competitive objectives
- Ensuring competitive neutrality where appropriate
- Availability of requisite skills base

The following slides provide an assessment of the businesses' current operations in the context of these core requirements

Summary of liquor bond today

Legend

Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Importation, storage and retail of alcohol on Norfolk Island. Collection of alcohol duty*

Mandate and Operating Model:

- Cost recovery business model: *Yes*
- Service competition: *Wholesale: legislative monopoly; Retail: competitive*
- Operational mandate: *Profit generating*
- Business model: *Margin business*
- Social or community policy objectives: *As needs basis*

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Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Informal (I) or formal (F) mechanisms

Employees Profile:

- Full-time: 3
- Casual: 1
- Contract: 0

Source: NIA Statistics, April 2014

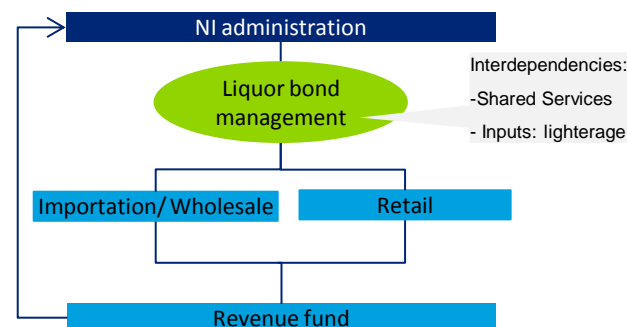
Material Risks and Business Drivers:

Source: DAE analysis

- Wholesale cost/revenue driver: *Tourism, import duties*
- Retail cost/revenue driver: *Disposable income, tourism, government policy*
- Material risks: *warehouse condition, limited consumer choice, poor governance and operating model*

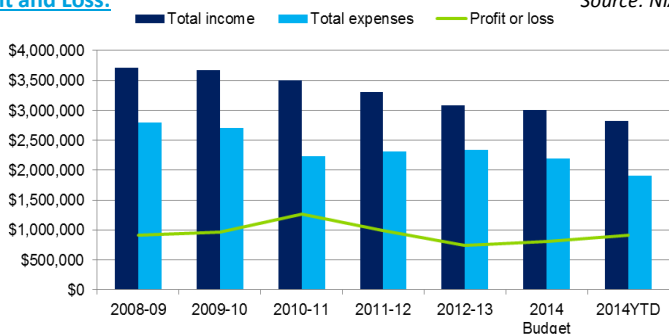
Service Model:

Source: Norfolk Island consultations



Profit and Loss:

Source: NIA



Customer Profile:

- Local sales: 53%
- Licensed premises: 27%
- Tourist Sales: 19%

Source: NIA & Norfolk Island consultations

Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	3.0		High risk; leaking warehouse roof	ST	
High	3.0		-	LT	
Medium	-	-	-	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary: *The Liquor Act 2005 & Liquor Regulations 2006*: Regulates licensing, manufacture and liquor supply. *Customs Act 1913 & Customs Regulations 1986*: restricts importation of certain liquor items.

Coverage	Y=✓ N=✗	Relevant Legislation
Governance	✗	
Services scope	✓	<i>The Liquor Act 2005 (NIG); Liquor Regulations 2006 (NIG); Customs Act 1913 (NIG); Customs Regulations 1986 (NIG)</i>
Industrial relations	✓	<i>Employment Act 1988</i>
Pricing	✗	
Enablement	✓	<i>The Liquor Act 2005</i>
Consumer protection	✓	<i>The Liquor Act 2005 (NIG); Liquor Regulations 2006 (NIG);</i>
Human resources	✓	<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of telecom today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Mobile, landline, roaming and internet services*

Mandate and Operating Model:

- Cost recovery business model: *unclear*
- Service competition: *Internet effective monopoly; mobile and landline legislated monopoly*
- Operational mandate: *Service provision*
- Business model: *Volume business*
- Social or community policy objectives: *Provide reliable telephone and internet service to NI*

Informal (I) or formal (F) mechanisms

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Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan: **X**
- Business plan: **X**
- Risk register: **X**
- Business continuity plan: **X**

Employees Profile:

- Full-time: 6
- Casual: 1
- Contract: 5

Source: NIA Statistics, April 2014

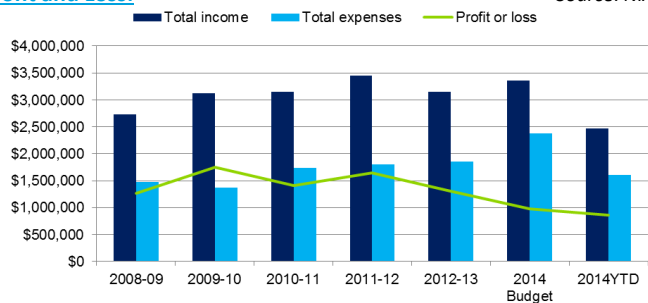
Material Risks and Business Drivers:

Source: DAE analysis

- Mobile revenue/cost drivers: *Recharge vouchers/service costs*
- Landline revenue/cost drivers: *Line rentals/TNZ & wages*
- Internet revenue/cost drivers: *ADSL access/ISP-TNZ*
- Material risks: *Poor infrastructure. Landline obsolescence and dated technology*

Profit and Loss:

Source: NIA



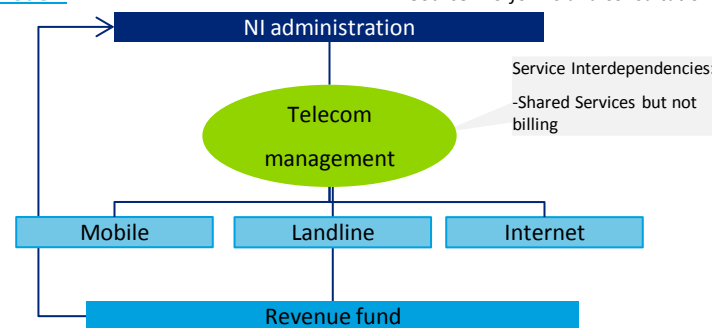
Customer Profile:

- Landline: 26%
- Internet: 21%
- Mobile: 21%
- Line rentals: 23%
- Predominantly local but 5% is international roaming

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

	Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
	High	4.0		-	LT	
	High	2.7		-	ST	
	High	2.4		-	ST	
	Medium	2.4		-	MT	
	Low	-			NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Telecommunications Act 1992: Reserve certain exclusive rights to the Administration. The Minister however is able to authorise person to engage in certain services and the Administration is able to retain persons to act on its behalf in providing services.

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance	✗	
Services scope	✓	Telecommunications Act 1992
Industrial relations	✓	Employment Act 1988
Pricing	✗	
Enablement	✓	Telecommunications Act 1992
Consumer protection	✗	
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of electricity today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Distribution of electricity to Norfolk Island*

Mandate and Operating Model:

- Cost recovery business model: Yes
- Service competition: *Legislated monopoly*
- Operational mandate: *Essential service provision*
- Business model: *Volume business*
- Social or community policy objectives: *Provide accessible and consistent electricity to NI*

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Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: 8
- Casual : 1
- Contract: 2

Source: NIA Statistics, April 2014

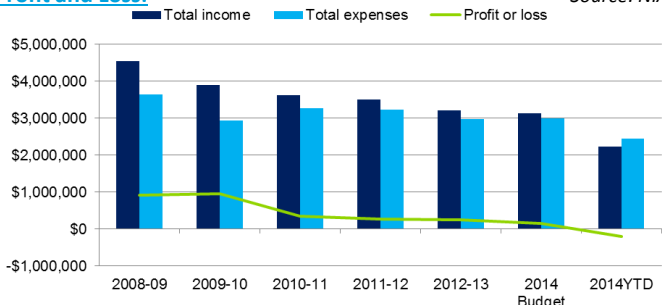
Material Risks and Business Drivers:

Source: DAE analysis

- Reticulation/network and retail cost/revenue drivers: *Wages/electricity sales and meter rental*
- Powerhouse/generation cost/revenue drivers : *price of fuel/no income generated*
- Material risks: *Generator upgrades required, meter upgrades and retaining solar power*

Profit and Loss:

Source: NIA



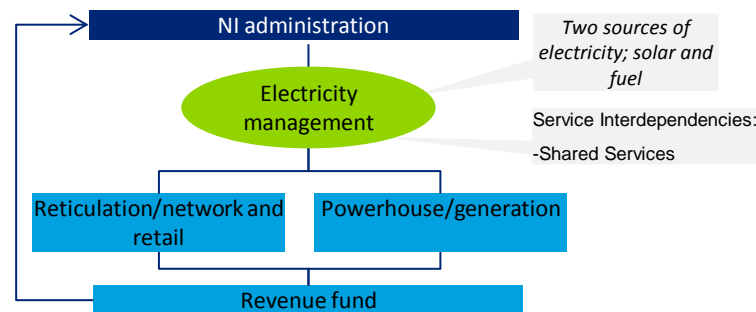
Customer Profile:

- Locals –saturated market with all but approximately 2 households using electricity generated by powerhouse
- KWHs generated in decline since 2007

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	4.0	High		LT	Government
High	2.8	Medium	Generators need repairs	ST	Government
High	3.0	Low	-	ST	Government
Medium	2.7	High	-	LT	Government
Low				NA	Government

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance	✓	<i>The Electricity Supply Act 1985</i>
Services scope	✓	<i>The Electricity Supply Act 1985; The Electricity Supply Regulations 1986</i>
Industrial relations	✓	<i>Employment Act 1988</i>
Pricing	✓	<i>The Electricity Supply Act 1985</i>
Enablement	✓	<i>The Electricity Supply Act 1985; Electricity Supply Regulations 1986</i>
Consumer protection	✗	
Human resources	✓	<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of lighterage today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Transportation of goods from ships to land*

Mandate and Operating Model:

- Cost recovery business model: *unclear*
- Service competition: *Effective monopoly*
- Operational mandate: *Service provision*
- Business model: *Break even/cost recovery*
- Social or community policy objectives: *Transportation of NI's goods*

Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: 1
- Casual: 23 PT
- Contract: 0

Source: NIA Statistics, April 2014

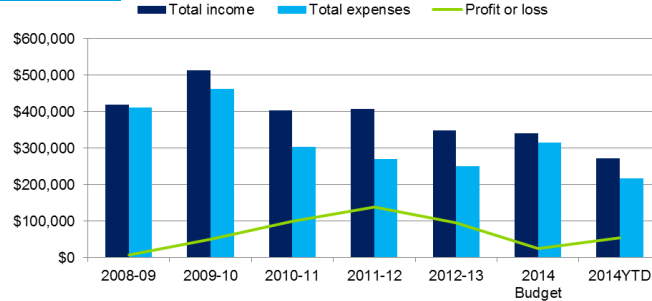
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue drivers: *Construction (importation of materials), exchange rate (change in importation of goods)*
- Main cost drivers: *Wages, condition of infrastructure*
- Material risks: *Quality and quantity of lighters*

Profit and Loss:

Source: NIA



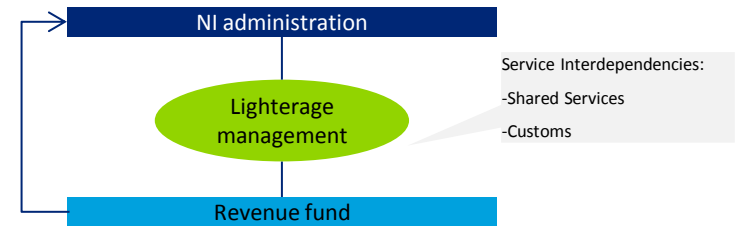
Customer Profile:

- Locals –tonnes transported has been decreasing since at least 2010-11

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

	Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
	High	4.0		-	LT	
	High	3.0		-	LT	
	Medium	2.7		New lighter needs to be built	ST	
	Medium	-		-	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Lighterage Act 1961: allow the administration to refuse lighter goods, excludes liability for loss or damage to cargo or injury or death of a person.

Coverage	Yes=	No=	Relevant Legislation
Governance			
Services scope			
Industrial relations			<i>Employment Act 1988</i>
Pricing			
Enablement			<i>Lighterage Act 1961</i>
Consumer protection			
Human resources			<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of energy today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Purchasing of petrol, diesel and jet fuel and maintaining facilities

Mandate and Operating Model:

- Cost recovery business model: Yes
- Service competition: Effective monopoly
- Operational mandate: Essential service provision
- Business model: Volume business
- Social or community policy objectives: Provide NI with energy

Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility, delegated to CEO
- Strategic plan: ✗
- Business plan: ✗
- Risk register: ✗
- Business continuity plan: ✗

Employees Profile:

Employees: 0

(Simply the purchase and sale of fuel. Maintenance done by electricity)

Source: NIA Statistics, April 2014

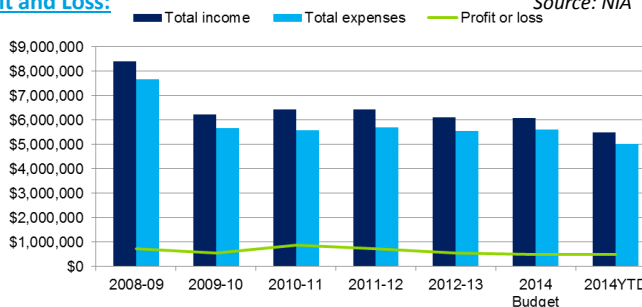
Material Risks and Business Drivers:

Source: DAE analysis

- Main cost drivers: price of oil and exchange rate
- Main revenue drivers: Tourism (plane fuel), car usage
- Material risks: Assets located in close proximity to ocean, high levels of salt damaging storage facility

Profit and Loss:

Source: NIA



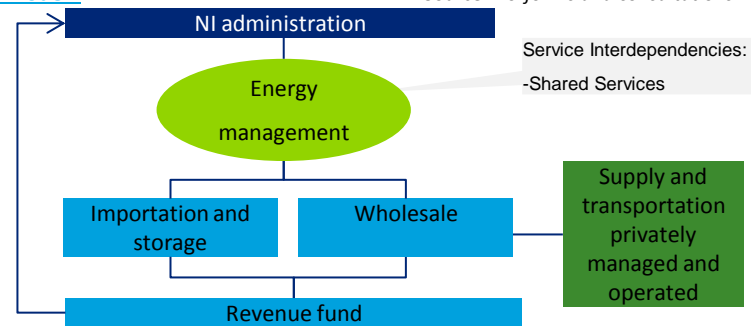
Customer Profile:

- Diesel (for electricity): 48%
- Jet fuel: 17%
- Petrol: 34%

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June

2012 Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	3.0	●	-	MT	
High	2.8	●	Storage plant maintenance required	MT	
Low	3.0	●	-	LT	
High	-	●	-	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Public Sector Management Act 2000: regulate the employment of public servants/public sector employees. Employment Act 1988: establishes minimum condition, worker compensation, safe working practices, employment conciliation process and an employment tribunal.

Coverage	Yes= ✓ No=✗	Relevant Legislation
Governance	✗	
Services scope	✗	
Industrial relations	✓	Employment Act 1988
Pricing	✗	
Enablement	✗	
Consumer protection	✗	
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of waste management

Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Waste collection facility, exportation of waste, storage of waste*

Mandate and Operating Model:

- Cost recovery business model: *unclear*
- Service competition: *Effective monopoly*
- Operational mandate: *Essential service provision*
- Business model: *Volume business*
- Social or community policy objectives: *Ensure the safe disposal and storage and disposal of waste*



Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: 2
- Casual: 2
- Contract: 0

Source: NIA Statistics, April 2014

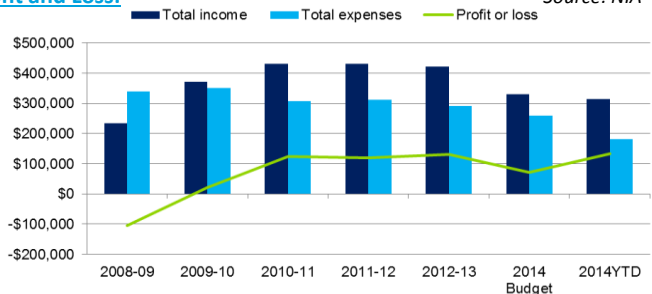
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue driver: *Volume of imports and tourists*
- Main cost drivers: *Cost of exporting waste and burning. Electricity costs and condition of plant and equipment*
- Material risks: *environmental risk – burning and dumping in the ocean. CSO: community may demand all waste to be exported or to develop a new method of waste management. Poor cost recovery model in place*

Profit and Loss:

Source: NIA



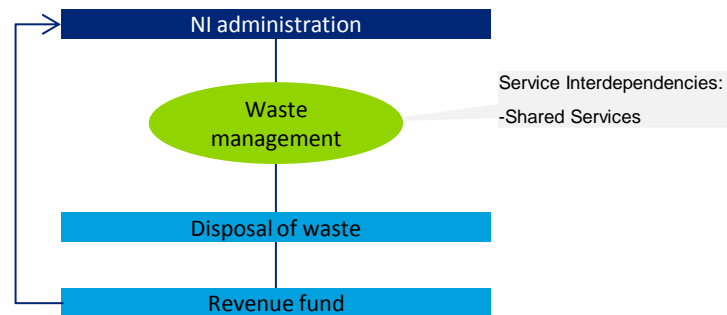
Customer Profile:

- Household refuse burnt 2012-13: 880 tonnes
- Glass crushed: 165 tonnes
- Household food scraps: 38 tonnes

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

	Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
	High	4.0		Minor risk: Building has some external damage, limited storage space	LT	
	Medium	3.0		-	LT	
	High	2.7		-	MT	
	High	2.5		-	LT	
	High	-		-	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Waste Management Act 2003: regulates location of waste management centre, establishes a levy on all imported items, creates offences regarding depositing waste in public places and other related matters.

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance		
Services scope		<i>Waste Management Act 2003</i>
Industrial relations		<i>Employment Act 1988</i>
Pricing		
Enablement		<i>Waste Management Act 2003</i>
Consumer protection		
Human resources		<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of water assurance scheme



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Treatment of sewerage and grey water to Burnt Pine and Middlegate areas of NI*

Mandate and Operating Model:

- Cost recovery business model: *Unclear*
- Service competition: *Legislated monopoly*
- Operational mandate: *Essential service provision*
- Business model: *Volume business*
- Social or community policy objectives: *Safe treatment of sewerage and preservation of underground water*

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Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Informal (I) or formal (F) mechanisms

Employees Profile:

- Full-time:
- Casual : 1
- Contract: 0

Source: NIA Statistics, April 2014

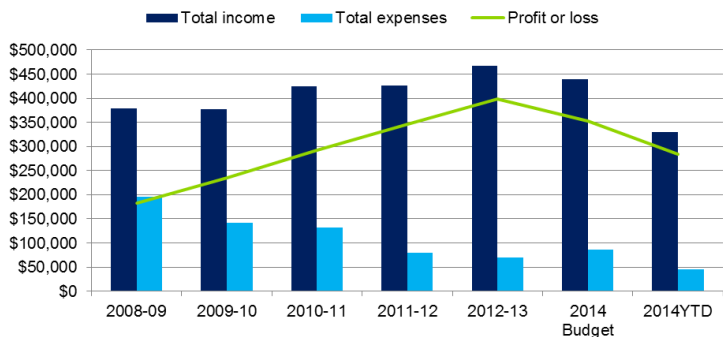
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue driver: *Tourism volume, population growth, hotel developments (boosts waste levy)*
- Main cost driver: *condition of infrastructure*
- Material risks: *Network requires expansion as currently water treatment system utilised by less than 20% of all dwellings on island*

Profit and Loss:

Source: NIA



Customer Profile:

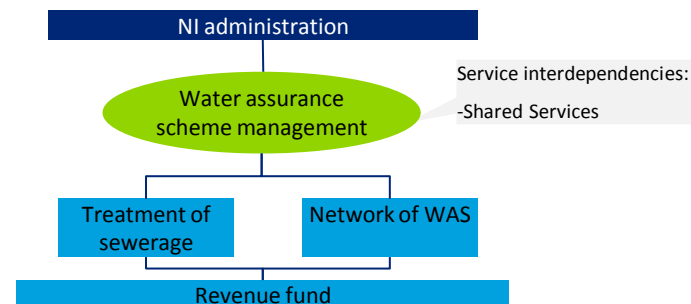
- Businesses: 50% of all NI businesses
- Residents: 12% of all NI dwellings

Note: In 2001 the WAS connected to only 17% of all premises on NI

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	3.0	●	-	MT	
High	-	●	-	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Water Assurance Charges Act 1991: provides the basis for determination of charges for connection to the water assurance scheme.

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance	✗	
Services scope	✗	
Industrial relations	✓	<i>Employment Act 1988</i>
Pricing	✓	<i>Water Assurance Charges Act 1991</i>
Enablement	✗	
Consumer protection	✗	
Human resources	✓	<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of post office today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Retail shop, receiving, sending and distributing post

Mandate and Operating Model:

- Cost recovery business model: No
- Service competition: Legislated monopoly postal; retail competition
- Operational mandate: Service provision
- Business model: Margin business
- Social or community policy objectives: Provide postal services for NI

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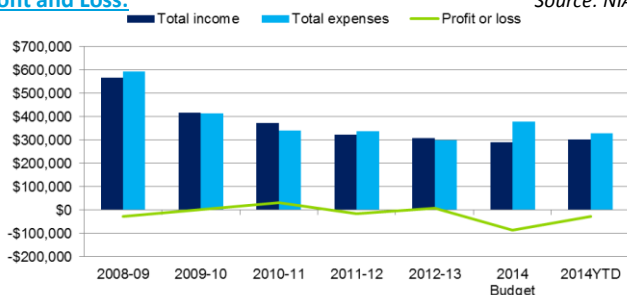
Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility, delegated to CEO
- Strategic plan: ✗
- Business plan: ✗
- Risk register: ✗
- Business continuity plan: ✗

Profit and Loss:

Source: NIA



Customer Profile:

- Retail 40% (predominantly locals)
- Postal activities (60%)

Source: NIA & Norfolk Island consultations

Employees Profile:

- Full-time: 4 + 1 vacancy
- Casual: 0
- Contract: 0

Source: NIA Statistics, April 2014

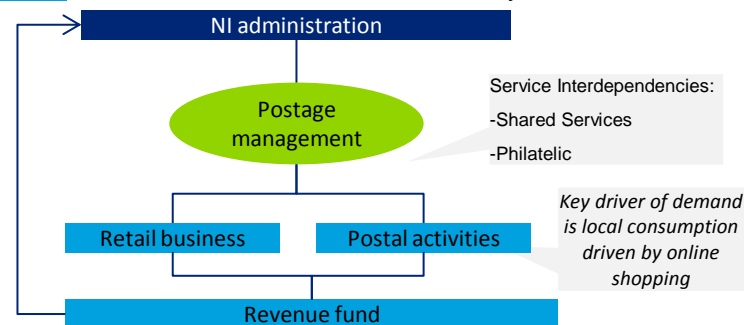
Material Risks and Business Drivers:

Source: DAE analysis

- Retail cost/revenue drivers: COGS and wages/retail sales
- Postal activities cost/revenue drivers: COGS and wages/stamp sales and Australia Post mail fee
- Material risks: Post boxes upgrade and cost recovery model

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	-	●	Piping issues – copper base	ST	Public
High	3.0	●	Post boxes require upgrade	ST	Public
Low	3.0	●	-	LT	Public
Low	-	●	-	NA	Public

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Postal Services Act 1983: regulates the provision of postal services in NI including pricing regulations, minimum service standards and community service obligations

Coverage	Yes= ✓ No= ✗	Relevant Legislation
Governance	✓	
Services scope	✗	
Industrial relations	✓	Employment Act 1988
Pricing	✓	Postal Services Act 1983
Enablement	✓	Postal Services Act 1983
Consumer protection	✗	
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of philatelic today

Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Provide stamps to Postal office, stamp yearbooks, postcards and collector stamps.

Mandate and Operating Model:

- Cost recovery business model: No
 - Service competition: Legislated monopoly wholesale; retail competition F
 - Operational mandate: service I
 - Business model: Margin business I
 - Social or community policy objectives: Provide stamps to NI post I
- Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility, delegated to CEO
- Strategic plan: ✗
- Business plan: ✗
- Risk register: ✗
- Business continuity plan: ✗

Employees Profile:

- Full-time: 2 + 1 vacant
- Casual:
- Contract

Source: NIA Statistics, April 2014

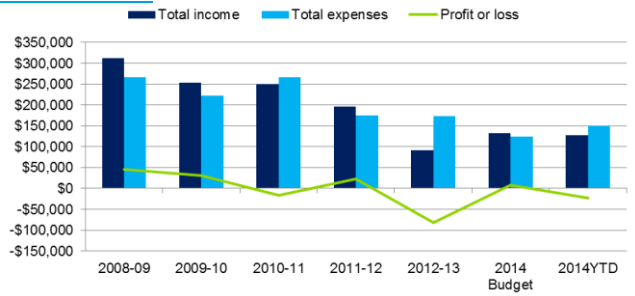
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue drivers: Retail sales
- Main cost drivers: Wages, volume of outgoing mail requiring stamps (a lot of pre-paid envelopes now)
- Material risks: Continued increase in pre-paid envelopes, lack of demand

Profit and Loss:

Source: NIA



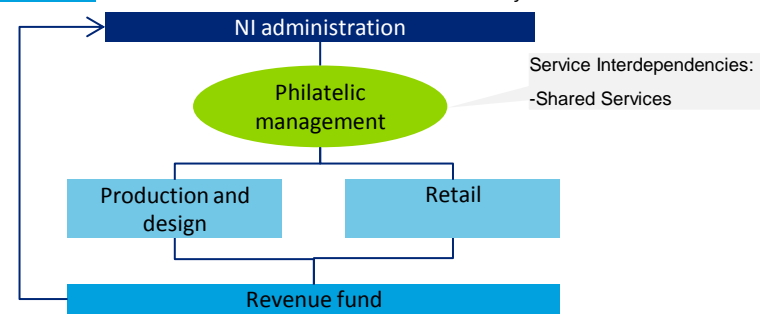
Customer Profile:

- Retail: 78%
- Wholesale (post): 22%

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
Medium	-	●	No shop front	ST	🏢
Medium	3.0	●		LT	🏢
Low	3.0	●	-	LT	🏢
Low	-	-	-	NA	🏢

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Postal Services Act 1983: s.10 requires the Administration to issue and sell postage stamps.

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance	✗	
Services scope	✗	
Industrial relations	✓	Employment Act 1988
Pricing	✗	Postal Services Act 1983
Enablement	✓	Postal Services Act 1983
Consumer protection	✗	
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of sale of rock today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Production and sale of Cascade rock

Mandate and Operating Model:

- Cost recovery business model: No
- Service competition: Some private rock suppliers
- Operational mandate: Profit generating
- Business model: Volume business
- Social or community policy objectives: nil



Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility, delegated to CEO
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:



Employees Profile:

- Full-time: 0 (Works depot used where required and volunteer board)

Source: NIA Statistics, April 2014

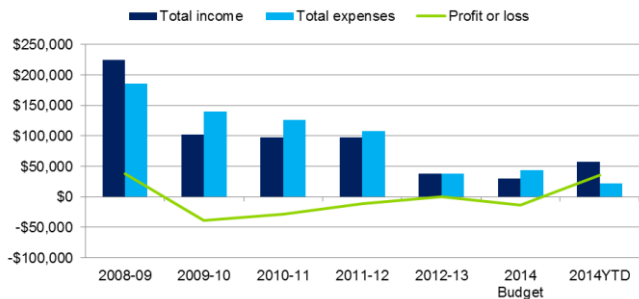
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue driver: Demand for rock = construction, development, tourism, population growth
- Main cost driver: Rent
- Material risks: Condition of rock (often poor quality), high cost of easement, inability to repay loan in a timely manner

Profit and Loss:

Source: NIA



Customer Profile:

- Local only – demand decreasing

Source: NIA & Norfolk Island consultations

Asset Profile:

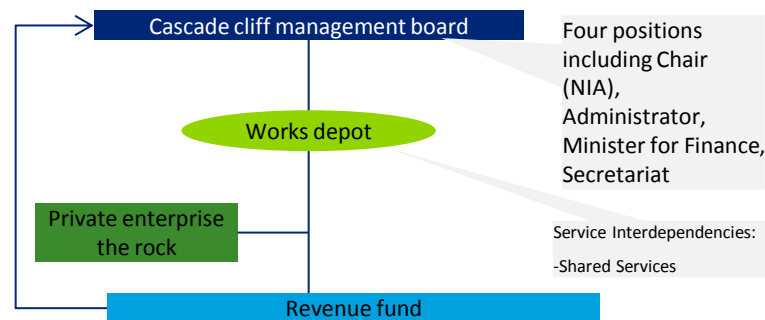
Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	-	High (Green circle)	-	LT	Government (Building icon)
High	-	Medium (Yellow circle)	-	NA	Private (Building and Person icons)

Service Model:

Source: Norfolk Island consultations



Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Public Sector Management Act 2000: regulate the employment of public servants/public sector employees. **Employment Act 1988:** establishes minimum condition, worker compensation, safe working practices, employment conciliation process and an employment tribunal.

Coverage	Yes= ✓ No= ✗	Relevant Legislation
Governance	✗	
Services scope	✗	
Industrial relations	✓	Employment Act 1988
Pricing	✗	
Enablement	✗	
Consumer protection	✗	
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of fire services today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Fire and emergency services provider to the airport and community

Mandate and Operating Model:

- Cost recovery business model: No
- Service competition: Effective monopoly
- Operational mandate: Essential service
- Business model: break even/cost recovery business
- Social or community policy objectives: Provide emergency services to NI



Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility, delegated to CEO
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:



Employees Profile:

- Full-time: 4
- Casual: 2
- Contract: 2

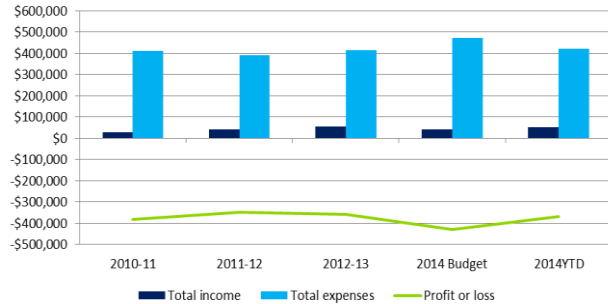
Source: NIA Statistics, April 2014

Material Risks and Business Drivers:

Source: DAE analysis

- Community fire services cost/revenue drivers: Wages/sales
- Airport fire services cost/revenue drivers: Wages/no income
- Material risks: Maintaining standards (training, equipment), achieving cost recovery

Profit and loss



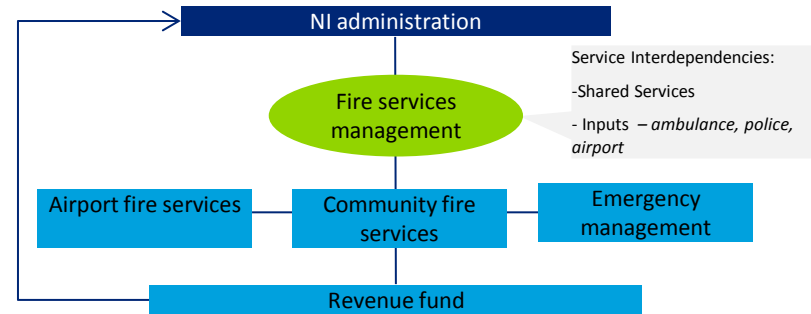
Customer Profile:

- Community services is for local community
- Airport predominantly tourism (Approx. 5 return flights per week)
- Emergency management (as needs basis)

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	-	●	-	LT	Public
High	3.5	●	-	LT	Public
Medium	3.5	●	-	LT	Public
High	-	-	-	NA	Public

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Fire services are covered by Commonwealth legislation as well as: *Fire Control Act 2000*: empowers officers: to enter on any land for fire prevention, to issue directions to landowners. *Disaster and Emergency Management Act 2001*: Makes provision for disaster & emergency management in the event of a declared state of disaster or emergency.

Coverage	Yes= ✓ No= ✗	Relevant Legislation
Governance	✓	Fire Control Act 2000; Disaster and Emergency Management Act 2001
Services scope	✗	
Industrial relations	✓	<i>Employment Act 1988</i>
Pricing	✗	
Enablement	✗	
Consumer protection	✗	
Human resources	✓	<i>Public Sector Management Act 2000;</i> <i>Employment Act 1988</i>

Summary of museums today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Caring for and displaying artefacts from collections, 'telling the Island's stories', running tours, a shop and an historical play*

Mandate and Operating Model:

- Cost recovery business model: *No*
- Service competition: *Competitive landscape*
- Operational mandate: *Service Provision*
- Business model: *break even/cost recovery*
- Social or community policy objectives: *Preserve cultural and historical assets of NI and educate people on NI's heritage*



Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: 0
- Casual : 3.36FTE
- Contract: 3

Source: NIA Statistics, April 2014

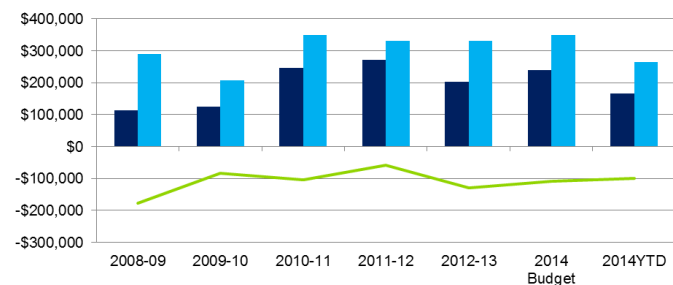
Material Risks and Business Drivers:

Source: DAE analysis

- Museum cost/revenue driver: *wages & conserving artefacts/volume of tourists*
- Production cost/revenue driver: *Wages/sales*
- Retail cost/revenue driver: *Wages/COGS*
- Material risks: *Loss of café and main point of ticket sales; salt air from building location damaging artefacts*

Profit and Loss:

Source: NIA



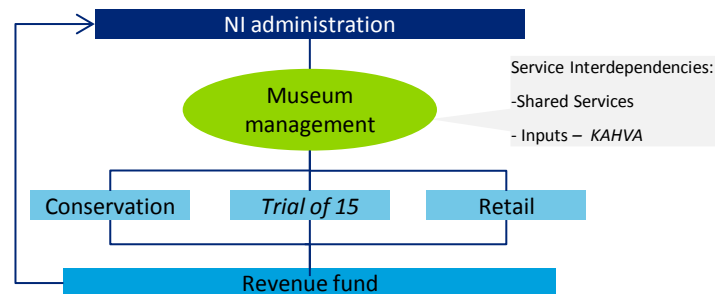
Customer Profile:

Predominantly tourists. Detailed data on customer profile not provided

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	-	●	<i>Buildings damage artefacts (i.e. salt)</i>	MT	
Medium	3.0	●	-	LT	
Low	-	NA	NA	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Public Sector Management Act 2000: regulate the employment of public servants/public sector employees. *Employment Act 1988*: establishes minimum condition, worker compensation, safe working practices, employment conciliation process and an employment tribunal.

Coverage	Yes= ✓	No= ✗	Relevant Legislation
Governance		✗	
Services scope		✗	
Industrial relations	✓		<i>Employment Act 1988</i>
Pricing		✗	
Enablement		✗	
Consumer protection		✗	
Human resources	✓		<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of tanalith today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Provides tanalising (timber preservation) services, mostly to private customers but some to KAVHA and NI forestry as well.

Mandate and Operating Model:

- Cost recovery business model: Unclear
- Service competition: Unlegislated government monopoly
- Operational mandate: Provision of tanalising services
- Business model: break even/cost recovery
- Social or community policy objectives: Ensure pine is appropriately treated

Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility, delegated to CEO
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: 1
- Casual: 0
- Contract: 0

Source: NIA Statistics, April 2014

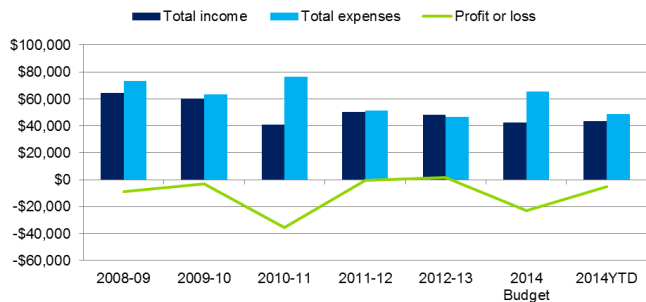
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue driver: Tanalith charges, construction activity, interest rates, population growth
- Main cost driver: Wages, cost of electricity and tanalith solution
- Material risks: Contamination, economic volatility, availability/cost of alternate treatment options, poor governance and operating model, Crown ownership of land

Profit and Loss:

Source: NIA



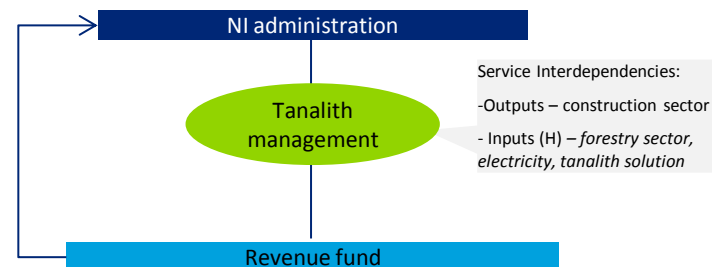
Customer Profile:

- Private: 96%
- KAVHA: 3%
- NI Forestry: 1%

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	3	Medium	-	LT	Government
Medium	4	High	-	LT	Government
Medium	-	Medium	Contamination location	NA	Government

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Public Sector Management Act 2000: regulate the employment of public servants/public sector employees. Employment Act 1988: establishes minimum condition, worker compensation, safe working practices, employment conciliation process and an employment tribunal.

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance	✗	
Services scope	✗	
Industrial relations	✓	Employment Act 1988
Pricing	✗	
Enablement	✗	
Consumer protection	✗	
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of broadcasting today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *News updates, entertainment, community announcements*

Mandate and Operating Model:

- Cost recovery business model: *No*
- Service competition: *Legislated monopoly*
- Operational mandate: *Service provision*
- Business model: *Break even/cost recovery*
- Social or community policy objectives: *Provide the community with news and current affair updates*

Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: 1
- Casual: 4
- Contract:

Source: NIA Statistics, April 2014

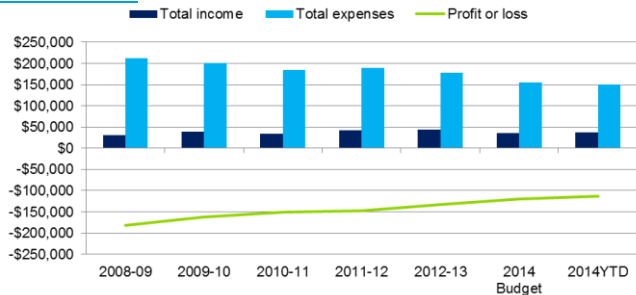
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue drivers: *Sponsorships*
- Main cost drivers: *Casual announcer wages, cost of electricity and infrastructure*
- Material risks: *Poor condition of mobile broadcasting vehicle*

Profit and Loss:

Source: NIA



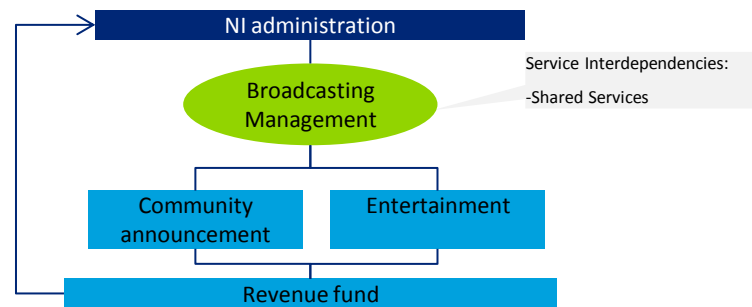
Customer Profile:

- Local listeners

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

	Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
	High	4.0		-	LT	
	High	2.6		-	ST	
	High	3.1		Outdated technology	ST	
	Medium	-		Extremely poor condition	ST	
	Low	-	NA	-	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Norfolk Island Broadcasting Act 2001: Establishes the "Norfolk Island Broadcasting Service". The Act imposes the requirement for broadcasting services (radio/television open/limited) to be licensed.

Coverage	Yes=	No=	Relevant Legislation
Governance			
Services scope			
Industrial relations			<i>Employment Act 1988</i>
Pricing			
Enablement			<i>Norfolk Island Broadcasting Act 2001</i>
Consumer protection			
Human resources			<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of KAVHA today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Maintenance and development of Kingston and Arthurs Vale Historic Area (KAVHA)

Mandate and Operating Model:

- Cost recovery business model: No
- Service competition: Effective monopoly
- Operational mandate: Service provision
- Business model: Break even/cost recovery
- Social or community policy objectives: Preserve cultural and historical assets of NI



Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility, delegated to CEO
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:



Employees Profile:

- Full-time: 7 + 3 vacant
- Permanent Part-time: 2
- Contract: 5

Source: NIA Statistics, April 2014

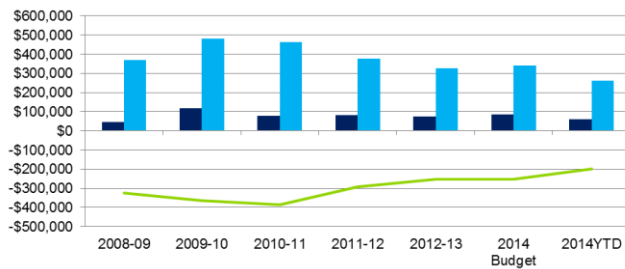
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue drivers: Spreadsheet need updating, Tourism,
- Main cost drivers: Wages
- Material risks: Achieving cost recovery, state of buildings

Profit and Loss:

Source: NIA



Customer Profile:

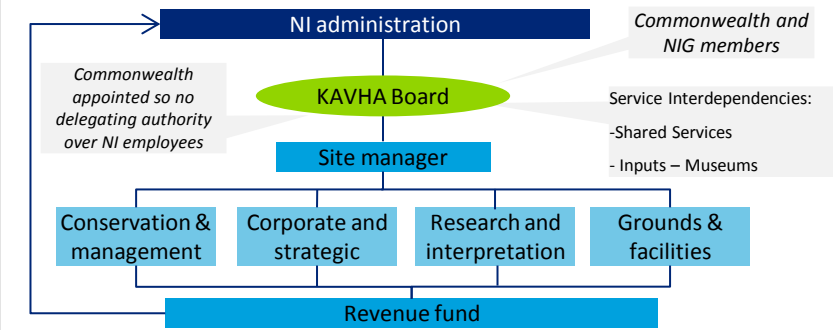
No real customers but:

- Some buildings inhabited by Cwth Government employees
- Research and interpretation centre for tourists

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

	Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
	High	4.0		-	LT	
	High	3.0		-	LT	
	Medium	2.7		-	ST	
	High	-		-	NA	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

The KAVHA Management Board is an intergovernmental group operated by the NI and Cth governments.

Coverage	Yes= <input checked="" type="checkbox"/> No= <input checked="" type="checkbox"/>	Relevant Legislation
Governance	<input checked="" type="checkbox"/>	
Services scope	<input checked="" type="checkbox"/>	
Industrial relations	<input checked="" type="checkbox"/>	Employment Act 1988
Pricing	<input checked="" type="checkbox"/>	
Enablement	<input checked="" type="checkbox"/>	MOU relating to the establishment of the NIA KAVHA Management Board 1994
Consumer protection	<input checked="" type="checkbox"/>	
Human resources	<input checked="" type="checkbox"/>	Public Sector Management Act 2000; Employment Act 1988

Summary of forestry and reserves



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Sell pine, maintain reserves, plant trees, weeding and other conservation activities.*

Mandate and Operating Model:

- Cost recovery business model: *No*
- Service competition: *Effective monopoly*
- Operational mandate: *Service Provision*
- Business model: *break even/cost recovery*
- Social or community policy objectives: *Ensure reserves are safe and well maintained*

Informal (I) or formal (F) mechanisms



Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: *4 + 1 vacant*
- Casual: *0*
- Contract: *2*

Source: NIA Statistics, April 2014

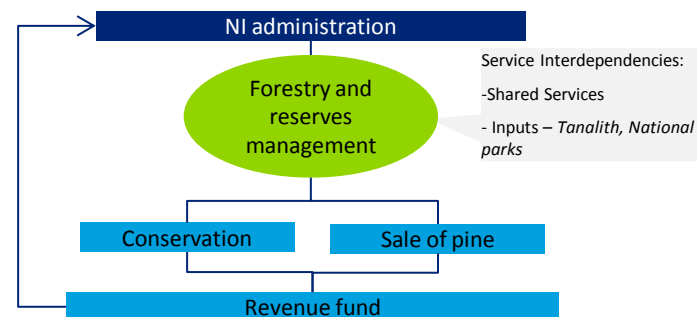
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue driver: *Construction – sale of pine locally*
- Main cost driver: *Wages and transport*
- Material risks: *Market in decline; competition from NZ timber*

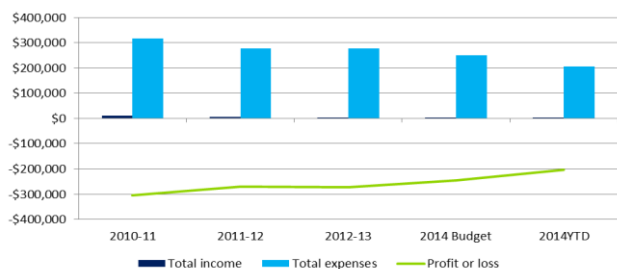
Service Model:

Source: Norfolk Island consultations



Profit and Loss:

Source: NIA



Customer Profile:

Timber is sold for local use in construction and building. No additional customer profile data provided

Source: NIA & Norfolk Island consultations

Asset Profile:

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	3.0		-	MT	
Medium	3.0		-	LT	
High	-		-	LT	

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Public Reserves Act 1997: sets out functions and responsibilities for day to day management. *Trees Act 1997*: Regulates tree plantations, licenses and royalty requirements for tree on unleased crown land and fees for taking pine cones/seeds on such land.

Coverage	Yes= No=	Relevant Legislation
Governance		<i>Public Reserves Act 1997; Tree Act 1997</i>
Services scope		
Industrial relations		<i>Employment Act 1988</i>
Pricing		
Enablement		
Consumer protection		
Human resources		<i>Public Sector Management Act 2000; Employment Act 1988</i>

Summary of tourism bureau today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Promoting NI as a tourist destination and promotion of NI and private businesses

Mandate and Operating Model:

- Cost recovery business model: No
- Service competition: Competitive
- Operational mandate: Service Provision
- Business model: break even/cost recovery
- Social or community policy objectives: Promotion of local business



Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: NIG responsibility
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:



Employees Profile:

- Full-time: 4
- Casual: 3
- Contract: 1

Source: NIA Statistics, April 2014

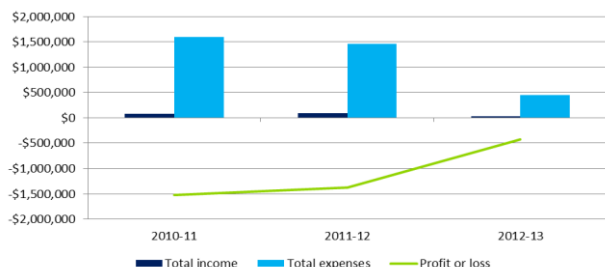
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue driver: Volume of tourists
- Main cost driver: Marketing and wages
- Material risks: competition with other locations, changing demographics, stability of tourism and non diversified tourist operations, exchange rate

Profit and Loss:

Source: NIA



Customer Profile:

Predominantly tourists. Total bookings made through NIGTB (incl. website & front desk) are:

2011: 1351
2012: 1286
2013: 1255

Source: NIA & Norfolk Island consultations

Asset Profile:

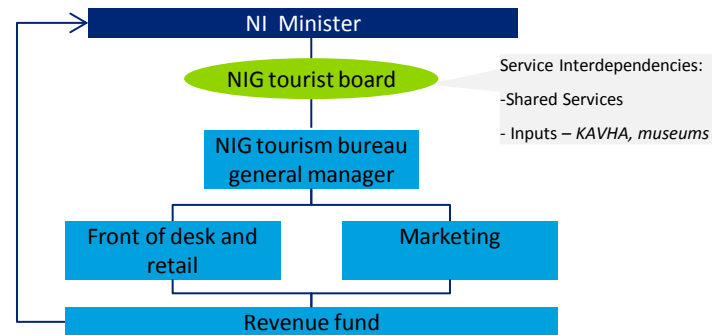
Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	-	●		MT	
Medium	4.0	●	-	LT	
Low	-	NA	-	NA	

Service Model:

Source: Norfolk Island consultations



Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Norfolk Island Government Tourist Bureau Act 1980: Establishes NIG Tourist Bureau as a body corporate; Establishes an NIG Bureau Advisory Board; outlines functions of the Bureau

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance	✓	Norfolk Island Government Tourist Bureau Act 1980
Services scope	✓	Norfolk Island Government Tourist Bureau Act 1980
Industrial relations	✓	Employment Act 1988
Pricing	✗	
Enablement	✗	
Consumer protection	✗	
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of gaming today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: Grants bookmaking and online gaming licenses

Mandate and Operating Model:

- Cost recovery business model: Yes
- Service competition: Legislated monopoly
- Operational mandate: Profit generating service
- Business model: Volume business
- Social or community policy objectives: Not encourage problem gambling

Informal (I) or formal (F) mechanisms

Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

F
I
I
I

Employees Profile:

- Full-time: 0
- (Director of gaming authority employed but works as-required)
- Source: NIA Statistics, April 2014

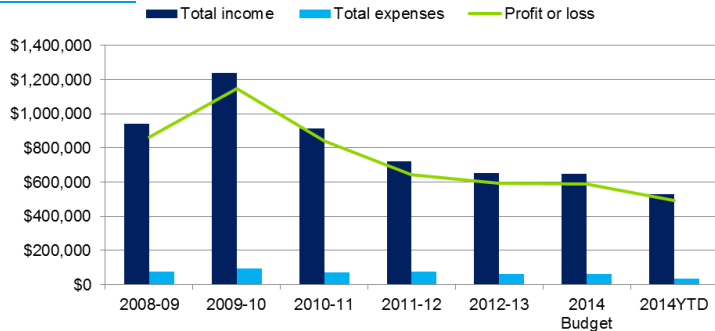
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue driver: Uptake of online gaming
- Main cost driver: Consultancy fees and travel
- Material risks: In current model, both business development and regulation managed by same person. Highly competitive nature of industry due to ease of relocation

Profit and Loss:

Source: NIA



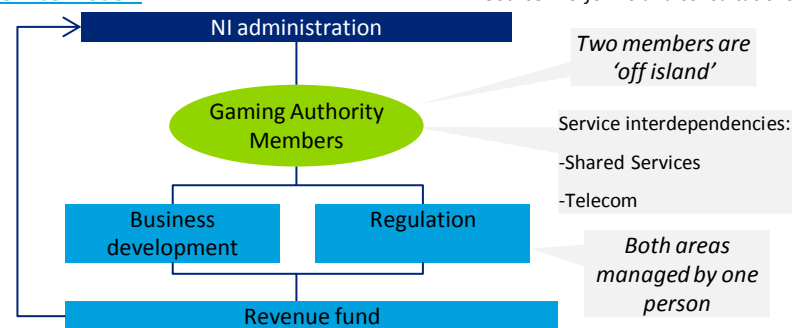
Customer Profile:

- Bookmaking: 10 businesses online
- Gaming: 3 businesses

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile

Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	3.0	Medium		MT	Government
High	-	Medium	Faster internet, greater bandwidth	MT	Government

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

Coverage	Yes=✓ No=✗	Relevant Legislation
Governance	✓	Gaming supervision Act 1998
Services scope	✓	Gaming Act 1998; Bookmakers and Betting Exchange Act 1998; Gaming Supervision Act 1998
Industrial relations	✓	Employment Act 1988
Pricing	✓	Gaming Act 1998; Bookmakers and Betting Exchange Act 1998; Gaming Supervision Act 1998
Enablement	✓	Gaming Act 1998; Bookmakers and Betting Exchange Act 1998; Gaming Supervision Act 1998
Consumer protection	✓	Gaming supervision Act 1998
Human resources	✓	Public Sector Management Act 2000; Employment Act 1988

Summary of airport today



Overview of Business:

Source: DAE analysis & NI consultations

- Service offerings: *Customs, maintenance, security and operations*

Mandate and Operating Model:

- Cost recovery business model: *Yes*
- Service competition: *Monopoly operations and rental*
- Operational mandate: *Service provision*
- Business model: *Volume business*
- Social or community policy objectives: *Provide safe air transport facility*

Informal (I) or formal (F) mechanisms

F
F
I
I

Governance:

- Responsibility: *NIG responsibility, delegated to CEO*
- Strategic plan:
- Business plan:
- Risk register:
- Business continuity plan:

Employees Profile:

- Full-time: 2
- Casual: 10
- Contract: 3

Source: NIA Statistics, April 2014

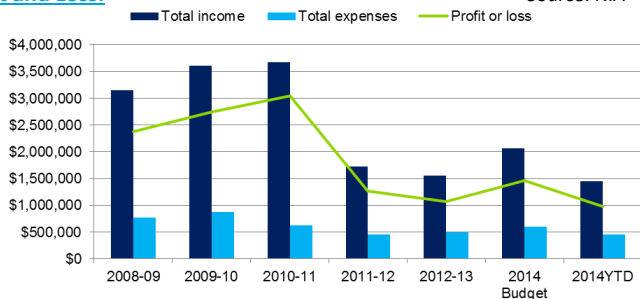
Material Risks and Business Drivers:

Source: DAE analysis

- Main revenue drivers: *Passenger fees, tourism, Air NZ relationship, exchange rate, competition from other destinations, harbour facilities*
- Main cost drivers: *Wages, maintenance, CASA regulations*
- Material risks: *Contract with Air NZ, competition from cruise ships and/or other destinations*

Profit and Loss:

Source: NIA



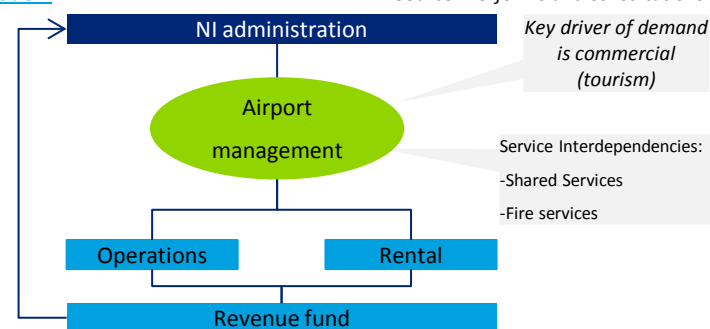
Customer Profile:

- 39% from Brisbane
- 41% Sydney
- 13% Auckland

Source: NIA & Norfolk Island consultations

Service Model:

Source: Norfolk Island consultations



Asset Profile:

Source: Source: Preston Rowe Patterson, asset valuation report, June 2012

Key business assets:

Significance to business	Condition (1=poor; 5=new)	Capacity for growth	Asset condition risk	Upgrade required ST/MT/LT	Ownership
High	-	●	-	MT	Buildings
High	2.9	●	-	MT	Buildings
High	3.0	●	-	MT	Buildings
Medium	2.7	●	-	LT	Buildings
High	-	●	Cracks in tarmac	ST	Buildings

Legislative framework:

Source: Norfolk Island Crown Council

Legislation Summary

The operation of commercial airports is regulated by Commonwealth legislation which creates various licences and permits. CASA and Office of Transport Security conduct regular audits of the airport operations.

Coverage	Yes= ✓ No= ✗	Relevant Legislation
Governance	✓	<i>Airport Act 1991</i>
Services scope	✓	<i>Airport Act 1991</i>
Industrial relations	✓	<i>Employment Act 1988</i>
Pricing	✓	<i>Airport Act 1991</i>
Enablement	✗	
Consumer protection	✗	
Human resources	✓	<i>Public Sector Management Act 2000; Employment Act 1988</i>

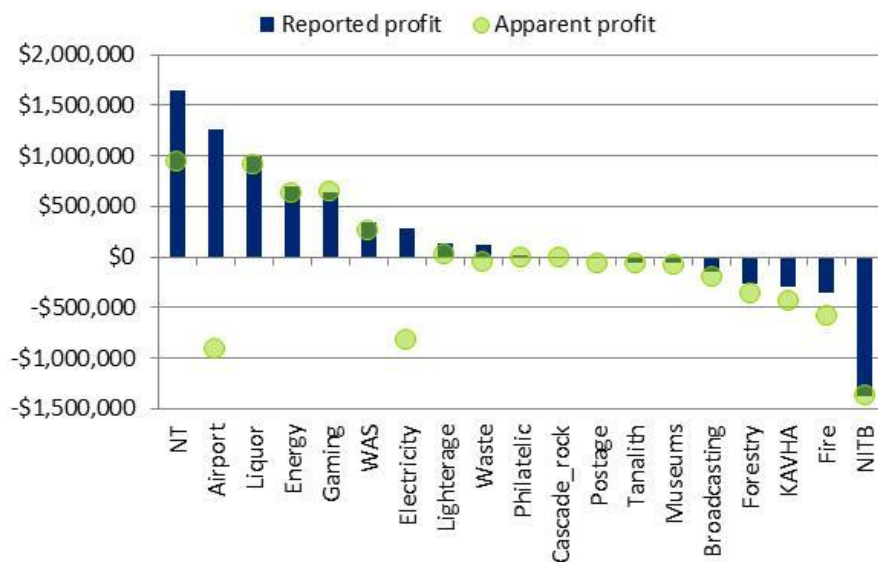
ii) Performance outcomes

Despite holding a critical role in service delivery and employment, this review has found that in general, Norfolk Island's government businesses are characterised by...

...mixed financial performance...

- Government business activities play a critical role in the NI economy. In 2012-13 the businesses under examination made a total (gross) income of roughly \$20 million – total (gross) income of the Norfolk Island Government was only \$32 million.
- But they produce mixed financial results. Less than 60% of the businesses examined are estimated to have made a profit in 2012-13.
- And a number of costs are not allocated to individual business areas, meaning the true financial position of the business activities is difficult to determine.
- Unallocated costs include internal shared services such as HR, IT and payroll services; but most importantly depreciation, which is reported at an aggregate level and not assigned to business units.

Business profit or loss, reported and apparent, 2011-12



Cost recovery definition

A cost recovery business model refers to the method in which gross profit is recognised once all costs have been recovered. It encompasses fees and charges related to the provision of government goods and services to the private sector.

– Australian Government, Australian Financial Security Authority

Business	Cost recovery	Dep'n (% of expenses, 2011-12)	Sh. Serv (% of expenses, 2011-12)
Liquor Bond	✓	3%	1%
Telecom	○	35%	5%
Electricity	○	32%	2%
Lighterage	✓	42%	3%
Energy	✓	1%	NA
Waste	○	44%	9%
WAS	○	101%	NA
Post office	✗	3%	10%
Philatelic	✗	1%	16%
Cascade sale of rock	✗	NA	NA
Fire services	✗	45%	16%
Museums	✗	2%	6%
Tanalith	✗	12%	14%
Broadcasting	✗	19%	4%
KAVHA	✗	7%	32%
Forestry	✗	15%	15%
NIGTB	✗	0.2%	NA
Gaming	✓	NA	NA
Airport	○	451%	23%

✓ = Yes ✗ = No ○ = significant infrastructure investment required

...poor governance and a lack of transparent process...

A GBE?

While coined 'government business enterprises' (GBEs), these businesses fail to meet the best practice principles set forth by the Commonwealth Government, nor does their structure reflect that of a 'true' GBE. The table below illustrates the best practice principles and those businesses that do align with the best practice principle to a certain extent. Prior to 2010, the businesses had an alternative structure in which a dividend was paid to the NIG (see appendix A for further detail). While closer than the current structure, it was still not truly reflective of a GBE. As such, this review has referred to the businesses in scope as government businesses, rather than GBEs.

Best practice characteristic	Government businesses that currently meet criteria to some extent		
Board and corporate governance: 1-2 Shareholder Ministers who exercise strategic control, are consulted on matters of significance, and set targets (financial and otherwise). Ministerial decisions are documented and tabled in Parliament. An independent manager develops business strategies and manages the day-to-day operations	Nil		
Board and corporate governance: Board members should have an appropriate mix of skills and be appointed on the basis of their individual capacity and mix of relevant skills. The board shall be headed by a chair person.	Gaming	NIGTB	KAVHA
Financial governance: Reporting and accountability measures that facilitate best practice governance and active oversight by the Government. Both management and government have a strong interest in its financial performance	Nil		
Mandate and objectives: Shareholder Ministers set clear objectives for the GBEs and GBEs deliver on these. The mandate is considered during the annual reporting process.	Nil		
Financial operations: Operate efficiently, at minimum cost, and price efficiently according to economic forces. The Government may impose price conditions on a GBE operating in a monopolistic market or to meet community service obligations.	Nil		
Financial operations: GBEs should earn a commercial rate of return	Gaming		
Planning and reporting: Corporate plan with financial targets and KPIs, annual reports, interim reports where appropriate, performance audit, statement of governance, additional notifications as required	Airport		

...lack of reporting and business planning, and...

- The government businesses seldom use standard reporting and business planning processes, hindering their ability to perform in a transparent manner and achieve long-term plans.
- In addition, few have formal, documented operational mandates or goals. Rather, they perform based on informal goals that do not necessarily align with incentive structures.

Criteria	Liquor bond	Electricity	Telecom	Energy	Lighterage	Fire services	Airport	Philatelic	Post office	Tanalith	Cascade sale of rock	Gaming	NIGTB	Waste	WAS	Broadcasting	Forestry	Museums	KAVHA
Competitiveness (LM = legislated monopoly, C=competition, EM = effective monopoly)	LM	LM	EM (intenet) & LM	EM	EM	EM	EM	LM	LM	EM	EM	LM	LM	EM	LM	LM	EM	C	EM
Formal mandate	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Strategic plan	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✓	✓
Risk register	✗	✗	✗	✗	✗	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✗
Business continuity plan	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Business plan	✗	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓	✗
Number of employees	3 FT	8 FT 1CS 2CN	6 FT 1CS 5CN	0	1 FT	4 FT 2CS 2CN	2 FT 10 CS 3CN	3 FT 1CS	4 FT 1V	1 FT	0	1 FT	1 FT 3CS	1 FT 2CS	1CS	1 FT 2CS	4 FT	3CN	7 FT 2PT 5CN 3 V

FT = Full-time; CS =Casual; CN = Contract; PT =part-time; V =vacant

...are in need of critical asset upgrades....

- Many of the government businesses are also in need of critical asset upgrades. For many, this has not been possible due to profits going back to the revenue fund for other purposes. As a result, many assets have not been regularly maintained and are in imminent need of investment.
- Some of these are for essential services, and failure to upgrade may cause dire economic, health, and environmental risk for the Norfolk Island community.
- The chart below illustrates those businesses whose assets require upgrading, where:

● = urgent investment required
 ● = investment required in the medium-term
 ● = investment required in the long-term
 N/A = no investment required

	Liquor bond	Electricity	Telecom	Energy	Lighterage	Fire services	Airport	Philatelic	Post office	Tanalith	Cascade sale of rock	Gaming	NIGTB	Waste	WAS	Broadcasting	Forestry	Museums	KAVHA
Building	●	●	●	N/A	●	●	●	●	●	●	N/A	N/A	●	●	N/A	●	N/A	●	●
Land	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
ICT	N/A	N/A	N/A	N/A	N/A	N/A	N/A	●	N/A	N/A	N/A	●	N/A	●	N/A	●	N/A	N/A	N/A
Infrastructure	N/A	●	●	●	N/A	●	●	N/A	N/A	N/A	N/A	●	N/A	N/A	●	N/A	N/A	N/A	N/A
Plant/equipment	●	●	●	●	●	●	●	●	●	●	●	N/A	●	●	N/A	●	●	●	●
Vehicles	N/A	●	●	●	●	●	●	N/A	●	N/A	N/A	N/A	N/A	●	N/A	●	●	N/A	●
Where investment is required, risk is high, medium, low	N/A	H	H	N/A	H	N/A	H	L	M	M	N/A	M	M	H	H	L	N/A	N/A	M

...and face considerable depreciation costs

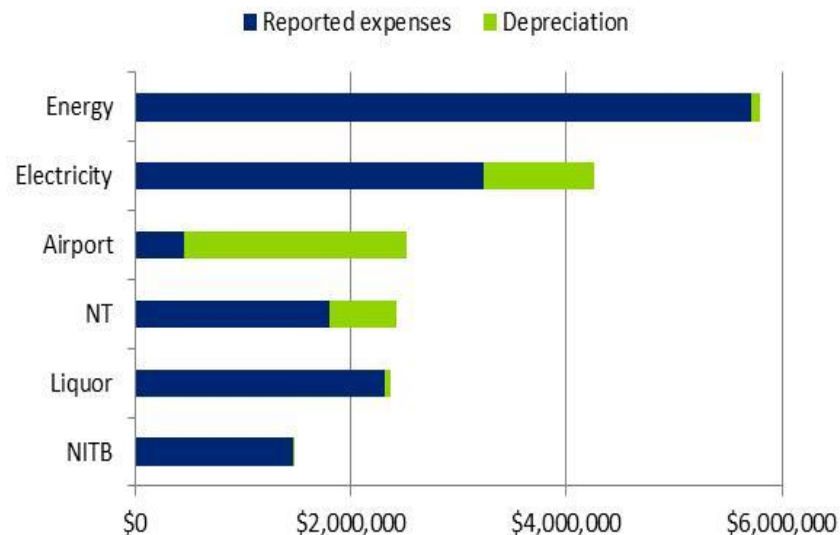
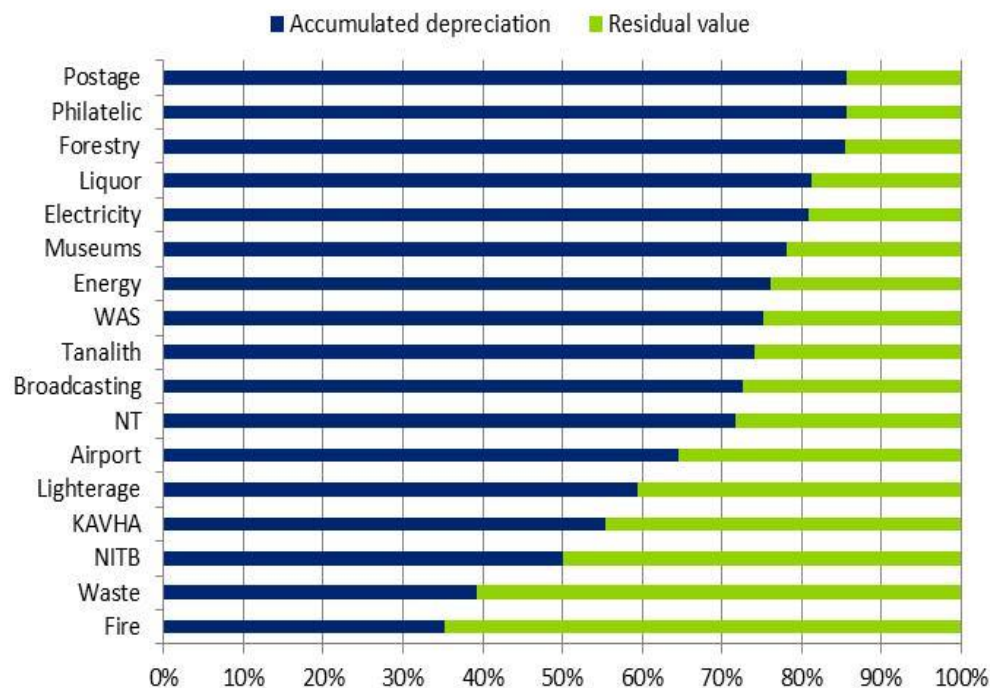
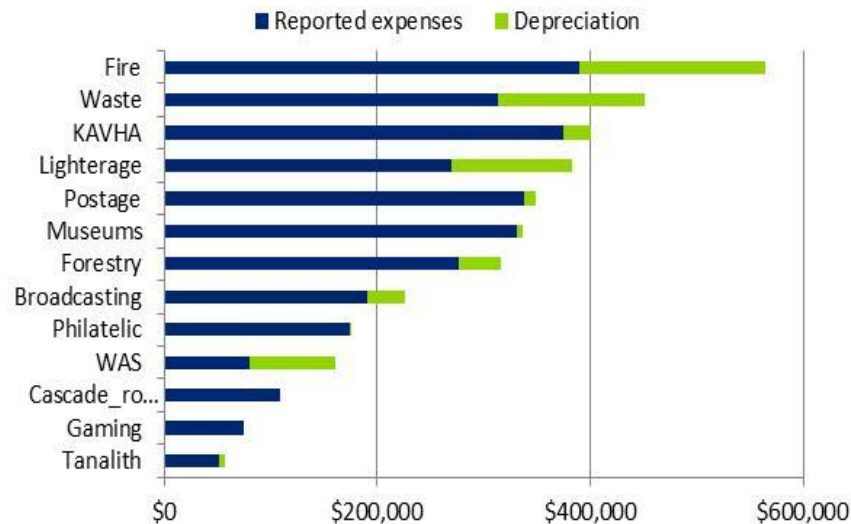
Using information contained in Preston Rowe Patterson (2012) we have estimated accumulated depreciation and residual value of the assets of 17 of the businesses under examination.

For most businesses, accumulated depreciation accounted for more than three quarters' of the estimated replacement cost of the businesses' total assets in 2011-12.

Another way to think about it is to compare the business' total expenses in 2011-12 with their estimated depreciation expense for that year.

The findings speak for themselves.

And these data are from 2011-12. Over the past three years there is anecdotal evidence that the situation has become even more dire. Several business managers have informed us of urgent upgrades needed to their asset base – upgrades that there simply has not been enough money to perform.



3b. Analysis (options analysis)

As noted above the business specific assessments were conducted in three broad stages. These are:

1) Assess the status quo

- To what extent does the current delivery model align with the core requirements and assessment criteria?



2) Conduct detailed analysis

- Rank each business delivery option against each of the key criteria



3) Consider implementation considerations

- What factors might potentially affect or hinder the implementation of the preferred option(s)?

Assessment of status quo

Macro (NI wide) objectives

- Ensure the financial and economic stability of the island
- Ensure (establish) a viable and competitive market
- Ensure sufficient infrastructure investment
- Ensure efficient and appropriate investment of public funds
- Realising efficiencies and synergies within existing business areas
- Address market failures by providing effective regulation
- Re-establish the island as a 'going concern'

Business specific objectives

- Consider the business' objectives (economic, social and environmental)
- Maximise and strengthen the business' revenue base
- Ensure an appropriate return to government and community
- Improve sustainability of the business
- Harness synergies where possible with other businesses
- Afford a seamless transition into an alternative ownership structure
- Ensure incentives for efficient operation

Objectives alignment	Liquor bond	Electricity	Telecom	Energy	Lighterage	Fire services	Airport	Philatelic	Post office	Tanalith	Cascade sale of rock	Gaming	NIGTB	Waste	WAS	Broadcasting	Forestry	Museums	KAVHA
Macro objectives																			
Business specific objectives																			
Overall score (% of total possible score)	44%	37%	21%	42%	46%	38%	40%	9%	35%	12%	23%	52%	27%	33%	35%	6%	37%	40%	38%



Alternative operating structures

Businesses' current operating structures performed poorly when assessed against the objectives above. All but one of the businesses scored less than 50%, and some businesses scored less than 20%.

- As such, an assessment was undertaken against the criteria for six alternative operating structures, each with a varying mixture of government/private sector involvement. The options considered were:

Option	Government delivery	Government Business Enterprise	Shared services	Licensing arrangements	Management contract	Privatisation
<i>Description</i>	<i>Business continues to operate under control of NIA but all core requirements are met</i>	<i>Business operates as a 'true' GBE in accordance with best practice principles</i>	<i>Core functions (eg. finances HR, legal, admin) are outsourced to a third party</i>	<i>Operating under license arrangements for service delivery. Assets retained by NIA</i>	<i>Outsourcing of management and operations to an agreed third party for an agreed period of time</i>	<i>Outright sale of entire business (or parts of business) including assets</i>

- The above options were assessed on a four point scale against the criteria. The total results as a percentage score illustrated in the preceding slides, where:

0-25% =very poor alignment with the criteria

51-75% =moderate degree of alignment

26-50%=poor alignment with the criteria

75-100%=strong degree of alignment

- These are each colour-coded, where it is recommended that for those in:

- Red (0-29%), the option is not recommended ;**
- Orange (40-59%), the option could be considered in further detail; and**
- Green (>60%), the option is considered in further detail and next steps planned**

- It was also identified that within each government business, there were often multiple service offerings. Where data allowed, these different service offerings were assessed individually.

Summary of options

Option	Liquor bond wholesale	Liquor bond retail	Energy	Lighterage	Fire services - community	Fire services - airport	Airport
Government delivery	50%	40%	47%	60%	63%	63%	56%
Shared services	47%	40%	44%	55%	60%	58%	56%
GBE	55%	50%	67%	68%	38%	36%	75%
Management contract	63%	60%	70%	75%	38%	36%	77%
Licensing	70%	77%	59%	65%	32%	36%	69%
Privatisation	62%	62%	56%	62%	27%	28%	75%
Key observations	Green options have operating structures that incentivise profit maximisation. They enhance competition and consumer choice. Licensing and management contract will be easier to implement and can serve as a transition to privatisation		These options remove the risk the NIA has managing fuel (storage maintenance). A management contract will likely be easier to implement than a GBE.	Licensing allows for competition and encourages profit maximisation, with operators incentivised to drive efficiencies	The Government has a key role in delivering fire services - as they are not profitable and are required on as-needs basis, they are not suitable for other options. The main issue is ensuring this option achieves cost recovery (see implementation slides)		The green options provide adequate opportunities for profit maximisation. Competition is unfeasible and implementation should be straightforward due to existing legislation

Summary of options

Option	Philatelic	Post office -retail	Post –postal services	Cascade sale of rock	Gaming regulation	Gaming business dev.	Tanalith	
Government delivery	27%	35%	39%	47%	67%	71%	38%	
Shared services	28%	37%	39%	45%	62%	70%	38%	
GBE	53%	63%	70%	28%	60%	64%	58%	
Management contract	59%	58%	70%	32%	60%	54%	69%	
Licensing	58%	65%	61%	33%	60%	54%	61%	
Privatisation	55%	62%	62%	33%	NA	NA	63%	
Key observations	Contracting allows for a contract for the design and production of stamps, with the profit maximisation incentive enabling an efficient number of releases	Retail is already delivered by the private sector, placing it in a structure with profit incentives and competition may improve its operations. The management contract will also have a greater profit incentive, allowing the Post office to invest in core functions such as postal boxes. The contract could be a franchise opportunity.		Shared services means employment can be shared, which will reduce costs. Market options unlikely given the service is to pay-back royalties		Regulation is a core government function. Placing these under separate operating structures enhances transparency and removes the current conflict-of-interest in merging the two roles. Competition is mainly driven by other Australian jurisdictions. Government can have a role in setting license fees and receiving a portion of the profit.		The green options create an incentive for the plan to maximise efficiency and potentially profits. Land contamination makes privatisation complex to implement

Summary of options continued

Option	Electricity powerhouse	Electricity reticulation	Telecom - mobile	Telecom - landline	Telecom - internet	KAVHA	Forestry - conservation	Forestry- plantations
Government delivery	42%	43%	42%	40%	42%	48%	53%	40%
Shared services	42%	45%	40%	42%	42%	48%	53%	40%
GBE	67%	69%	72%	37%	73%	56%	52%	55%
Management contract	75%	77%	70%	27%	72%	63%	55%	55%
Licensing	50%	68%	69%	28%	72%	45%	48%	53%
Privatisation	42%	64%	60%	25%	62%	NA	44%	65%
Key observations	The green options provide an incentive for the business to maximise profits which is likely to enhance efficiency. There is scope for a contract to request a certain amount of infrastructure investment which can be negotiated through the contract length. Competition is likely to occur in bidding but not service delivery. The services should be bundled together as all the profit is in reticulation.		The green options provide an opportunity for a contract to request a certain extent of infrastructure maintenance or investment, which could be negotiated in return for a particular length of the contract. They encourage profit maximisation which will drive operating efficiencies. Given the significant cost of infrastructure, it is unlikely competition will occur. A management contract can also act as a transition model to future operating models. It is recommended the landline be bundled into the other businesses as it has a limited future and increasing cost base.			A management contract would create efficiencies and incentives for profit generating ventures, such as food services by the beach	Conservation is often government-run. It is important these options consider how to best achieve cost-recovery. The most aligned options are relatively easy to implement.	Privatisation is most closely aligned because the profit maximisation means an efficient number of plantations will occur or will cease operations if it is inefficient.

Summary of options continued

Option	Museum - conservation	Museum - production	Museum - retail	Broadcasting	WAS	Waste	NIGTB
Government delivery	58%	33%	33%	59%	36%	36%	61%
Shared services	57%	33%	37%	59%	34%	34%	59%
GBE	70%	52%	58%	66%	66%	63%	59%
Management contract	72%	62%	60%	69%	69%	69%	59%
Licensing	53%	47%	57%	50%	53%	56%	58%
Privatisation	50%	57%	57%	45%	48%	58%	45%
Key observations	<p>A management contract will assist in driving efficiencies that are currently not occurring, for instance reducing wages. Competition can still occur under a management contract and privatisation. Most of the current museum competitors are private businesses. Privatisation is complex to implement, as the assets belong to private individuals and the Commonwealth, who could easily refuse to sell the artefacts leaving little left to privatise.</p>			<p>Given the small size of the market it is unlikely that the broadcasting service would ever be able to turn a significant profit in its own right, but there is potential for broadening the revenue base.</p>	<p>The green options provide profit-making incentives, particularly given there is market growth opportunity which could in turn encourage expansion of the network by the operator.</p>	<p>The green options provide incentives to maximise efficiency and potentially profit, and provide scope for innovative service solutions to remove waste.</p>	<p>There is a core role for government providing marketing services and visitor information. Implementing the core requirements will drive efficiency gains.</p>

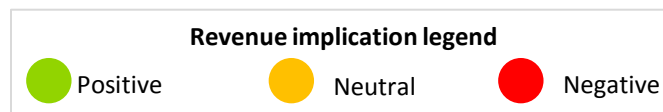
These options each have implementation considerations, at:

- An individual business level; and
 - A holistically NIA level

Individual business implementation considerations

Government business	Highest ranking option	Implementation considerations	Revenue implication*
Liquor bond wholesale	Licensing	<ul style="list-style-type: none"> Define the licence fee or allow the market to bid for licences 	●
Liquor bond retail	Privatisation	<ul style="list-style-type: none"> Ensure government can still meet CSO obligations regarding adverse impacts of alcohol consumption 	●
Electricity powerhouse	Management contract	<ul style="list-style-type: none"> Bundle powerhouse and reticulation to ensure both are supplied Set minimum requirements and allow the market to bid 	●
Electricity reticulation	Management contract	<ul style="list-style-type: none"> Consider any pricing or margin caps to ensure affordable access Include any infrastructure or maintenance into the contract 	●
Telecom mobile	Management contract/licensing	<ul style="list-style-type: none"> Incorporate infrastructure upgrade into contract 	●
Telecom landline	Privatisation	<ul style="list-style-type: none"> Bundling into a management contract to aid implementation and transition 	●
Telecom internet	Management contract/licensing	<ul style="list-style-type: none"> Incorporate infrastructure upgrade into contract 	●
Water assurance scheme	Management contract	<ul style="list-style-type: none"> Ensure CSO obligations are met by including incentives that address externalities (i.e. environmental and health). For instance fines if obligations are not achieved Consider incentives for operator to expand the network Consider inspection and fine component for non-adherence to appropriate treatment for private septic tanks 	●
Waste	Management contract	<ul style="list-style-type: none"> Ensure CSO obligations are met by including incentives that address externalities (i.e. environmental). For instance fines if obligations not achieved 	●
Energy	Management contract	<ul style="list-style-type: none"> Set minimum requirements (including maintenance) and allow the market to bid Consider any pricing or margin caps to ensure affordable access 	●
Tanalith	Management contract	<ul style="list-style-type: none"> Contract should specify that the plant is to operate as a broader lumber business, purchasing harvested logs wholesale, then treating and storing those logs for sale. 	●

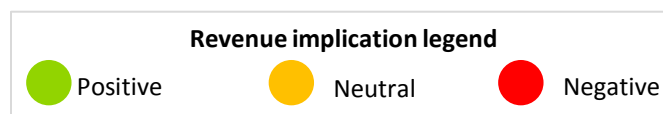
* Assuming some of the mentioned infrastructure investment occurs



Individual business implementation considerations

Government business	Highest ranking option	Implementation considerations	Revenue implication*
Broadcasting	Management contract	<ul style="list-style-type: none"> Operate community announcements section only Review sponsorship and advertising fees to improve cost recovery 	●
Fire services community	Government delivery	<ul style="list-style-type: none"> Community fee (i.e. tax) for emergency and community fire services cost recovery Undertake true cost model for all activities to charge cost recovery for activities i.e. inspection 	●
Fire services airport	Government delivery	<ul style="list-style-type: none"> Landing fee for cost recovery Shift to Commonwealth responsibility as per other fire aviation services 	●
Lighterage	Licensing	<ul style="list-style-type: none"> Define the licence fee or allow the market to bid Licence fee for the right to operate and/or the equipment Consider any caps on price or margins or fines if minimum service requirements are not met to ensure affordable and efficient access 	●
Post office retail	Privatisation	<ul style="list-style-type: none"> Consider only offering a management contract for postal services but allow for the operator to continue with retail so long as it is profitable 	●
Post office postal services	Management contract	<ul style="list-style-type: none"> Consider franchise opportunities, for instance through Australia Post 	●
Philatelic	Management contract	<ul style="list-style-type: none"> Contract out design and production of stamps who can set a cost-recovery price to the Post 	●
Forestry conservation	Shared services	<ul style="list-style-type: none"> Could achieve cost recovery by raising fees for tourism access, community maintenance (land tax) and/or camping fees Create greater efficiencies between Commonwealth (National Parks) and NIG (reserves) including through human capital and plant and equipment 	●
Forestry timber	Privatisation	<ul style="list-style-type: none"> Leave to private sector if there are no potential buyers Consider integration with tanalith plant to establish broader lumber business 	●
Airport	Government Business Enterprise	<ul style="list-style-type: none"> Consider the extent to which unavoidable 'island risk' hinders efficient investment Consider the potential competition provided by cruise passengers 	●

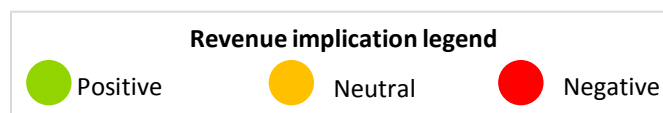
* Assuming some of the mentioned infrastructure investment occurs



Individual business implementation considerations

Government business	Highest ranking option	Implementation considerations	Revenue implication*
KAVHA	Management contract	<ul style="list-style-type: none"> Merging with museums Achieving cost recovery by charging fees for tourists to access KAVHA, introduce private sector operations such as cafés and bed and breakfast in quality row houses 	●
Museums conservation	Management contract	<ul style="list-style-type: none"> Funding opportunities through Commonwealth for preserving their assets Merging with KAVHA Create efficiencies through alternative building arrangements, thereby reducing wages 	●
Museums retail	Privatisation	<ul style="list-style-type: none"> Or could incorporate into museum conservation contract 	●
Museums production	Privatisation	<ul style="list-style-type: none"> Or could incorporate into museum conservation contract 	●
NIGTB	Management contract	<ul style="list-style-type: none"> Consider contract based on performance by outcomes for improving visitation or reducing expenditure Opportunities for cost-recovery such as fee for private tourism businesses or KAVHA or parks fees 	●
Gaming regulation	Government delivery	<ul style="list-style-type: none"> Consider licence fee structure 	●
Gaming business development	Licensing arrangements	<ul style="list-style-type: none"> The extent to which the government can receive a proportion of revenue from the operations 	●
Cascade sale of rock	Government delivery		●

* Assuming some of the mentioned infrastructure investment occurs



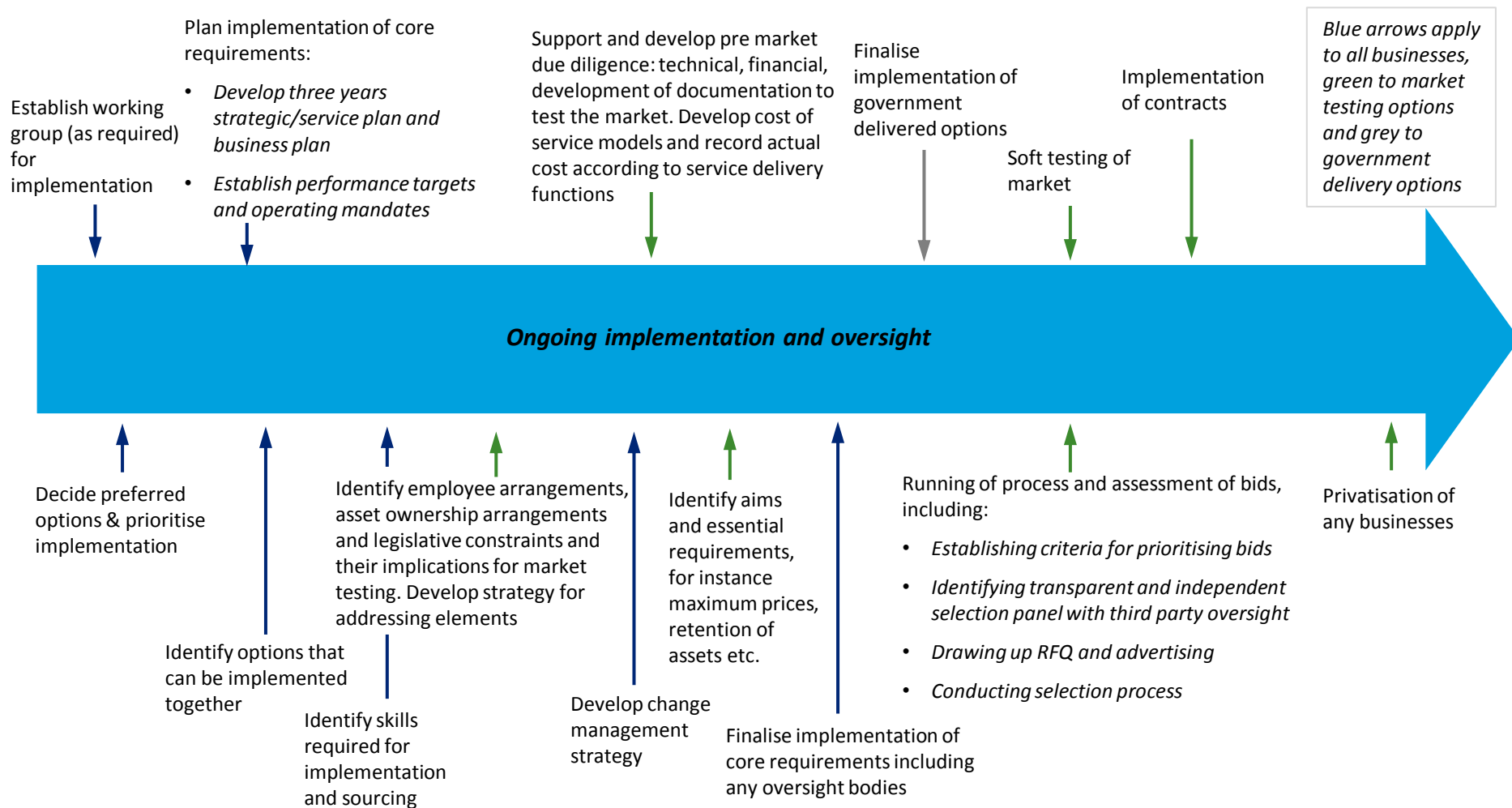
Implementation prioritisation

The options can be implemented in order of prioritisation with regard to what is most likely to have the greatest net gain. This can be considered in terms of reducing a risk and/or cost, such as delaying essential infrastructure investment, or the likely revenue that could be gained from implementation an option.



Implementation considerations

Implementing the options will be a gradual process and will require several stages for each of the businesses. The diagram below illustrates the key steps of implementation that need to be considered and an indicative timeframe. Timeframes will differ according to how businesses have been prioritised for implementation



4. Conclusion

Conclusion

- The businesses under review play a significant role in the fabric of Norfolk Island, and there are significant opportunities for their improvement.
- However, they are characterised by a lack of transparent and reliable accounts that makes it difficult to assess their true financial position; a lack of appropriate incentive structures in place to ensure that management operates in a profit maximising manner; and a lack of clear governance structures.
- Clearly something needs to change. At a minimum, the businesses considered should immediately look to implement the core requirements discussed above with regard to governance, reporting and operational features that represent best practice for business operations.
- This is a first step in the transition to any future operating options that the NIA wishes to implement. It will also have the benefit of driving more efficient and transparent operations.
- There are also opportunities for alternative operating structures to be implemented, which differs for each business in question. For some of the businesses, government ownership is likely to continue into the future, in some cases with some private sector participation through the outsourcing of management arrangements, through the 'proper' implementation of GBE arrangements, or through the outsourcing of back office functions to third parties. For others, it is recommended that some 'market testing' takes place with a view to ultimate privatisation in coming years.
- Realising the full potential of these businesses will require commitment from all governments and the NI community, and a willingness to build upon current foundations to move toward a more efficient, transparent and effective operating environment that will benefit the NI community.
- Change is often faced with resistance, but by effectively communicating goals, and desired end outcomes, NI can have the infrastructure and services desired by and required for the community.